UNITED STATES OF AMERICA

Congressional Record

PROCEEDINGS AND DEBATES OF THE 76th CONGRESS, THIRD SESSION

SENATE

TUESDAY, OCTOBER 1, 1940

(Legislative day of Wednesday, September 18, 1940)

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

Rev. Albert Joseph McCartney, D. D., pastor of the Covenant-First Presbyterian Church, Washington, D. C., offered the following prayer:

God is our refuge and our strength. I will lift up mine eyes unto the hills from whence cometh my help. He that dwelleth in the secret place of the Most High shall abide under the shadow of the Almighty.

Let us pray:

Almighty God, we, Thy servants, here assembled humbly acknowledge our constant need of divine guidance. Especially amid all the tumult and confusion of these days of decision through which our people are passing, when our hearts are anxious and our minds perplexed, we are made deeply conscious, in a very new and real sense, of our dependence on the wisdom and the counsel that cometh down from above, and is ever profitable to direct.

Behold the needs of these representatives of the people. Give them strength of body, clarity of mind, and honesty of heart, that they may counsel and act together for the welfare of our Nation and the world. Strengthen any who are especially burdened among us, and give us fortitude of spirit for all our undertakings. God bless our land, defend our liberties, preserve our unity, and give us peace. In the name of Jesus Christ the Prince of Peace. 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 Monday, September 30, 1940, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

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

MESSAGE FROM THE HOUSE

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

S. 253. An act to authorize the leasing of certain Indian lands subject to the approval of the Secretary of the Interior;

S. 3636. An act to amend the National Defense Act, as amended, so as to provide for retirement of assistant chiefs of branches and of wing commanders of the Air Corps with the rank and pay of the highest grade held by such officers as assistant chiefs and wing commanders, and for other purposes;

S. 3868. An act for the relief of certain former disbursing officers for the Civil Works Administration and the Federal Emergency Relief Administration;

S. 4258. An act to remove the restriction placed upon the use of certain lands acquired in connection with the expansion of Mitchel Field, N. Y.; and

S. J. Res. 267. Joint resolution providing for the acquisition by the Railroad Retirement Board of data needed in carrying out the provisions of the Railroad Retirement Act.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 960) extending the classified executive civil service of the United States; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. RAMSPECK, Mr. RANDOLPH, Mr. FRIES, Mrs. ROGERS of Massachusetts, and Mr. REES of Kansas were appointed managers on the part of the House at the conference.

The message further announced that the House had agreed to the amendments of the Senate to each of the following bills of the House:

H. R. 8868. An act conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of the Bolinross Chemical Co., Inc.; and

H. R. 9722. An act to provide for the regulation of the business of fire, marine, and casualty insurance, and for other purposes.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1160) for the relief of Roland Hanson, a minor, and Dr. E. A. Julien.

The message further announced that the House had agreed to the reports of the committees of conference on the disagreeing votes of the two Houses on the amendment of the Senate to each of the following bills of the House:

H. R. 3481. An act for the relief of C. Z. Bush and W. D. Kennedy; and

H. R. 4126. An act for the relief of Warren Zimmerman.

CALL OF THE ROLL

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

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Burke	Davis	Guffey
Andrews	Byrd	Downey	Gurney
Ashurst	Byrnes	Ellender	Hale
Austin	Capper	Frazier	Harrison
Bailey	Caraway	George	Hatch
Barkley	Chavez	Gerry	Hayden
Bilbo	Clark, Idaho	Gillette	Herring
Brown	Connally	Glass	Hill
Bulow	Danaher	Green	Holt

Hughes	Norris	Schwellenbach	Townsend
Johnson, Calif.	Nye	Sheppard	Truman
Johnson, Colo.	O'Mahoney	Shipstead	Tydings
King	Overton	Smathers	Vandenberg
McKellar	Pepper	Stewart	Van Nuys
McNary	Pittman	Taft	Walsh
Maloney	Radcliffe	Thomas, Idaho	Wheeler
Mead	Reed	Thomas, Okla.	White
Minton	Russell	Thomas, Utah	Wiley
Murray	Schwartz	Tobey	

Mr. MINTON. I announce that the Senator from Washington [Mr. BONE] and the Senator from Kentucky [Mr. CHANDLER] are absent because of illness.

The Senator from Alabama [Mr. BANKHEAD], the Senator from Missouri [Mr. CLARK], the Senator from Ohio [Mr. DONAHEY], the Senator from Oklahoma [Mr. LEE], the Senator from Illinois [Mr. LUCAS], the Senator from Nevada [Mr. MCCARRAN], the Senator from Arkansas [Mr. MILLER], the Senator from West Virginia [Mr. NEELY], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Illinois [Mr. SLATTERY], the Senator from South Carolina [Mr. SMITH], and the Senator from New York [Mr. WAGNER] are necessarily absent.

Mr. AUSTIN. I announce that the Senator from New Jersey [Mr. BARBOUR], the Senator from Vermont [Mr. GIBSON], the Senator from Oregon [Mr. HOLMAN], and the Senator from Massachusetts [Mr. LODGE] are necessarily absent.

The VICE PRESIDENT. Seventy-five Senators have answered to their names. A quorum is present.

PUBLIC-SCHOOL BUILDINGS, FROID, MONT.—VETO MESSAGE (S. DOC. NO. 301

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

To the Senate:

I return herewith, without my approval, the enrolled bill S. 1450, which would authorize an appropriation of $30,000 for cooperation with school district numbered 15, Froid, Mont., for the extension and improvement of public-school buildings.

Of a total school enrollment for the Froid district for the current year of 214, the Indian enrollment is only 14. Less than 7 percent, in other words, of the enrollment in the Froid district is comprised of children whose education is a responsibility of the Indian Service. Tuition for these Indian children is paid at the rate of 30 cents per day, with 10 cents a day per child additional for the noonday lunch.

In view of this ratio of Indian to white school children, and of the payment of tuition on account of the Indian children, it does not seem to me that the improvement of school facilities in the amount proposed in this bill may properly be regarded as a responsibility of the Indian Service.

While the bill provides for the recoupment by the United States, through reduction or elimination of the annual Federal tuition payments, of the amount to be expended, with interest at 3 percent per annum, within a period of 30 years, it is apparent that such recoupment would not be effected in view of the fact that the amount required to be paid to the Government for the first year would be $1,900 ($1,000 principal, and $900 interest), whereas the amount that would be earned by the school district on account of tuition for the Indian children—if in the same amount as for the last year—would be only $658.

For the foregoing reasons I am compelled to withhold approval of the bill.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *October 1, 1940.*

FEDERAL POWER COMMISSION INVESTIGATION OF PENNSYLVANIA SUBSIDIARIES OF ASSOCIATED GAS & ELECTRIC SYSTEM

The VICE PRESIDENT laid before the Senate a letter from the Chairman of the Federal Power Commission, transmitting copies of the order and opinion of the Commission in its investigation of six Pennsylvania subsidiaries of the Associated Gas & Electric System, also a copy of the trial examiner's report approved by the Commission, and making reference to holding companies, affiliates, and operating companies, which, with the accompanying papers, was referred to the Committee on Interstate Commerce.

REPORTS OF COMMITTEES

Mr. TYDINGS, from the Committee on Territories and Insular Affairs, to which was referred the bill (S. 4218) to extend to the Virgin Islands the provisions of certain laws relating to vocational education and civilian rehabilitation, reported it with amendments and submitted a report (No. 2189) thereon.

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

H. R. 8333. An act for the relief of Ralph W. Daggett, formerly lieutenant, Quartermaster Corps, United States Army (Rept. No. 2190); and

H. R. 8613. An act to amend the act to provide for the retirement of disabled nurses of the Army and the Navy (Rept. No. 2191).

Mrs. CARAWAY, from the Committee on Commerce, to which was referred the bill (S. 4363) granting the consent of Congress to the Department of Highways and the county of Big Stone, State of Minnesota, to construct, maintain, and operate a free highway bridge across the Whetstone Diversion Channel at or near Ortonville, Minn., reported it without amendment and submitted a report (No. 2192) thereon.

BILL INTRODUCED

Mr. BAILEY introduced a bill (S. 4392) for the relief of Thomas P. Waters, which was read twice by its title and referred to the Committee on Military Affairs.

ACQUISITION OF CERTAIN BRITISH POSSESSIONS AND REDUCTION OF GREAT BRITAIN'S INDEBTEDNESS TO THE UNITED STATES—REFERENCE OF BILL

Mr. KING. Mr. President, yesterday I introduced Senate bill 4391, to authorize negotiations for the acquisition of certain British possessions, to provide for reducing the indebtedness of Great Britain to the United States, and for other purposes. The bill is upon the table. I ask that it be referred to the Committee on Foreign Relations, where I think it is appropriate for it to go.

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

NOTICE OF MOTION TO SUSPEND THE RULE—AMENDMENT

Mr. OVERTON submitted the following notice in writing:

In accordance with rule XL of the standing rules of the Senate, I hereby give notice in writing that it is my intention to move to suspend paragraph 5 of rule XVI for the purpose of proposing to the bill (H. R. 10539) making supplemental appropriations for the support of the Government for the fiscal year ending June 30, 1941, and for other purposes, the following amendment, namely:

At the proper place in the bill, to insert the following:

"GEORGE WASHINGTON BICENTENNIAL COMMISSION

"For payment to Mrs. Katherine Clagett and to the estate of Dr. John Fitzpatrick $2,700 and $6,666.66, respectively, for services rendered the George Washington Bicentennial Commission in connection with the compilation of the definitive writings of George Washington, $9,366.66: *Provided*, That the payment to the said Mrs. Katherine Clagett shall be in full, complete, and final compensation of any and all claims arising out of services rendered to the George Washington Bicentennial Commission prior to June 30, 1940."

Mr. OVERTON also submitted an amendment intended to be proposed by him to House bill 10539, supra, which was referred to the Committee on Appropriations and ordered to be printed.

(For text of amendment referred to, see the foregoing notice.)

AMENDMENT TO MERCHANT MARINE ACT, 1936—MOTION TO RECONSIDER WITHDRAWN

Mr. KING. Mr. President, yesterday I interposed in the absence of a Senator a motion to reconsider the vote by which the bill (H. R. 9581) to amend the Merchant Marine Act, 1936, as amended, was passed. I desire now to withdraw the motion to reconsider.

The VICE PRESIDENT. The motion to reconsider having been withdrawn, the bill stands passed.

ADDRESS BY SENATOR LUCAS AT GRAND RAPIDS, MICH.

[Mr. BROWN asked and obtained leave to have printed in the RECORD the address delivered by Senator LUCAS at Grand Rapids, Mich., on Monday, September 23, 1940, which appears in the Appendix.]

EDUCATION'S DEFENSE OF DEMOCRACY—ADDRESS BY DANIEL L. MARSH

[Mr. WALSH asked and obtained leave to have printed in the RECORD an address delivered by the Honorable Daniel L. Marsh, president of Boston University, at the Boston University summer school commencement on August 10, 1940, on education's defense of democracy, which appears in the Appendix.]

STATEMENT BY HON. GEORGE C. PEERY ON LIMITATION OF PRESIDENTIAL TERM

[Mr. BURKE asked and obtained leave to have printed in the RECORD the statement of Hon. George C. Peery, formerly Governor of Virginia, before the subcommittee of the Senate Committee on the Judiciary on the question of the limitation of the Presidential term, which appears in the Appendix.]

EDITORIAL FROM MILWAUKEE SENTINEL ON THE THIRD TERM

[Mr. BURKE asked and obtained leave to have printed in the RECORD an editorial from the Milwaukee Sentinel of July 6, 1939, on the subject of a third Presidential term, which appears in the Appendix.]

ENGLISH PREDICTIONS OF AMERICAN ACTION

[Mr. HOLT asked and obtained leave to have printed in the RECORD an article entitled "English Publications Predict the Action of the United States With Great Accuracy," which appears in the Appendix.

PROFITS OF CORPORATIONS

[Mr. HOLT asked and obtained leave to have printed in the REDORD an article entitled "War Profits," which appears in the Appendix.]

GERMAN-ITALIAN-JAPANESE PACT

[Mr. PEPPER asked and obtained leave to have printed in the RECORD several articles on the subject of the German-Italian-Japanese pact, which appears in the Appendix.]

LABELING OF WOOL PRODUCTS; TRUTH IN FABRICS—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 162) to protect producers, manufacturers, distributors, and consumers from the unrevealed presence of substitutes and mixtures in spun, woven, knitted, felted, or otherwise manufactured wool products, and for other purposes.

The VICE PRESIDENT. The question before the Senate is on agreeing to the conference report on what is known as the truth-in-fabrics bill.

Mr. SCHWARTZ. Mr. President, I move the adoption of the conference report on Senate bill 162.

The VICE PRESIDENT. The motion is unnecessary. The question is already before the Senate.

Mr. THOMAS of Oklahoma. Mr. President, I desire to advise the Senate that I wish to be heard before a vote is taken on the motion.

The VICE PRESIDENT. The question is debatable.

Mr. THOMAS of Oklahoma. I shall be glad to yield to the proponent of the bill if he cares to take the time now.

Mr. GUFFEY and Mr. SCHWARTZ addressed the Chair.

The VICE PRESIDENT. Does the Senator from Oklahoma yield, and if so, to whom?

Mr. THOMAS of Oklahoma. I yield to the Senator from Pennsylvania.

S. FORRY LAUCKS AND THE YORK SAFE & LOCK CO.

Mr. GUFFEY. Mr. President, on Monday, September 23, 1940, the junior Senator from West Virginia [Mr. HOLT] addressed the Senate on the subject of politics in national defense. During the course of his remarks the Senator referred to Mr. S. Forry Laucks, president of the York Safe & Lock Co. The Senator read a statement published in a York newspaper concerning Mr. Laucks' appointment as head of a Statewide organization to form Roosevelt-Wallace clubs.

The Senator further referred to another item in the paper announcing the awarding of an artillery material contract to the York Safe & Lock Co. in the amount of $2,914,720. The Senator referred to other contracts awarded the York Safe & Lock Co. He stated that he had found a half-page advertisement of the York Safe & Lock Co. in the Democratic campaign book of this year, and that the company paid approximately, "he imagined," $4,000 for that.

Any reasonable man who heard or read the Senator's remarks about Mr. Laucks could not help concluding that he, the Senator, was inferring, if not actually stating, that Mr. Laucks and his company were obtaining their business from the Government on a political or favor-granting basis.

I cannot permit that inference to stand unchallenged. I have known Mr. Laucks for many years. He is one of the most public-spirited citizens with whom I or anyone else could come in contact. He is well-to-do, and became thus, not through inheritance or speculation, but through his ability to build up and operate in an efficient manner one of the finest plants in this country engaged in his particular kind of business.

The wherewithal which he has earned as an honest businessman is used to a considerable extent in support of worthy charities in the community of which he has been a part for many years.

There are employed in his plant many men of the highest skill in their respective trades. They have been with him for years.

When the depression hit this country during the Hoover administration, and corporations without souls were laying off men right and left, in order that they might conserve their capital, Mr. Laucks, who practically owns the York Safe & Lock Co., continued his men on the pay roll, even though they could not be kept busy, at a cost of hundreds of thousands of dollars to himself.

These men had been with him for years. They had been faithful to him. He was faithful to them, and would not throw them out upon the community when he knew they would be unable to find employment at that time. He is that kind of man.

Mr. Laucks is a Democrat of long standing. To my personal knowledge he was one prior to the election of Woodrow Wilson. He has been a generous contributor to Democratic campaign funds for many years. He contributed his share, or more, even, when the party was out of power. He did so because he believes in the principles of the party.

He did place an advertisement in this year's Democratic yearbook. He paid $1,000 for that ad, and not $4,000, as the junior Senator from West Virginia imagined. I have in my possession the receipt covering the advertising contract.

The junior Senator from West Virginia referred to the following contracts awarded the York Safe & Lock Co. by the Government:

Artillery matériel Ordnance Department, contract worth $2,914,720.

War Department, gun mounts worth $604,188.

Navy Department, gun mounts worth $59,846.27.

War Department, cradle assemblies worth $57,050.

War Department, gun carriages worth $794,300.

Every single one of those contracts was obtained as a result of competitive bidding, and I want to emphasize the word "competitive." In each and every instance the York Safe & Lock Co. was the low bidder.

The $2,914,724 contract for artillery matériel was obtained in competition with the National Pneumatic Co., whose bid amounted to $3,264,000. The York Safe & Lock Co. underbid that firm $349,276.

The $604,188 contract for gun mounts was obtained in competition with the Buckeye Traction Ditcher Co., of Findley, Ohio, and the Baldwin Locomotive Co., of Eddystone, Pa. The bids of the Buckeye Traction Ditcher Co., and the Baldwin Locomotive Co. were $752,960 and $838,760, respectively, as compared with the York Safe & Lock Co.'s bid of $604,188.

The $59,846.27 contract for gun mounts was obtained in competition with the Buckeye Traction Ditcher Co., of Findley, Ohio, the Westinghouse Electric Elevator Co., of Jersey City, N. J., and the Pollack Manufacturing Co., of Arlington, N. J.

These companies bid $60,253.01, $87,057, and $124,055.05, as compared with the York Safe & Lock Co. bid of $59,846.27.

The $57,050 contract for cradle assemblies was obtained in competition with the Harvey Machinery Co. of Los Angeles, Calif., and the Tucker Manufacturing Co. of Detroit, Mich. The latter two companies bid $57,258.64 and $79,038.70, respectively, as compared with the York Safe & Lock Co. bid of $57,050.

The $794,300 contract for gun carriages was obtained in competition with the Western Austin Co. of Harvey, Ill., and the Duplex Printing Press Co. of Battle Creek, Mich. These latter two companies bid $963,300 and $975,468, respectively, as compared with the York Safe & Lock Co. bid of $794,300.

The figures and statements just given and made by me are matters of public record and are available to those of us who care to take the time to see them. There is nothing in the record to warrant impugning the integrity of Mr. S. Forry Laucks or the York Safe & Lock Co. The junior Senator from West Virginia has done so by inference. If he is willing to accept facts, he should be glad to apologize to Mr. Laucks and the York Safe & Lock Co. I hope he will do so.

Mr. President, I ask that there be printed in the RECORD following my remarks a front-page article printed in the York (Pa.) Gazette and Daily, under date of September 25, 1940, entitled "S. Forry Laucks Hits Back at Senator HOLT"; a column from the same paper of the same date entitled "Around the Town"; and a column entitled "Around the Town" printed in the same paper under date of September 26.

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

[From the York (Pa.) Gazette and Daily of September 25, 1940]

S. FORRY LAUCKS HITS BACK AT SENATOR HOLT—POINTS OUT ALL CONTRACTS AWARDED TO YORK SAFE & LOCK CO. WERE AWARDED ON OPEN BIDS IN WHICH THE COMPANY WAS THE LOW BIDDER—HAS LONG BEEN A DEMOCRAT

S. Forry Laucks, president of the York Safe & Lock Co., last night denounced Senator RUSH D. HOLT, of West Virginia, for impugning the integrity of the Army and Navy procurement divisions in the matter of defense contracts awarded to the York Safe & Lock Co.

"All the contracts awarded our company," stated Mr. Laucks, "were awarded on open bids; and our company was the low bidder. The actual facts about them could have been ascertained by Senator HOLT if he had chosen to secure accurate information instead of just using the forum of the Senate to make misstatements about the national defense in order to raise suspicion of Federal officials at a time when the United States is going through a critical period.

NOTHING TO HIDE

"So far as orders placed with the York Safe & Lock Co. are concerned, we have nothing to hide. Every transaction is a matter of public record. We have no objection to that record being made public, but we deserve to have any citation of that record conform with the facts.

"We are proud of the fact that the York Safe & Lock Co. has been the successful bidder on a number of Government contracts. We entered the field of providing defense materials as soon as the need for better defense was apparent. We did not try to hold up the Government for high profits and special concessions as many manufacturing concerns have.

"Our plant is peculiarly adapted for making ordnance materials that require precision. It would be unpatriotic of us not to make this plant and its machine tools available to the Government when the Government needs it. We did it during the World War when we converted 95 percent of our plant capacity to war work. We shall continue that practice, and we will strain every effort to make as much of our plant as the Government needs available for Government work in spite of Senator HOLT or anybody else.

LOW BIDDER BY $349,276

"On one contract to which Senator HOLT referred, we were low bidder by $349,276. On another contract we were low bidder by $208.64, and we assured delivery in 280 days as against 550 days by the second lowest bidder. On another contract we were low bidder by $169,000 and promised delivery 150 days earlier than the second lowest bidder. On still another contract we were low bidder by $406.74.

FROM LONG LINE OF DEMOCRATS

"I have been a Democrat all my life. My father was a Democrat all his life and he died in 1916 at the age of 92. His father before him was a Democrat when he died at the age of 81. On my mother's side my grandfather was a Democrat and attended a Democratic Convention in York in 1836 and was a member of the resolutions committee of the convention.

"All my life I have been a contributor to the Democratic Party. I am happy to do my little bit now to help reelect Franklin D. Roosevelt, whom I supported in 1932 and 1936. What I contribute to the cause of the Democratic Party is in line with the Democratic tradition in which I was reared and has no connection whatever with my business.

"It seems strange, indeed, that a lifelong Democrat should have his integrity impugned, and that Federal officials should be made suspicious, when contracts are awarded on open bidding, but no question is raised when large numbers of firms who are now supporting the Republican candidate are given defense contracts by negotiation.

"The interest of the York Safe & Lock Co. in defense contracts is an interest in helping to provide for the defense of the country we love and in bringing into the community, in which I have spent my entire life, work for the highly skilled workmen for which York has an international reputation."

[From the York (Pa.) Gazette and Daily of September 25, 1940]

AROUND THE TOWN

York industry came in for a bit of free publicity in the Senate of the United States on Monday.

"Lame duck" Senator RUSH D. HOLT, who has an almost perfect record in the Senate for being misinformed and obnoxious, who will be retired to private life when the Senate adjourns, brought the matter up.

Senator HOLT would have us believe that the Democratic Party is macing firms receiving defense contracts for contributions to the Democratic Party.

He cited the case of Mr. S. Forry Laucks, whose firm, the York Safe & Lock Co., has been receiving numerous defense contracts.

Mr. Laucks, he says, paid $4,000 for an ad in the Democratic campaign book.

Senator HOLT picked a very unhappy example. We who live in York and York County, if we are at all acquainted with the political situation, know a little something of Forry Laucks' allegiance to the Democratic Party. Laucks was a Democrat before Woodrow Wilson became President. That was about the time Senator HOLT was falling out of his cradle.

Laucks has been a generous contributor to Democratic campaign funds for many years. Even when Democrats were out of power Laucks contributed more than his share to Democratic campaign funds.

It so happens that the York Safe & Lock Co. was engaged in a type of manufacturing that is peculiarly adaptable to conversion for defense materials. The York Safe & Lock Co. was among the first companies on the job. It wasn't holding back waiting for a chance to gouge the Government on orders. It began to expand its plant and equipment before other firms even got the notion that by concerted pressure they might get the Government to pay for expansion.

It didn't wait for contracts to be negotiated. It bid on Government orders and got those orders because it was the lowest bidder.

York industries have as a whole been cooperative with the national-defense program. They have been among the first to receive contracts. They might have been among that group which has been holding up the national defense in the hope of gouging higher profits and special concessions.

Other York industries that have Government contracts are the Read Machinery Co., the York Ice Machinery Co., the S. Morgan Smith Co., the American Chain & Cable Co., the A. B. Farquhar Co., and Joseph Black & Sons. There may be others.

Why Senator HOLT should have picked the one industry whose president has always been a Democratic angel we don't know, except that one might attribute it to the Senator's penchant for being wrong all the time.

York industries have a good record for cooperation with the Government's national-defense program. We hope they keep it up. Senator HOLT'S charges of macing are simply ridiculous.

[From the York (Pa.) Gazette and Daily of September 26, 1940]

AROUND THE TOWN

Since Senator RUSH D. HOLT'S attack on the York Safe & Lock Co., and its president, S. Forry Laucks, connecting Mr. Laucks' contributions to the Democratic Party with Government contracts, we have gone a little deeper into the matter of Government contracts.

What we find is that Willkie supporters in York are among those who received substantial contracts from the Government.

If the Democrats were making support of Roosevelt as a condition of receiving Government contracts, York industries would be in the doldrums.

The American Chain Co. has Government contracts. Its local plants manager is a registered Republican.

The International Chain Co. has Government contracts. Its executives have been outspoken Willkie supporters.

The Joseph Black & Sons Hosiery Co. has Government contracts. One of its executives is active in organizing Willkie clubs.

The York Ice Machinery Co. has Government contracts. The chairman of the board, Mr. William S. Shipley, is actively supporting the Willkie candidacy. So are other executives of the company.

The P. H. Glatfelter Co., Spring Grove, has large Government contracts. Its president, Philip Glatfelter, is a vociferous supporter of Willkie.

The Hanover Shoe Co. has Government contracts. The Sheppards and the Myers are strong Republicans.

The S. Morgan Smith Co. has received many Government contracts during the Roosevelt administration. Only recently this company was awarded a contract to furnish turbines in the amount of $763,000. This is small compared with previous Government contracts received by this firm.

But the Smiths were among the original Willkie supporters. Members of the Smith family were active in circulating Willkie petitions among the country-club set when the people were supposed to be demanding that the Republicans nominate Willkie.

A. B. Farquhar Co. has received Government contracts. The president of this company is a Democrat and the vice president a Republican.

Senator HOLT implied that it paid the York Safe & Lock Co. to be on the right side. He also charged macing by the Democrats on Government contracts.

If the Democrats were being maced, it would seem that the Farquhar Co. would have been maced. If all industrialists were being maced on Government contracts, then all of these many Republican industrialists must have been maced.

If such is the case, these Republican industrialists can elect Willkie. All they need to do is come forward and show that they have been blackjacked into contributions for Government orders. The reaction would be such that Roosevelt wouldn't have a chance.

If they have not been maced, then it would seem that they owe it to their fellow industrialist, Forry Laucks, to come out and say so and to join in denunciation of Senator HOLT's accusations.

We confess that we feel rather good about so many York firms getting Government contracts. It shows they have been active. It shows they have been right on the job when the country needed them. It shows that they are not overly greedy for profits.

But we are also glad about it because these Government contracts have brought millions of dollars' worth of work to York, providing our workmen with opportunities to use their skills, providing our merchants with a population that has purchasing power, and making York a good market for consumers' goods.

And we don't care whether the leaders of York's industries are Republicans or Democrats. We'd hate to think, however, that the contracts were secured because they were on the right side and contributing to party campaign funds in order to get them. We don't believe this is the case in any instance.

The mixture of the Smith family, the S. Morgan Smith Co., the Commonwealth & Southern Co., and Government contracts is interesting. It seems a case of the right hand ignoring what the left hand is doing.

The S. Morgan Smith Co. built turbines for the Georgia Power Co. Later on the Smith family became heavy security holders in the Georgia Power Co. One of the family sat on its board of directors for many years. In 1929 when Commonwealth & Southern was being formed by the Morgans, the Georgia Power Co. became an operating unit in the Commonwealth & Southern system. Members of the Smith family became heavily interested in Commonwealth & Southern.

When the Tennessee Valley Authority was created, the Georgia Power Co. became one of the foremost opponents of public power in the Tennesssee Valley. The parent company, Commonwealth & Southern, and Wendell Willkie, in particular, formed the spearhead of the drive against the Tennessee Valley Authority. The issue was public power versus private power. Public ownership was being severely condemned.

But all the while this fight against public power was going on, the S. Morgan Smith Co. was building hydroelectric-power equipment for Government controlled power development. And all the while, even up to the present time, that the Smith family were closely associated with the fight against public power, the Smith Co. was helping to bring public power to reality by building the machinery necessary. The latest contract of the S. Morgan Smith Co. for hydroelectric equipment for the Tennessee Valley Authority amounts to $763,000.

Mr. HOLT. Mr. President——

The PRESIDING OFFICER (Mr. CONNALLY in the chair). Does the Senator from Oklahoma yield?

Mr. THOMAS of Oklahoma. I shall be glad to yield until preliminary matters are disposed of, when I shall claim the floor again in my own right.

Mr. HOLT. Mr. President, relative to the remarks of the junior Senator from Pennsylvania [Mr. GUFFEY], he has not disputed a single, solitary statement I made on the floor of the Senate. I ask unanimous consent at this point in my remarks to have printed what I said on the floor of the Senate on the 23d day of September this year, as it appears on page 12449 of the RECORD.

The PRESIDING OFFICER. Is there objection to printing in the RECORD the matter suggested by the Senator from West Virginia?

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

POLITICS IN NATIONAL DEFENSE

Mr. HOLT. Mr. President, for a long while we have heard the statement that there should be no politics in national defense. I agree with that; I feel that we should have an adequate, strong national defense, but I do object to politics in the awarding of contracts.

The other day there was sent to me a newspaper containing a very significant item, which could be duplicated, I think, in many instances. It is a newspaper published in York, Pa., and the article is headed "Heads State Drive." It reads in this way:

"Appointment of S. Forry Laucks, president of the York Safe & Lock Co., as head of a State-wide organization to form Roosevelt-Wallace clubs, was announced yesterday by Dr. Luther A. Harr, Pennsylvania Democratic campaign chairman, at Harrisburg. The appointment was made by National Chairman Edward J. Flynn.

" 'It is my purpose to establish Roosevelt-Wallace clubs in every county,' Mr. Laucks said in a statement, 'and through their membership to prosecute a vigorous campaign, not only for these able candidates on our national ticket but for the reelection of United States Senator Joseph F. Guffey and for G. Harold Wagner for State treasurer and for F. Clair Ross for auditor general.

" 'In addition, the clubs will give special attention, too, to the candidacies of every Democratic aspirant to a seat in the State senate and in the house of representatives.' "

There is nothing particularly significant about that; Mr. Laucks has a perfect right to be chairman, but in the same newspaper I find this item:

"Local firms get war contracts totaling $3,046,120."

This is what is said under the heading—I will not burden the Senate by reading the complete list but in naming the contracts the newspaper says:

"Largest was an artillery matériel Ordnance Department contract awarded to the York Safe & Lock Co. and worth $2,914,720."

The York Safe & Lock Co. has as its president Mr. S. Forry Laucks, who, on the very day he got a contract for $3,000,000 from the United States Army, was named as chairman of the Pennsylvania Roosevelt-Wallace Clubs. It may only be a coincidence; I do not know; but it is quite an unusual thing to pick up a newspaper and see a man named as State chairman who at the same time gets $3,000,000 worth of contracts from the United States Government.

So I thought I would look a little further into the York Safe & Lock Co. I find that Mr. Laucks has a perfectly good reason to be for the ticket. I am not discussing whether he should or should not be, but here is what I find:

During the week of January 13, 1940, the York Safe & Lock Co. got a contract from the War Department for $604,188 worth of gun mounts, to be delivered on the 15th day of September. Then on the 10th of February 1940 I find the Navy gave a contract to the York Safe & Lock Co.—the Army had given them the other one—the Navy gave them a contract for $59,846.27 worth of gun mounts.

Not satisfied with that we find that on February 24, 1940, the War Department again gave the same York Safe & Lock Co. a $57,050 contract for cradle assemblies.

By the way, we find that delivery was to be made on the 2d day of November 1940. Of course, November 2, 1940, is a very good time to have the factories going.

Here is another thing. We find that in the week of August 24, 1940, the same York Safe & Lock Co. got a contract from the War Department for gun carriages amounting to $794,300. Add to those the recent contract given to the York Safe & Lock Co. amounting to $2,914,720, and it will be seen that it pays to be on the right side.

It will be remembered that in 1937 I discussed the Democratic campaign book of 1936. I picked up the Democratic campaign book of this year with the words "Price, 25 cents" marked out. I turn to page 114, and I find a half-page advertisement of the York Safe & Lock Co. They paid approximately, I imagine, $4,000 for that. Of course, that was a pretty good investment; there can be no doubt about that, because we find that in September they got a $3,000,000 contract from the Government.

Mr. HOLT. Mr. President, I stated that a copy of the York paper containing matter relative to Mr. S. Forry Laucks had been sent to me, and I have the paper in my hand at this time. At the head of one column is the line "Heads State Drive," and then it is shown that Mr. S. Forry Laucks had been named as president of the Roosevelt-Wallace Clubs in Pennsylvania as president of the York Safe & Lock Co.

On the same identical front page of the same paper, down in the fifth column from the left, is the reference, "Local firms get war contracts totalling $3,046,120," and it states what I said on the floor of the Senate:

Largest was an artillery matériel Ordnance Department contract awarded to the York Safe & Lock Co. and worth $2,914,720.

I listed contracts which were given to Mr. S. Forry Laucks, and I found that I did not list them all. But, let me state the situation.

Mr. Laucks, as president of the York Safe & Lock Co., donated money to the Democratic campaign fund in direct violation of section 313 of the Corrupt Practice Law, which provides:

It is unlawful for any national bank or any corporation * * * to make a contribution * * * in connection with any election at which Presidential and Vice Presidential electors or a

Senator or Representative in, or a Delegate or Resident Commissioner to, Congress are to be voted for, or for any candidate, political committee, or other person to accept or receive any contribution prohibited by this section.

I am sure the Senator from Pennsylvania does not want the Senate to think that the activities in Pennsylvania are as pure as the icicles which hung from Diana's temple. He might be able to tell that to the people of Afghanistan or Zanzibar, but he cannot tell it to the United States Senate.

I say that Mr. S. Forry Laucks took a half page "ad" in the Democratic campaign book. I say that the very day when he was awarded a $2,000,000 contract, as shown by the York paper, he came out publicly not only for the President and Vice President, but for the Senator from Pennsylvania and all other candidates on the ticket. I say that he rendered himself liable for this public indictment when he did so, taking Government contracts under those circumstances.

I do not blame the Senator from Pennsylvania for replying to me; and I say this with no personal ill will at all, and I want him to know that. I know that he told the truth when he said that S. Forry Laucks had been a great contributor to the party. No one denies that. I find that on March 23, 1940, Mr. S. Forry Laucks donated to the Joseph F. Guffey State campaign committee in Philadelphia $2,500. I find that on the 20th day of April 1940, Mr. S. Forry Laucks donated $500 more to the York County Joseph F. Guffey campaign committee.

I have not checked all the record. That has been impossible, I have had so much work to do, but the Senator from Pennsylvania had told the truth about Mr. Laucks, because I find that during the months of March and April of this year he donated $3,000 to the Guffey campaign committee, and, of course, I do not blame the Senator for defending him on the floor of the Senate. However, I do not want him to think there is any personal feeling about the matter.

I also read in the York Dispatch under date of April 20, 1940, Mr. Laucks' paid advertisement, for which he paid the Dispatch Publishing Co. $48, and the purpose of that advertisement, which I have here, is indicated in the reading:

> To all Democrats who wish for fair play and success of their party. Why GUFFEY should be renominated.

That is in the York Dispatch of April 20.

I find that he also paid $48 for the same kind of an advertisement in the York Gazette and Daily as to why JOSEPH F. GUFFEY should be elected to the United States Senate.

Mr. President, I say that no one can dispute the fact that Mr. Laucks, as president of the York Safe & Lock Co., did take an advertisement in the Democratic campaign book. What he paid for it I do not know, and I said I did not know. If he got the advertisement for $1,000 it was pretty cheap advertisement and a very good investment. No one denies that. But I say that he received millions of dollars worth of contracts. Anyone who reads the record will find that out.

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

Mr. HOLT. Yes; I shall be glad to yield.

Mr. GUFFEY. I ask the Senator from West Virginia if Mr. Laucks did not win, in open competition, every contract the Senator looked up?

Mr. HOLT. I am coming to that.

Mr. GUFFEY. I ask, did he not win it in open competition?

Mr. HOLT. I will answer the Senator in just a moment. I will say that I tried to get those contracts. I have called the office of the Chief of Ordnance of the War Department, I have called the Assistant Secretary of War, and they say they cannot find those contracts anywhere. I do not know where they are. I am not saying where they are. But it is unusual when a Member of the Senate calls up and they cannot even find the contracts. One person said over the telephone—I do not recall who it was in the Department—"He did not get any contracts in 1940." I said, "If you will look back on a certain date you will find one." My office gave him the date, gave him what the contract was for, and who the contract was to, and he said, "We cannot find that information unless you get us the contract number."

How in the world could a Member of the Senate, or anyone else, know what contract number was assigned? I have tried to find out, but cannot. I say that on the face of it—

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

Mr. HOLT. I shall be glad to yield.

Mr. GUFFEY. Why did the Senator not offer a resolution asking for that information from both the War Department and the Navy Department? If the Senator does that he will get that information. I have a copy of the contract here from Mr. Laucks' files. The Senator can obtain it if he offers the proper resolution asking for it.

The Senator is trying to impugn Mr. Laucks' motives and actions. I have known Mr. Laucks since 1912. He was a large contributor to the Woodrow Wilson campaign fund, and he has contributed to the party campaign fund ever since, whether he had contracts or not. The Senator can obtain the information if he honestly desires to obtain it, by offering a resolution; but the trouble is that the Senator does not honestly want to obtain it. [Laughter in the galleries.]

Mr. HOLT. I will say to the Senator from Pennsylvania that I did not think it was necessary for a Member of the United States Senate to introduce a resolution for that purpose when I personally have tried to get the information from the War Department by means of telephone calls time after time. I do not know what is in those contracts, but I do say, knowing how competitive bidding is done in the State of Pennsylvania which the Senator from Pennsylvania discussed in connection with a gravel contract last spring—I know how competitive bidding is done. Everyone knows how it is done. Competition in Pennsylvania is easy. If you allow me to write the contract, I will tell you who will get the contract without question. And I repeat again on the floor of the Senate what I have previously said, that Mr. S. Forry Laucks took the campaign leadership on the day that he got his contract for $3,000,000 and became president of the Roosevelt-Wallace clubs. I have shown here today that the Senator from Pennsylvania's campaign received $3,000 at the very time this man Laucks was getting Government contracts.

I do not think the Senator's speech was worth $3,000 to him, but nevertheless the fact is here. The contracts are known. Mr. Laucks indicts himself by his actions. I make no apology to Mr. Laucks, and I make the statement that his actions do indict his own record, because at the very time he was getting contracts he should not have accepted this political appointment.

I want the RECORD to show that every statement I have made is based on facts. Mr. Laucks, in my opinion, has been a good party worker in Pennsylvania—I do not deny that—he has been paid well for that party work.

I have been told recently another very interesting thing in connection with Mr. Laucks and the Government, and I will come back and discuss that a little later on. I did not intend to go into the matter this morning. I did not know that the Senator from Pennsylvania was going to speak, but I do wish the RECORD to show that I told the truth, and now I want to add to it the fact that Mr. Laucks donated to the Senator from Pennsylvania $3,000 at the time that Mr. Laucks was getting Government contracts.

LABELING OF WOOL PRODUCTS; TRUTH IN FABRICS—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 162) to protect producers, manufacturers, distributors, and consumers from the unrevealed presence of substitutes and mixtures in spun, woven, knitted, felted, or otherwise manufactured wool products, and for other purposes.

The PRESIDING OFFICER (Mr. BROWN in the chair). The question is on agreeing to the conference report.

Mr. THOMAS of Oklahoma. Mr. President, the motion pending before the Senate is to agree to the conference committee report on Senate bill 162. The bill with respect to which the conference report assumes to bring about an agreement, relates to wool. The bill is sometimes called a truth-in-fabrics bill. The proposed legislation has been pending

before the Congress for 38 years. Members have come to Congress, have introduced bills designed to solve this problem, have tried to secure their passage, and have failed. Many years ago the senior Senator from Kansas [Mr. CAPPER] introduced such a bill in the Senate and at the same time Representative French introduced a similar bill in the House. They tried to write bills which would enable the consumer to know what kind of cloth was contained in a garment; but they decided they could not write such legislation.

Mr. President, we are now dealing with the subject of wool. The purpose of the bill is to raise the price of wool. This particular bill was introduced in the Senate early in the present Congress. The bill was referred to a subcommittee. The subcommittee made many amendments to the bill, and reported it to the Senate.

The Senate made some amendments to the bill, and sent it on to the House of Representatives. The House made 25 amendments to the bill, and sent it back to this body. At that time a motion was made that the Senate agree to the House amendments. I objected to that motion, and after discussing it for some time it was agreed that the bill should go to conference. The bill went to conference. Conferees were appointed on behalf of the Senate and likewise on behalf of the House.

I made objection to the bill because, first, it is an anticotton bill. I made objection, secondly, because the bill would raise the price of wool, which means that it would raise the price of wool products, the price of wool cloth, and the price of many textile articles which must be bought for the United States Army that is now in process of making.

I made the charge, Mr. President, that the bill would regiment one of the great industries of America, that is, the woolen industry. I made the further charge that the bill, if passed, would set a precedent for the regimentation of every class of industry, and because no good purpose could be served by the passage of the bill, I opposed it, and I oppose it now.

Mr. President, because the bill has had little consideration on the floor of the Senate, I shall take what time is necessary to make a statement for the RECORD. I do not expect Senators to stay on the floor and listen to me speak. They have not done so in the past, and I cannot expect them to do so now. But the RECORD will show, I hope, the reasons I have for voting against the bill and for opposing the adoption of the conference report. I shall not take a moment's time that I do not conceive to be necessary to explain what the bill means. It has to do with wool. It is a bill, so I understand, to provide a plan by which the public may ascertain the "truth in fabric," and, wool being the main part of the fabric that is referred to, I asked the question on a former occasion if some Member of the Senate could define wool, and as I remember, not a Member on the floor could define wool. There were two or three Members present on that occasion, the junior Senator from Wyoming [Mr. SCHWARTZ], the author of the bill, the senior Member from Wyoming [Mr. O'MAHONEY], and the junior Senator from Colorado [Mr. JOHNSON], who did have some understanding about this piece of proposed legislation.

Mr. President, I desire to call attention to the conference committee. It was a carefully selected committee. I make no complaint about that, because the author of the bill has the right to submit his recommendations in that respect. The author of the bill selected a conference committee on behalf of the Senate. The chairman of the committee was the Senator from Montana [Mr. WHEELER]. I made the charge that this was an anticotton bill; and, of course, there is no cotton grown in the State of Montana.

The second member of the committee was the Senator from New Hampshire [Mr. TOBEY]. Of course, there is no cotton grown in the State of New Hampshire.

The third member was the junior Senator from Wyoming [Mr. SCHWARTZ]. There is no cotton grown in that State, so far as I know.

The fourth member of the committee was the junior Senator from Kansas [Mr. REED]. There may be a little cotton grown in Kansas, but I doubt it. I think cotton does not grow that far north. Certainly no cotton of any consequence or value is grown in Kansas.

The fifth member of the committee was the junior Senator from Colorado [Mr. JOHNSON]; and there is no cotton grown in the State of Colorado.

So the members of the conference committee on behalf of the Senate were selected from non-cotton-growing States. They were selected from States which produce wool. I make no complaint about that, but I do make complaint that when the committee, appointed as it was, conferred with the conferees on the part of the House—they did not have a conference, they had a meeting, and that is all they had.

The conference report reads as follows:

Having met—

Well, the conferees met all right—

after full and free conference—

That they did not have. I was not present. I was not a member of the conference committee, but I understand from three members of the House conference committee, who did not sign the report, that there was no conference; that the moment the conferees got together the Senate conferees said, "We accept the House bill," and the majority of the House members said, "We have passed the House bill, and we have nothing to concede; you accept our amendment; therefore there is no occasion for a conference." So in this particular case the Senate conferees accepted the 25 amendments of the House without discussion.

Mr. President, I wish to call attention to one of the amendments which the Senate conferees accepted. On page 9 of the conference committee's confidential print we find amendment No. 17. Amendment No. 17 relates to the word "wood." In some manner as the bill passed the House it contained the word "wood"—w-o-o-d, instead of the word "wool," w-o-o-l. So the bill came to this body with the word "wood" in it.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. SCHWARTZ. I do not expect to interrupt the Senator, but I simply wish to say, in respect to his suggestion as to the word "wood," that if the Senator will read the RECORD he will find that the bill which the House was discussing was read into the RECORD in full, and it uses the word "wool," and not "wood."

Mr. THOMAS of Oklahoma. Mr. President, I can only know what we see before us. Amendment No. 17 refers to the word "wood," and the conferees did not give sufficient consideration to the 25 amendments to correct the word "wood" to what it should be, the word "wool." We are now asked to agree to a conference report relating to wood. So I make the positive statement, Mr. President, that there was no full conference; there was no free conference. The Senate conferees met with the House conferees, and the Senate conferees accepted 25 amendments at one fell swoop, and the report is sent back to the Senate with the recommendation that the Senate agree to the House action, containing 25 amendments to the Senate bill. We have before us a copy of the Senate bill, and by turning to page 16 of the text of the bill we find there are 25 amendments.

The last amendment, the twenty-fifth amendment, is an entirely new section, which exempts furniture cloth from the provisions of the bill. I desire to read the twenty-fifth amendment:

EXCEPTIONS

SEC. 14. None of the provisions of this act shall be construed to apply to the manufacture, delivery for shipment, shipment, sale, or offering for sale any carpets, rugs, mats, or upholsteries, nor to any person manufacturing, delivering for shipment, shipping, selling, or offering for sale any carpets, rugs, mats, or upholsteries.

I am not opposed to that amendment. I think such articles should be excepted from the bill, because oftentimes the materials which go into furniture cloth are largely materials other than wool. They are a mixture of fibers. Perhaps there is some wool in the cloth used for upholstering. It may also contain cotton, rayon, or perhaps silk. So there is no excuse, so far as I can see, for not excepting the cloth used

in connection with furniture. But the same reason which applies to the cloth used to make furniture should exempt every other class of cloth made from wool.

Mr. President, in my judgment, those who vote for the conference report vote for higher prices for wool. If wool were at a low price, I should not complain about that. I like to see reasonably high prices; but at the present time wool is selling at 120 percent of parity. We have been striving for 100-percent parity. We like to have wool up to 100 percent of parity. The same statement applies to wheat, cotton, and all other agricultural products. Parity means a price bearing the same relation to the price of the finished product as the price of the finished product bears to 100. Today wool is selling at 120 percent of parity.

Let me call the attention of the Senate to what happened yesterday. I read a news item from today's Washington Post. It is on page 21, under the heading "Woolen Prices Up 5 Cents a Yard." That was yesterday, Mr. President. I read:

WOOLEN PRICES UP 5 CENTS A YARD

NEW YORK, September 30.—The American Woolen Co. announced today a boost of 5 cents a yard on woolen and worsted goods and 2½ cents a yard on tropical and blended lines. The price changes apply to spring goods recently put on the market.

Textile prices have been stiffening as result of heavy buying both for military and civilian needs.

In the wool top futures market, a sharp rise in price continued. At one time contracts were up about 3 cents a pound today.

We now have pending before the Senate a bill proposing to raise the price of wool still higher, when it is now at 120 percent of parity, and went up yesterday 3 cents per pound. I cannot vote for such a bill. Those who desire to do so will have the privilege later today to vote for a still higher price for wool. That means a higher price for wool products—woolen cloth, woolen suits, and woolen coats. It means a higher price for every uniform worn by an American soldier or sailor when we are assembling a force to protect the property and people of the United States.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. CHAVEZ. The argument of the Senator from Oklahoma sounds very plausible, but he forgets that it is possibly the fault of Congress that the prices of wool are now what they are. I do not think they are outrageous. I think the wool growers have gone through as much agony as have the cotton growers or any other producers of commodities. Only lately have the wool growers been able to obtain sufficiently high prices to pay the cost of production of their product. Congress itself set a limit on the profits.

Only a few short months ago we passed an appropriation bill for the War Department which contained an item for wool. Some of us, even from wool-growing States—and I happen to be one of that number—wanted to limit the profit. Nevertheless, Congress did otherwise.

If anyone needs protection, it is the wool grower. I do not mean that he should be the only one protected. I feel that the cotton grower should have protection as well, but the wool grower has certainly suffered sufficiently at the hands of Congress. I do not think Congress would be doing too much for the wool grower if it should pass a bill providing, in effect, that if one asks for a wool blanket it shall be a wool blanket. That is all there is to the bill.

Mr. THOMAS of Oklahoma. Mr. President, I am not complaining against fair prices for wool; I stand for fair prices for wool. My State produces wool in abundance. My State likewise produces cotton; it can produce 1,000,000 bales of cotton. I maintain that the bill is an anticotton bill. If the bill increases the demand for wool, it decreases the demand for products such as cotton, silk, rayon, nylon, and other substitutes for wool.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. CHAVEZ. The only reason why the price of wool is what it now is, and the only reason why the wool grower is not bankrupt this very day, is the fact that Congress passed a bill containing an item of $75,000,000 to buy the necessary woolen cloth for the soldiers whom we are trying to take care of, to provide them with suits, coats, trousers, underwear, hats, blankets, and so forth. That is the only reason why the price of wool is at a reasonable level. Otherwise the wool growers would be in worse condition than are the cotton growers.

Mr. THOMAS of Oklahoma. At a time such as this, when we cannot foresee when we shall not be in the market for wool, I maintain that we should not place upon the statute books a law which would still further increase the price of wool.

Mr. President, those who vote for the conference report will vote for higher prices for wool. There can be no doubt about that. Those who vote for the conference report will vote for higher prices to be paid for Army uniforms, overcoats, blankets, underwear, socks, sweaters, and gloves.

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

The PRESIDING OFFICER (Mr. FRAZIER in the chair). Does the Senator from Oklahoma yield to the Senator from New Mexico?

Mr. THOMAS of Oklahoma. I yield.

Mr. CHAVEZ. I do not wish to impose upon the good nature of the Senator; but is it not true that the only reason why industries in general, including the steel industry, the munitions industry, powder makers, and explosives makers, are receiving any profit whatsoever is because of the emergency of the moment? It is not because anyone wants to provide some special benefit for the wool grower. It happens that there is an emergency at the moment, and that is the only reason why the wool grower is now able to pay his sheep herders.

Mr. THOMAS of Oklahoma. So far as I know, there is no bill before the Senate to increase the price of steel. So far as I know, there is no bill before the Senate to increase the price of copper or the prices of foodstuffs to the American people.

Mr. CHAVEZ. That is correct; but this is the first bill in a lifetime wherein the wool grower has been in some measure protected, even though it had to happen during the emergency.

No one can tell me that the dividends to the steel companies or copper producers will not be larger than those received by wool growers. Whether or not the United States can produce copper more cheaply than it can be produced elsewhere is immaterial. We have an emergency, and we need copper at this particular moment.

Mr. THOMAS of Oklahoma. The Senator from New Mexico has now qualified as a wool expert, and I wish to ask him some questions. He is almost the only Senator who is willing to listen to me, and I presume he is glad to answer questions.

Mr. CHAVEZ. Certainly.

Mr. THOMAS of Oklahoma. The bill relates to wool; does it not?

Mr. CHAVEZ. That is correct.

Mr. THOMAS of Oklahoma. What is wool?

Mr. CHAVEZ. I shall try to answer as best I can. Wool is the fleece of the sheep.

Mr. THOMAS of Oklahoma. It is not so defined in the bill.

Mr. CHAVEZ. I think it is.

Mr. THOMAS of Oklahoma. Let me read the definition to the Senator.

Mr. CHAVEZ. We are not talking about shoddy. We are talking about wool.

Mr. THOMAS of Oklahoma. Under the terms of the bill, wool means the fiber from the fleece of the sheep or lamb. The Senator left out lambs.

Mr. CHAVEZ. I hope the Senator will not quibble over the difference between a sheep and a lamb.

Mr. THOMAS of Oklahoma. The definition also includes the hair of the Angora or Cashmere goat. Is that wool?

Mr. CHAVEZ. It is a fleece.

Mr. THOMAS of Oklahoma. Is the hair of a goat wool?

Mr. CHAVEZ. It answers the same purpose.

Mr. THOMAS of Oklahoma. Shoddy would answer the same purpose.

Mr. CHAVEZ. Except that it is of a different quality.

Mr. THOMAS of Oklahoma. There are different qualities of sheep; are there not?

Mr. CHAVEZ. A shirt is a shirt; but a shirt may be made of wool or of cotton.

Mr. THOMAS of Oklahoma. The bill defines wool as a fiber from the fleece of the sheep or lamb, or the hair of the Angora or Cashmere goat. The Senator was not present the other day when this matter was being discussed. The fleece of a goat would include his whiskers; would it not? Under the terms of the bill, a billy goat's whiskers are defined as virgin wool. Does the Senator believe that to be correct?

Mr. CHAVEZ. In the case of cotton, there is Delta cotton, New Mexico cotton, long-staple cotton, and short-staple cotton.

Mr. THOMAS of Oklahoma. The bill makes no distinction. I shall come to that question later. The bill also defines wool as the fiber from the hair of a camel. Is camel's hair wool?

Mr. SCHWARTZ. Mr. President——

Mr. THOMAS of Oklahoma. I am asking the Senator from New Mexico some questions. I shall be glad later to yield to the Senator from Wyoming.

Mr. SCHWARTZ. If I may——

Mr. THOMAS of Oklahoma. I am asking the Senator from New Mexico some questions.

Mr. CHAVEZ. I shall try to answer the question. The hair of a camel is used for certain purposes.

Mr. THOMAS of Oklahoma. The bristles of a hog are used for certain purposes, but they are certainly not virgin wool.

Mr. CHAVEZ. That is correct; but the fleece of an Angora goat is used for the same purpose as is the fleece of a sheep, lamb, or wether, or whatever one may choose to call it.

Mr. THOMAS of Oklahoma. Under the terms of the bill, the hair of an alpaca is wool.

Mr. SCHWARTZ. Mr. President——

Mr. THOMAS of Oklahoma. Under the terms of the bill the hair of a llama is wool.

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

Mr. THOMAS of Oklahoma. No; I will not yield now. I am asking the Senator from New Mexico some questions.

Mr. SCHWARTZ. The Senator from New Mexico has resumed his seat.

Mr. THOMAS of Oklahoma. I yield.

Mr. SCHWARTZ. The Senator from Oklahoma said that no Member of the Senate seems to be able to give a definition of wool.

Mr. THOMAS of Oklahoma. I did.

Mr. SCHWARTZ. I hold in my hand the American Wool Handbook, which is the textbook of the wool industry and of the textile industry. It is used in the Columbia University Textile College, and it has the indorsement of Mr. Besse, who is the head of the wool industry. I wish to read his definition of wool. I ask the Senator to bear in mind that we are not dealing with wool from the biological standpoint alone. We are dealing with wool as it enters into commerce; so we are interested in the commercial definition of wool as well as the biological definition. This is the definition given by the handbook:

> Wool. The hair of the sheep. Commercially includes the hairs of alpaca, Angora goat, camel, Cashmere goat, llama, and vicuna.

I will say for the benefit of the Senator, inasmuch as we are discussing this particular subject at this time, that every one of those hairs and every one of those special fibers is more expensive than wool. Although in one section of the bill those fibers are included in the definition of wool, under another section of the bill the Federal Trade Commission may give them a special classification.

The Senator just asked the Senator from New Mexico again as to whether whiskers are wool. I want to say to the Senator that, while it may be all very fine to engage in some poor bucolic humor, this is a serious matter. However, the Senator was talking about the whiskers of the Angora goat, and the other day he referred to the fact that he used to be a school teacher. I never taught school, but I have talked to many school teachers. When I was in the primary grades I believed everything I was told; when I reached high school I began to have some doubt, and when I come into the Senate and hear a school teacher begin to talk, I want to take some exception. I show to the Senator an article [exhibiting] which contains sheep wool and also Angora goat wool. If he will look at it, he will see that it is as soft as a baby's kiss, as white and pure as a maiden's dream, and as warm as the love of a good woman. [Laughter.] Yet the Senator talks about the whiskers of the Angora goat.

Mr. THOMAS of Oklahoma. Mr. President, on a former occasion——

Mr. SCHWARTZ. I should like to show the Senator one more sample. Here is a cloth, a tapestry. The pile of it is Angora; all of it is mohair.

Mr. THOMAS of Oklahoma. Mr. President, on a former occasion, I exhibited to the Senate a sample of a pure wool sock. It was made for a man who wore about a No. 11½ or 12 shoe. The sock was sufficiently large so that a man with a foot of that size could get both feet into one sock. After the sock had been laundered three times it was too small for any man to wear, and only a very small youngster could get the sock upon his foot. I am not sure what this is. It seems to be a dollar pair of Woodward & Lothrop's socks, and, from what I know about socks, if this pair should be laundered about twice it would be suitable for a baby to wear.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. SCHWARTZ. The Senator has brought up the matter of the socks. The other day the Senator held up a sock and said it was a No. 11, adapted to fit his feet. Here [exhibiting] is a No. 11, 100-percent wool sock, and I assume it is just about what the Senator bought. It has a lot of loose wool in it so as to give warmth to keep the Senator's "tootsies" warm, but it is also well-knit, though rather loosely here and there, so as to ventilate his feet. I wish to state to the Senator that this particular sock has on it a label with which the Senator was not familiar or did not take the trouble to read. Every housewise in America knows how to launder a wool sock so that it will not shrink.

Mr. THOMAS of Oklahoma. That is more than the laundryman knows sometimes.

Mr. SCHWARTZ. But every laundryman should know. On occasions the dudes and dudeens from down East go West and there they wash their own socks. So the average dealer puts a label on them telling how to wash them. That is done also for the benefit of the tenderfeet who come from the sunburned stretches of Oklahoma and go to Alaska in the middle of the summer with the idea that there is a very cold climate there when really the Alaskan climate is salubrious and mild. This [exhibiting] is the sock about which the Senator spoke. He said he sent that sock to the laundry, and this [exhibiting] is what came back. When he was talking about that sock the distinguished senior Senator from Maryland [Mr. TYDINGS] was acting as interlocutor, and I thought I saw a naughty twinkle in his eye. On first blush—and I thought he was blushing—I thought I had an answer, but I did not express it, because knowing the Senator as I do, having traveled all over the United States with him by air, I knew that blushing was not necessary in his case, but this is the thought that occurred to me—

> Little Bo Peep
> Lost her sheep (her socks)
> And did not know where to find them.
> She let them alone, and finally they came home
> In the Senator's laundry.

[Laughter.]

But that was not what happened. What happened was he sent his socks to the laundry in good faith, to some laundry that did not happen to know or did not take the trouble to

find out how the socks should be ironed. That is one suggestion as to what happened to the Senator's socks. But the more probable one is that his laundry, by mistake, took a pair of ladies' little socks and sent them back to the Senator, and the Senator, in his innocence, assumed that the socks he sent to the laundry had shrunk and lost their wool content, and whereas before they may have weighed some 3 or 4 ounces when they got back, for some mysterious reason, they did not weigh more than an ounce.

Mr. THOMAS of Oklahoma. Mr. President, it is very interesting to hear the Senator talk about presumption. The facts are that this large pair of socks was made large because the maker knew that they would shrink, and when they were sent to the laundry they did shrink. The more they are laundered the more they shrink, the more they shrink the smaller they get, and, after a while, they are worthless for any purpose whatever. For that reason, one cannot buy such hose at the same place he bought them a while ago, because they are not serviceable, they will not wear well, they shrink, and the store quits selling them anymore. The kind that I had reference to had legs as long as the whole sock the Senator exhibits.

Mr. SCHWARTZ. What the Senator had were ribbed, making them a little longer, and the ones that came back even had about the top the pretty little red stripe of which the Senator spoke. But as for saying that one cannot get them, everybody knows that every yarn-and-sock manufacturer in the United States makes them of all wool, and makes them for use in cold climates. This particular one, I want to say, was made by the Hand Knit Hosiery Co., of Sheboygan, Wis., and any dealer who understands woolen goods and woolen socks will say that that particular concern does not make any socks that have shoddy in them. They make a good, all-wool sock for all-wool purposes.

Mr. THOMAS of Oklahoma. I admit that these socks are apparently made out of what is called virgin wool, but because they are made out of virgin wool, when they are laundered, when they are boiled in water, they shrink.

Mr. SCHWARTZ. Mr. President——

Mr. THOMAS of Oklahoma. I am going to make my own speech for a while, and the Senator can have the floor in his own time.

Mr. SCHWARTZ. Very well, but anybody who would boil that sock would expect it to shrink.

Mr. THOMAS of Oklahoma. It is often necessary to boil socks, and because they do shrink they are not serviceable. Imagine a soldier being equipped with a full virgin woolen suit of underclothing.

Mr. SCHWARTZ. Mr. President——

Mr. THOMAS of Oklahoma. I ask the Senator to let me proceed if he will.

Mr. SCHWARTZ. But the Senator looked at me and asked me a question about something we know does not happen.

Mr. THOMAS of Oklahoma. It does happen.

Mr. SCHWARTZ. The soldier does not wear a 100-percent-wool sock.

Mr. THOMAS of Oklahoma. He may wear a woolen undersuit. Imagine a soldier clothed in a 100-percent virgin wool suit of underclothing, a pair of socks of 100-percent virgin wool, with a blouse made out of 100-percent virgin wool, then a pair of trousers made of wool 100-percent virgin, a coat made out of wool 100 percent virgin, and a 100-percent virgin-wool overcoat and a sweater, going forth to battle. The storms come and the rain descends and he gets wringing wet. He might be in a tropical country. The water might not be boiling, but it might be warm, and the next morning when the soldier gets up to put on his outfit what would he find? The Senator has demonstrated what he would find. He could not get into his underclothing, he could not get into his socks, he could not get into his trousers, he could not get into his blouse, he could not get into his coat, and he could not wear his overcoat. For that reason the Army does not specify 100 percent virgin wool to be used in making some of the clothing the soldier has to wear.

Mr. SCHWARTZ. But, generally, the soldier wears woolen goods instead of cotton goods.

Mr. THOMAS of Oklahoma. That is true; he wears woolen rather than cotton, and that is one reason I have, for being against this bill; namely, that it discriminates against cotton. Many of the blankets issued to soldiers contain cotton; many of the clothes that are worn by the public contain cotton. This bill places cotton below shoddy; it provides that any garment which is made of all wool, no matter what kind of wool, just so it is wool, so it is a wool product, it is all right; but if it contains the finest cotton in the world it is discriminated against because the public would not want to buy an all-wool suit presumably and then find out later on it had a percentage of cotton in it. Cotton gives it strength and color. Rayon will give it strength and color; silk will give it strength and color. Yet under this bill they are discriminated against and the cheapest grade of shoddy under this bill has a higher ranking in the public estimation—for, otherwise, the bill is of no effect—than the highest grade of silk, the highest grade of rayon, the highest grade of nylon, or the highest grade of cotton.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. CHAVEZ. I think the Senator from Oklahoma has the wrong idea of the purpose of the bill. The purpose of the bill is not to discriminate against cotton. The purpose of the bill is to protect wool where wool should be protected. Cotton has its uses. The Army is not discriminating against cotton. It is buying cotton for particular purposes for which it is needed just as the Army, with $75,000,000 that was provided by the Congress of the United States, is buying wool for the purposes for which wool is needed.

All this bill seeks to do is to cause the manufacturer to tell the American housewife, who is interested, whether she is getting cotton or shoddy or wool when she purchases an article at Woodward & Lothrop's, or elsewhere. If she wants wool, she should be protected to the extent of knowing that what she buys is not a reworked suit of old clothes which has been torn to pieces and remade into cloth. That is my understanding of the bill.

Mr. THOMAS of Oklahoma. If that is the understanding the Senator has of this bill he is not voting for that kind of a bill, because, if this bill becomes a law, there is no power under the heaven, save by constant inspection from the beginning, that can tell the housewife what she is getting in a garment that she buys. There is no test known to man that can detect the presence of worked wool or reprocessed wool in a garment. The War Department, in order to protect itself, provides its own system of inspection.

Mr. President, under the terms of this bill, the lowest quality of wool that is grown on the runtiest sheep that lives stands on the same pinnacle with the finest fleece grown on the back of a full-blooded merino sheep. The housewife may go to a store, such as Woodward & Lothrop's, and buy an all-woolen product of virgin wool, and yet that virgin wool may have sold in the beginning at from 2 to 5 cents a pound.

Now, Mr. President, I desire to call the attention of the Senate to some charts which I have had placed on the wall.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WILEY. I have here a letter from a manufacturing company of my State, and I should like, if the Senator will permit me to take a moment, to read a part of it into the RECORD, and then ask the Senator if the conclusions stated are correct. The writer of the letter, among other things, says:

1. No fair manufacturer objects to a practical truth-in-fabric bill if such can be worked out.
2. The impracticability lies in the fact that research laboratories are unable to distinguish virgin from reworked wool.
3. This statement is acknowledged by all reliable laboratories, including the Bureau of Standards.
4. Because identification is impossible, such a law invites rather than stops unfair labeling of fabrics by those manufacturers who take advantage of this situation.

5. Therefore the honest manufacturer is punished through being compelled to compete against an unfair fabric; also,
6. There are two sources of wool:
a. As clipped from the sheep.
b. As pulled from the pelt of slaughtered animals.
7. Proposed bill unfairly excludes pulled wool from being labeled virgin wool.
8. Fair-practice rules must be workable or they are a decided detriment rather than a help.

I am wondering whether in the Senator's judgment that is a fair synopsis of what the bill provides.

Mr. THOMAS of Oklahoma. Mr. President, I will not represent myself on the floor of the Senate as an expert on wool. If there be any experts on wool on the floor of the Senate, I should like to know them, and I should like to have them analyze the bill, and tell the Senate, the woolen industry, the sheep-growing industry, the consumers of the United States, and the taxpayers of the United State, what the bill means.

Mr. President, as I understand the matter, the statements made in the letter just read are 100 percent correct. Under the terms of the bill it makes no difference from what part of the sheep the wool comes; it is all on a par.

I have here a chart on the wall showing comparative values. Then there is a chart on the wall to my right likewise showing comparative values.

The chart to the left is a list of virgin wools, and the chart on the right gives a list of wool wastes.

First, there is the top sort. That is a type of wool. I suppose Senators somewhere, if not on the floor, know what "top sort" means. That comes from the back of the sheep. It is the best wool that grows on a sheep's back, or on the sides, or anywhere else where the sheep grows wool. That is the best part of the fleece. It is "tops." Tops sell at the present time for about 90 cents a pound.

The second is stained wool. That is scoured wool. As the wool comes from the sheep's back, it is full of grease, it is full of oil from the back of the sheep. The wool fiber is hollow. The tube or fiber of wool being hollow, is full of a substance, and that substance is called grease. When the wool comes from the sheep's back it is discolored, it is stained, it is dirty, and it takes over 2 pounds of the raw wool to make 1 pound of scoured wool. When it is washed and cleaned thoroughly, 2 pounds of raw wool dwindle into 1 pound of scoured wool.

So the stained wool is the wool that grows on a part of the sheep that becomes stained, and it does not bring as high a price as tops.

The next is gray wool. It is really gray, and that is why it is so called.

"Paint" wool is another definition of wool. When a sheep grower shears his sheep he rolls the fleece into a bundle, but occasionally, like the cotton growers, he puts a little paint on the bundle to identify the bundle as coming from ranch No. 1 or ranch No. 2. This grade is the wool which contains the paint. The paint comes off readily, but when it first reaches the factory it is a cheaper grade of wool.

Then there are the breech wool, the seedy wool, and the dead wool. They are all virgin types of wool. The top one is selling for 90 cents a pound, and as we go down the list it becomes cheaper, until we come to burry wool and vat wool. Then there follow tanners' wool, shank wool, and tags.

Mr. President, this bill, if enacted, would convey by legislative fiat the inference, if not the statement, that tags, the cheapest form of wool, are elevated to a parity with tops. That is what it means, for tags are virgin wool. The Senator from Wyoming or the Senator from New Mexico or the Senator from Connecticut or the Senator from Colorado or the Senator from Arizona, doing me the honor to listen to me now, could have a suit of clothes made of tags, selling for from 2 to 5 cents a pound, and the suit would be virgin wool and could be so labeled not only by the processor, not only by the weaver, not only by the spinner, not only by the coatmaker, but it would be virgin wool under the terms of the bill, although the wool would be so cheap and so inferior and so worthless as to command on the markets of the country a price of only from 2 to 5 cents a pound. I am opposed to trying to pass a measure equalizing by legislation the different grades of wool. It cannot be done. The bill cannot make tops out of tags.

Mr. SCHWARTZ. Mr. President——

The PRESIDING OFFICER (Mr. GURNEY in the chair). Does the Senator from Oklahoma yield to the Senator from Wyoming?

Mr. THOMAS of Oklahoma. I yield.

Mr. SCHWARTZ. The Senator referred to the Senator from Wyoming and stated I could buy a suit of clothes made out of breeches and tags. As a matter of fact, I suppose the Senator understands, or he should understand, that the small, weak wools about which he is speaking now cannot be carded and made into a suit of clothes unless one wants to buy a garment which, when it is picked up, he can run his finger through. There are purposes for which that class of wool can be used.

Again I wish to refer to the American Wool Handbook and give the definitions of a couple of these "offsorts" the Senator has been discussing. I first refer to breech wool. The Senator put in a good deal of time a few days ago in dilating upon the breech wool found on the back end of a sheep. This is the definition:

Breech: Wool from the extremity of the hindquarters, usually the coarsest in the fleece and often dung-matted and urine-stained. It is one of the less desirable offsorts, and is often used for the same purpose as carpet wool.

That is what it is used for. The other definition to which the Senator referred is of belly wool. The Senator put in a good deal of time a few days ago in prospecting around on the bellies of the ewes to find out what kind of wool there was there. This is what the handbook says:

Bellies (or belly wool): From the belly of the sheep; shorter, heavier, more wasty and tender. Often less uniform, more likely to be urine- and dung-stained.

Of course, as a matter of fact, these particular "offs," these particular low grades, which constitute probably 3 or 4 percent of the fleece, are short, coarse, thick, and weak. The quality of a wool is, of course, not determined entirely by its length; it is determined by the fineness and the diameter of the particular wool. The high-grade wools—tops, as the Senator was discussing them—have a diameter of possibly 19 to 20 microns, and when we come to the wools about which he is now talking they have a thickness up to a diameter of 46 microns and greater. So they are not used in the making of ordinary garments or ordinary clothing, but are used for fillings in heavy overcoats. When a man buys a cheap overcoat that is quite heavy, and thinks he is getting a lot of warmth he is getting weight instead of warmth. Further, they are used to make felt, and felt is used for many purposes, but it is mixed with cow's hair, and goes into many articles.

Mr. THOMAS of Oklahoma. Mr. President, in the last few moments the Senator has confessed that the bill is not a truth-in-fabric bill but is just the reverse. The Senator from New Mexico said the housewife should be able to go to the store and be able to tell from the label what she is buying. The Senator from Wyoming, the author of the bill, has just admitted that the housewife can go to a store in Washington and demand a 100-percent virgin-wool garment, and that garment can be made out of breech wool, can be made out of tag wool, can be made out of shank wool, can be made out of tanner's wool, or any other kind of wool.

Mr. SCHWARTZ. I said it might be so fabricated that it would hold together, but no housewife or anyone else would buy it, because if she started to hold it up to look at it, it would tear apart.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WALSH. I have many telegrams supplementing what the Senator from Oklahoma has said. He referred to the detrimental effect the proposed legislation would have upon the cotton growers, also the effect it would have upon even the wool growers themselves, and even the effect it would have upon the consumers.

I find among the telegrams this phrase:

This legislation not in public interest as would tend to fraud by unscrupulous manufacturers and deception of consumer.

This is from the American Felt Association, and it seems to bear out just what the Senator has said.

Let me in this connection call the attention of the Senator to a letter which I have received from a felt manufacturer, in which he says:

The felt manufacturer depends on the shorter wools, as for instance the short fall Texas and the noils, for felting; he also depends on the fine garnetted woolen and worsted threads for cushioning effects. Under the proposed labeling bill one of our finest products, used for corn plasters for instance, because of being made of fine garnetted stocks and noils, even though it sells for well over $2 per pound, would have to be labeled "Made of wool substitutes," which just doesn't make sense.

Mr. SCHWARTZ. What did the Senator say the article was?

Mr. WALSH. The letter is from a felt manufacturer. He said articles they make which sell for $2 a pound would have to be labeled "Made of wool substitutes." I think this confirms what the Senator from Oklahoma has said about the deception which the bill is likely to bring about.

Mr. SCHWARTZ. Possibly the value is reflected in the felt that goes into the hat which is rabbit fur, and the rabbit fur imported from France sells for $5.65 a pound. Perhaps that is the reason why this particular felt has such a high value.

Mr. WALSH. I do not know about that. But the communication is for the purpose of calling attention to a very expensive article which would have to be labeled for the public as being made of wool substitutes. That is the point I assume he is trying to make.

Mr. SCHWARTZ. Of course, there is nothing to prevent the manufacturer stating what is in the garment, what is in the particular product, in addition to the small amount of wool. He can state that expensive rabbit fur is in it, or what the particular stuff is that gives the value.

Mr. WALSH. I shall ask the Senator from Oklahoma, who has so ably and so effectively called attention to the shortcomings and dangers of the proposed legislation, to explain later about the labeling provisions of the bill and give the details as to how the bill would operate.

In the meantime, I call attention to another expression on which I should like to have his opinion:

Proper enforcement is impossible, and we are greatly disturbed that operation under this bill will favor importations greatly.

I should like to have the Senator's view upon that.

Mr. THOMAS of Oklahoma. I will give it now, Mr. President. The Navy Department and the War Department have had more to do with the making of cloth than anyone else, save the manufacturers themselves. The Navy Department and the War Department have very explicit specifications. The Navy and War Departments understand that they cannot tell when the cloth is delivered whether or not it is made of virgin wool, or reworked wool, or reprocessed wool. So, in order that they may be sure, they send inspectors to the factory, who receive the wool from the growers, the producers, and who keep track of the wool from the time it reaches the factory until it comes out in the form of the finished product. It takes 22 inspectors to follow wool from the back of the sheep to the finished uniform. I cannot give all the steps, but I will state a few of them. When the wool comes in it is a roll or mass of fibers from the sheep's back. There is an inspector who examines it as it arrives. The inspector sees to it that the best part of the fleece is taken out of the mass.

That is the tops. That is laid over on one pile. Then the inferior parts of that fluff are torn from this mass and laid aside in another pile. That is called the sorting. An inspector must be present to see to it that the wool is properly sorted when it first reaches the factory from the producer. The wool as yet is in its dirty shape, in its greasy form. After there has been obtained a sufficient quantity of the better part of the wool from the back of the sheep. so that it can be scoured, it goes to the scouring department. The inspector follows that wool from the sorting room to the scouring room, and he sees to it that no mixtures are placed in the wool; that the sorted wool is properly scoured; that the grease is all removed so that when the wool reaches the sorting room the inspector who is there can see that it is properly scoured.

The Senator from Massachusetts asked me a question and I am trying to answer it, but, not being an expert, I may omit something, so I will not depend upon my memory but shall call the attention of the Senator and the Senate to the Technical Manual of the War Department relating to inspection of textiles. I want to read at this point the number of inspectors that are necessary to follow the wool from its receipt at the factory until it comes out as a finished product.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WALSH. Of course, no such inspection is possible for imported woolen cloth and goods.

Mr. THOMAS of Oklahoma. Exactly so.

Mr. WALSH. And, therefore, it would be quite possible for importers, unless a larger army of inspectors were available, to deceive the public and avoid this proposed law and to bootleg so-called woolen goods into the country.

Mr. THOMAS of Oklahoma. The Senator is 100-percent correct.

I do not want to be put in the attitude of criticising the distinguished Senator from Wyoming [Mr. SCHWARTZ]. He is undertaking to solve an unsolvable problem. He has worked hard on this matter for years, and I congratulate him for the success he has had. He has brought the matter to the attention of at least the United States Senate and the House of Representatives. I compliment him for his success, but I am sorry that after all these months and years he has come to such a point with this bill that if it should be passed, it would bring harm to America rather than good. If the bill should be passed, it would discriminate against every mill in America, and favor every mill outside America.

Mr. WALSH. I will say that I have found that to be the universal opinion among the mill owners in my section of the country. I am glad the Senator from Oklahoma does not happen to live in an industrial section, because he then would be accused of seeing only the viewpoint of the manufacturer. The Senator's service is of extraordinarily high character and useful to the country becaue he comes from the section of the country he does, and because he has a disinterested viewpoint, at least as compared with the viewpoint of the manufacturer.

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

Mr. THOMAS of Oklahoma. I shall yield to a question, but not for a speech.

Mr. SCHWARTZ. Very well, I will ask the Senator a question then. The Senator stated that he sympathized with me because of the work I had done upon this bill, and said in effect that it would not protect the consumer and would not accomplish the results sought to be accomplished. Does not the Senator realize that possibly he is mistaken, and that it would accomplish the result sought to be accomplished, and if that be true, while I, of course, appreciate the Senator's sympathy, I certainly do not need it.

Mr. THOMAS of Oklahoma. Mr. President, the Senator from Massachusetts has put his finger on one of the weak points of the bill. It is admitted by everyone who knows anything about the wool industry that there is no test known to man or known to science by which it can be detected whether or not wool is virgin wool, or reprocessed wool, or used wool, and I shall come to that later on.

Mr. WALSH. That is the universal opinion I received from manufacturers.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. SCHWARTZ. The Senator in connection with every angle of the bill as he discusses it says, "It must be admitted by everybody that they do not know this, or that that or the other is true." We who are sitting here want to keep silent, but we do not want our silence to be an admission with respect to anything the Senator says as being admitted by everybody.

Mr. THOMAS of Oklahoma. I now yield, Mr. President, so that the distinguished Senator from Wyoming may place in

the RECORD the test that will determine whether or not the wool in this coat, if it be wool, is virgin wool, or reprocessed wool, or shoddy.

Mr. SCHWARTZ. Mr. President, I will endeavor to answer possibly in more detail later on, but I will try to answer the question that seems to be bothering the Senator from Oklahoma. I shall have to refer to something he said the other day also.

In the first place, he quoted the Senator from Kansas [Mr. CAPPER] as having said that there was no method by which the presence of reworked wool, with virgin wool, could be ascertained. Mr. President, the Senator from Kansas said that in 1937, and that was true at that time. Nobody disputed it.

The Senator also said that some time in 1938, I think it was, I had said in reply to a letter from Mr. Besse that we did not rely upon any scientific test and examination or microphotography to make a scientific test, but that we relied principally upon the records kept by the manufacturer. That was true at that time. That is largely true today so far as the value and the practical applicability of this measure is concerned, because every manufacturer, when he makes a garment, knows to a pound out of a thousand just how much new wool he has put into it; just how much reworked wool he has put into it; he knows exactly what amount of each kind of wool is put into it; so that his own records will always show exactly what goes into any lot of garments. We are still assuming that the great bulk of the manufacturers are honest, and those who are not honest will have to keep the records anyway, and the records are always available and must be kept for 3 years, under the provisions of the bill.

Mr. WALSH. Will the Senator speak of the test that may be made to determine the contents of imported woolen cloth?

Mr. SCHWARTZ. Yes. On February 21, 1939, I received a letter from J. R. Mohler, Chief of the Bureau of Animal Industry, United States Department of Agriculture, which appears on page 37 of the Senate committee hearings on the Wool Products Labeling Act of 1939. Mr. Mohler wrote an even better letter later on. In the letter of February 21, 1939, he said:

1. The presence of reclaimed wool fiber of any grade in a wool product can be determined scientifically.

2. The relative contents of virgin wool and reclaimed wool fibers in a fabric containing only these two kinds of fibers can, according to recent investigations, be determined within 10 percent of the actual content of these fibers.

I want to call the attention of the Senator from Oklahoma to the fact that prior to the time activity began in connection with wool-labeling legislation there had been no effort made by the Bureau of Standards and no effort made by general manufacturers to make scientific tests; so the development of scientific tests on these dates was not advanced as far as it is now advanced. On March 18, 1939, Mr. Mohler, of the Department of Agriculture, wrote a letter, which appears on page 407 of the House hearings, addressed to Mr. F. R. Randolph, assistant committee clerk, Committee on Interstate and Foreign Commerce, in which he said:

DEAR SIR: Receipt is acknowledged of your letter of March 11, with reference to H. R. 944, and stating that the subcommittee would appreciate at its hearings the appearance of a representative from this Bureau to give testimony concerning fiber analysis. The Bureau will be glad to send a representative to such hearings as you may designate.

The questions you asked are listed and answered below:

1. Can your Department determine the presence of reworked wool (or shoddy) in fabrics and garments? Yes.

2. Can you detect the percentage of reworked wool in a fabric composed of virgin wool and reclaimed wool, and can you detect the percentage of virgin wool in such fabrics? The percentage of virgin wool and reworked wool in a fabric may be determined. Based upon the Bureau's research with microscopical methods upon fabrics of known fiber content in which only new and reworked wool are present, the content of reworked wool or virgin wool may be detected within 10 percent.

And Dr. Hardy said:

I might mention first one thing which made it difficult for us to get close results—earlier work done in the examination of the fibers, the examinations were made for damage on all fibers as they would appear in the field under the microscope, regardless of location along the fiber; but we discovered a few months ago that if we confined our efforts to the ends of the fibers that greater accuracy might be achieved.

The present method which we are following is to mount the fibers in glycerin. First, we separate the fibers of the yarn on the slide and arrange the ends parallel to each other so that you can just see the ends, and then they are projected with a microprojector and magnified from 200 to 500 diameters magnification, and an examination is made of the ends of the fibers for damage. It is examined there [indicating]. We have here illustrations of 10 different types of damage which may be found in reworked wool fibers. They are taken from actual cases showing the ends of the fibers as we saw them. I will just pass this exhibit around.

Mr. THOMAS of Oklahoma. Thus we have the answer, Mr. President, to my question. The answer is that someone, some place, states that he can take old, worn, slick shoddy, and tell that it has been worn some time. That is true. There is only one way to detect whether or not wool has been worn, and I will state what it is. A wool fiber is a little hollow tube. It might look like a pipestem if it were enlarged, especially as many times as referred to in the letter the Senator from Wyoming read. This little pipestem is covered with scales. If the scales are not removed or disturbed the wool has not been used, and if the wool has simply been washed and spun and woven into cloth and never worn, the scales have not been disturbed. Then if that cloth is torn apart and reduced back to the fluffiness it had when it came from the sheep's back, the scales are not disturbed, and there is no process known to science that can detect whether or not that wool has ever been in the form of yarn, or even in the form of cloth.

It is true that the Senator might have a very fine suit of clothes, which he might wear for a long time. Certain parts of that suit would become shiny. I have seen shiny clothes; I have seen shiny wool. Why does a good suit of woolen cloth become shiny? The answer is simple. It is worn, it is rubbed against some substance. The scales on the little fibers are worn off. When the scales are worn off, that leaves exposed a little stem; if the suit continues to be used, the stem rubbing against something wears off the place where the scale was attached to the fiber, and if the suit is still further worn, even after this, it leaves there the slick, shiny fiber of the wool. It is often said that one can see himself in the back of a man's coat. That is the reason. The scales are gone. Even the places where the scales are attached to the fiber are erased. Friction erases them, and there is nothing left but the polished fiber or wool. When that stage of wear is reached the scales are gone, and the suit is shiny. If such a suit should be sent in as rags, and anyone with a microscope should be given the task of examining the wool fibers, he could easily tell that the scales were gone and that the wool had been used. It would be rubbed so much that even the places where the scales were attached to the fibers would be gone. So it would not take very much of a scientist to tell that the wool had been used. That is the only way in which science can detect whether or not the woolen fiber has been used.

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 following bills of the Senate, severally with amendments, in which it requested the concurrence of the Senate:

S. 2103. An act to exempt certain Indians and Indian tribes from the provisions of the act of June 18, 1934 (48 Stat. 984), as amended;

S. 3990. An act to transfer the essential language of section 518, title IV, of the Tariff Act of 1930, approved June 17, 1930, into the Judicial Code of the United States and to provide for its reenactment as part of said Judicial Code, to take effect from the date of its passage, including the allowance to the judges of the United States Customs Court, Government counsel, and stenographic clerks as set forth therein for traveling expenses incurred for maintenance while absent from New York on official business and to repeal all acts inconsistent therewith to the extent of such inconsistency, and for other purposes; and

S. 4107. An act to transfer the jurisdiction of the Arlington Farm, Va., to the jurisdictions of the War Department and the Department of the Interior, and for other purposes.

The message also announced that the House had passed the following bills of the Senate, each with an amendment, in which it requested the concurrence of the Senate:

S. 3437. An act for the relief of the Franco-American Construction Co.; and

S. 3920. An act to amend the Railroad Unemployment Insurance Act, approved June 25, 1938, as amended June 20, 1939, and for other purposes.

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 10413) to provide revenue, and for other purposes.

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

H. R. 4257. An act for the relief of the estate of Bartholomew Lawler;

H. R. 6450. An act to provide for the issuance, by the Administrator of Veterans' Affairs, of regulations providing for more liberal policies in determining the service connection of disabilities, and for other purposes;

H. R. 6711. An act for the relief of Mary Pruett Townsend;

H. R. 7405. An act to repeal an obsolete section of the District of Columbia Code;

H. R. 7694. An act to require vessels engaging in the coastwise trade or in the whaling or other fisheries to be wholly owned by citizens of the United States, and for other purposes;

H. R. 7784. An act for the relief of Howard R. M. Browne;

H. R. 7916. An act granting 6 months' pay to Lillian M. Reymonda;

H. R. 8705. An act for the relief of Howard Mondt;

H. R. 9625. An act for the relief of Moses Limon and Ida Julia Limon;

H. R. 9756. An act granting an increase of pension to Nellie J. Merriman;

H. R. 9918. An act relating to citizenship requirements for manning of vessels, and for other purposes;

H. R. 10122. An act to amend an act entitled "An act authorizing construction of water conservation and utilization projects in the Great Plains and arid and semiarid areas of the United States," approved August 11, 1939 (53 Stat. 1418), and an act entitled "An act to promote conservation in the arid and semiarid areas of the United States by aiding in the development of facilities for water storage and utilization, and for other purposes," approved August 28, 1937 (50 Stat. 869);

H. R. 10190. An act for the relief of Charles T. Dulin;

H. R. 10194. An act for the relief of the late John L. Summers, former disbursing clerk, Treasury Department;

H. R. 10219. An act for the relief of Dr. Wilhelm Wolfgang Krauss;

H. R. 10221. An act to provide for the acquisition of additional land along the Mount Vernon Memorial Highway in exchange for certain dredging privileges, and for other purposes;

H. R. 10244. An act for the relief of Dr. Michel Konne and Pauline Lucia Konne;

H. R. 10245. An act for the relief of Meier Langermann, his wife, Friederike, and son, Joseph;

H. R. 10253. An act for the relief of Eugene Gruen and his wife, Kate;

H. R. 10311. An act for the relief of Ernst Gottlieb, his wife, Margot, and daughter, Mary;

H. R. 10326. An act for the relief of Dr. Frantisek Blonek and Erna Blonek;

H. R. 10354. An act for the relief of Guy F. Allen, chief disbursing officer, Treasury Department, and for other purposes;

H. R. 10380. An act 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;

H. R. 10381. An act to repeal sections 4588 and 4591 of the Revised Statutes of the United States;

H. R. 10398. An act to amend part II of the Interstate Commerce Act, as amended, so as to make certain provisions thereof applicable to freight forwarders;

H. R. 10495. An act to amend section 61 of the National Defense Act of June 3, 1916, by adding a proviso which will permit States to organize military units not a part of the National Guard, and for other purposes;

H. R. 10501. An act to amend section 509, as amended, of the Merchant Marine Act, 1936;

H. R. 10518. An act granting the consent of Congress to the Department of Highways and the county of Big Stone, State of Minnesota, to construct, maintain, and operate a free highway bridge across the Whetstone Diversion Channel at or near Ortonville, Minn.; and

H. R. 10541. An act granting pensions and increase of pensions to certain dependents of veterans of the Civil War.

The message further announced that the House had agreed to a concurrent resolution (H. Con. Res. 55), in which it requested the concurrence of the Senate, as follows:

Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress of the United States that any political party or organization which advocates the overthrow by force of the form of government of the United States established by the Constitution should not be recognized as a political entity, and the Congress recommends to the several State legislatures the enactment of legislation prohibiting the recognition of any such political party or organization on the official ballot of such States for the election to any office within such States, and for the choice of electors of the President and Vice President of the United States and for the election of Senators and Representatives in Congress.

ENROLLED BILLS SIGNED

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

H. R. 428. An act for the relief of Edward Workman;

H. R. 532. An act for the relief of W. J. Hance;

H. R. 554. An act for the relief of Meta De Rene McLoskey;

H. R. 775. An act for the relief of W. M. Hurley and Joe Whitson;

H. R. 1174. An act for the relief of Euel Caldwell;

H. R. 1183. An act for the relief of Ben L. Kessinger and M. Carlisle Minor;

H. R. 1857. An act for the relief of Nell Mullen;

H. R. 1912. An act for the relief of the estate of Alfred Batrack;

H. R. 2036. An act for the relief of Umberto Tedeschi;

H. R. 2214. An act for the relief of M. Grace Murphy, administratrix of the estate of John H. Murphy, deceased;

H. R. 2286. An act for the relief of Wasyl Kulmatycki;

H. R. 2684. An act for the relief of Emma Knutson;

H. R. 4441. An act for the relief of Alex Silberstein, Magdalene Silberstein, Eleanor Goldfarb, Lillian Goldfarb, Jackie Goldfarb, and Florence Karp, minors;

H. R. 4571. An act for the relief of LaVera Hampton;

H. R. 4954. An act for the relief of Rosa Paone;

H. R. 5264. An act for the relief of Maj. Clarence H. Greene, United States Army, retired;

H. R. 5365. An act for the relief of John J. Murphy;

H. R. 5400. An act for the relief of those rendering medical and hospital services to Evyline Vaughn;

H. R. 5417. An act for the relief of Isaac Surmany;

H. R. 5771. An act for the relief of Louis St. Jacques;

H. R. 5776. An act for the relief of Albert DePonti;

H. R. 5863. An act for the relief of the estate of James A. Rivera;

H. R. 6060. An act for the relief of John P. Hart;

H. R. 6108. An act for the relief of Regina Howell;

H. R. 6210. An act for the relief of George R. Stringer;

H. R. 6230. An act for the relief of James Murphy, Sr.;

H. R. 6409. An act to record the lawful admission to the United States for permanent residence of Motiejus Buzas and Bernice Buzas, his wife;

H. R. 6456. An act for the relief of John Toepel, Robert Scott, Widmer Smith, and Louis Knowlton;

H. R. 6457. An act for the relief of the Wallie Motor Co.;

H. R. 6480. An act to amend the Agricultural Adjustment Act of 1933;

H. R. 6605. An act for the relief of Louis A. Charland;

H. R. 6639. An act for the relief of George F. Kermath;

H. R. 6782. An act for the relief of James Robert Harman;

H. R. 6842. An act for the relief of Rufus E. Farmer;

H. R. 6946. An act for the relief of Salvatore Taras;

H. R. 7179. An act authorizing the naturalization of Louis D. Friedman;

H. R. 7425. An act for the relief of the parents of Charldean Finch;

H. R. 7515. An act for the relief of Joseph B. Rupinski and Maria Zofia Rupinski;

H. R. 7681. An act for the relief of Emelie Witzenbacher;

H. R. 7747. An act for the relief of Estelle M. Corbett;

H. R. 8124. An act to provide funds for cooperation with public-school districts (organized and unorganized) in Mahnomen, Itasca, Pine, St. Louis, Clearwater, Koochiching, and Becker Counties, Minn., in the construction, improvement, and extension of school facilities to be available to both Indian and white children;

H. R. 8295. An act for the relief of Leo Neumann and his wife, Alice Neumann;

H. R. 8474. An act to further amend the Alaska game law;

H. R. 8743. An act for the relief of Luther Haden;

H. R. 8830. An act to amend the records at the port of New York to show the admission of Steve Zegura, Jr., and B. Dragomir Zegura as aliens admitted for permanent residence;

H. R. 8906. An act to record the lawful admission to the United States for permanent residence to Nicholas G. Karas;

H. R. 9024. An act relating to the status of retired officers of the Army, Navy, Marine Corps, and Coast Guard of the United States, and to amend section 113 of the Criminal Code;

H. R. 9123. An act to approve Act No. 65 of the Session Laws of 1939 of the Territory of Hawaii, entitled "An act to amend Act 29 of the Session Laws of Hawaii, 1929, granting to J. K. Lota and associates a franchise for electric light, current, and power in Hanalei, Kauai, by including Moloaa within such franchise";

H. R. 9124. An act to approve Act No. 214 of the Session Laws of 1939 of the Territory of Hawaii, entitled "An act to amend Act 105 of the Session Laws of Hawaii, 1921, granting franchise for the manufacture, maintenance, distribution, and supply of electric current for light and power within Kapaa and Waipouli in the district of Kawaihau on the island and county of Kauai, by including within said franchise the entire district of Kawaihau, island of Kauai";

H. R. 9264. An act to provide for uniformity of allowances for the transportation of household goods of civilian officers and employees when transferred from one official station to another for permanent duty;

H. R. 9636. An act authorizing the conveyance to the Commonwealth of Virginia of a portion of the naval reservation known as Naval Proving Ground, Dahlgren, Va.;

H. R. 9688. An act to provide for the advancement on the retired list of any officer of the Navy or Marine Corps retired pursuant to the provisions of section 13 or 15 (e) of the act of June 23, 1938;

H. R. 9898. An act to further amend section 13a of the National Defense Act so as to authorize officers detailed for training and duty as aircraft observers to be so rated, and for other purposes;

H. R. 10036. An act for the relief of John A. Kames;

H. R. 10080. An act to amend section 3493 of the Internal Revenue Code, formerly section 404 of the Sugar Act of 1937;

H. R. 10191. An act for the relief of Anthony Borsellino;

H. R. 10295. An act to amend the act of June 23, 1938 (52 Stat. 944); and

H. R. 10405. An act to provide for adjusting the compensation of persons employed as masters at arms, and guards at navy yards and stations, and for other purposes.

HOUSE BILLS REFERRED OR PLACED ON CALENDAR

The following bills were severally read twice by their titles and referred, or ordered to be placed on the calendar, as indicated below:

H. R. 4257. An act for the relief of the estate of Bartholomew Lawler;

H. R. 7784. An act for the relief of Howard R. M. Browne;

H. R. 10190. An act for the relief of Charles T. Dulin;

H. R. 10194. An act for the relief of the late John L. Summers, former disbursing clerk, Treasury Department; and

H. R. 10354. An act for the relief of Guy F. Allen, chief disbursing officer, Treasury Department, and for other purposes; to the Committee on Claims.

H. R. 6450. An act to provide for the issuance, by the Administrator of Veterans' Affairs, of regulations providing for more liberal policies in determining the service connection of disabilities, and for other purposes; to the Committee on Finance.

H. R. 6711. An act for the relief of Mary Pruett Townsend; and

H. R. 7916. An act granting 6 months' pay to Lillian M. Reymonda; to the Committee on Naval Affairs.

H. R. 7405. An act to repeal an obsolete section of the District of Columbia Code; to the Committee on the District of Columbia.

H. R. 7694. An act to require vessels engaging in the coastwise trade or in the whaling or other fisheries to be wholly owned by citizens of the United States, and for other purposes;

H. R. 9918. An act relating to citizenship requirements for manning of vessels, and for other purposes; and

H. R. 10501. An act to amend section 509, as amended, of the Merchant Marine Act, 1936; to the Committee on Commerce.

H. R. 8705. An act for the relief of Howard Mondt; and

H. R. 10495. An act to amend section 61 of the National Defense Act of June 3, 1916, by adding a proviso which will permit States to organize military units not a part of the National Guard, and for other purposes; to the Committee on Military Affairs.

H. R. 9625. An act for the relief of Moses Limon and Ida Julia Limon;

H. R. 10219. An act for the relief of Dr. Wilhelm Wolfgang Krauss;

H. R. 10244. An act for the relief of Dr. Michel Konne and Pauline Lucia Konne;

H. R. 10245. An act for the relief of Meier Langermann, his wife Friederike, and son Joseph;

H. R. 10253. An act for the relief of Eugene Gruen and his wife Kate;

H. R. 10311. An act for the relief of Ernst Gottlieb, his wife Margot, and daughter Mary; and

H. R. 10326. An act for the relief of Dr. Frantisek Blonek and Erna Blonek; to the Committee on Immigration.

H. R. 9756. An act granting an increase of pension to Nellie J. Merriman; and

H. R. 10541. An act granting pensions and increase of pensions to certain dependents of veterans of the Civil War; to the Committee on Pensions.

H. R. 10221. An act to provide for the acquisition of additional land along the Mount Vernon Memorial Highway in exchange for certain dredging privileges, and for other purposes; to the Committee on Public Lands and Surveys.

H. R. 10398. An act to amend part II of the Interstate Commerce Act, as amended, so as to make certain provisions thereof applicable to freight forwarders; to the Committee on Interstate Commerce.

H. R. 10518. An act granting the consent of Congress to the Department of Highways and the county of Big Stone, State of Minnesota, to construct, maintain, and operate a

free highway bridge across the Whetstone Diversion Channel at or near Ortonville, Minn.; to the calendar.

HOUSE CONCURRENT RESOLUTION REFERRED

The concurrent resolution (H. Con. Res. 55) recommending that any parties or organizations advocating overthrow of the United States Government be prohibited from entering candidates in any State or national election, was referred to the Committee on the Judiciary.

CORPORATION-INCOME AND EXCESS-PROFITS TAXATION—CONFERENCE REPORT

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

Mr. THOMAS of Oklahoma. For what purpose, may I ask?

Mr. HARRISON. The purpose is to present the conference report on the excess profits tax bill, which I think will not require any great length of time.

I very much dislike to interfere with the pending conference report but, as everyone realizes, the conference report on the excess profits tax bill is a very important matter. It was agreed to in the House earlier today and is now on the Vice President's desk. I should very much like to have it disposed of.

Mr. SCHWARTZ. Mr. President, has the Senator any idea how long a time will be required to dispose of it?

Mr. HARRISON. I do not think there is any disposition to speak at length on the conference report. I wish to make a very brief explanation, which I think will require not more than 10 minutes. I think the Senate is entitled to such an explanation. I do not believe there will be any prolonged discussion of the conference report.

Mr. THOMAS of Oklahoma. I shall be glad to yield for that purpose.

Mr. SCHWARTZ. Can the Senator from Oklahoma give us any idea how long he desires to talk on the pending conference report?

Mr. THOMAS of Oklahoma. Until Senators have some opportunity to understand the bill, which they do not now have, and which I fear they never will have.

Mr. SCHWARTZ. That means that the Senator intends to talk forever.

Mr. THOMAS of Oklahoma. I would if I could.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. OVERTON. I am a member of the Appropriations Committee, and I desire to be present during the discussion. I wish to ask the Senator from Oklahoma a question.

I recall that when the other conference report was before us for consideration, the very able Senator from Oklahoma pointed out that the adoption of that conference report would have a very bad effect on the marketing of cotton. I wish to know if that objection has been removed by the new conference report.

Mr. THOMAS of Oklahoma. The new report is no different from the motion made in the first instance. The motion was to accept the House bill. The conference report accepts the House bill.

Mr. SCHWARTZ. Mr. President, referring to the request of the Senator from Mississippi, it is perfectly agreeable to me to proceed to consider the conference report on the tax bill, with the understanding that when that report shall have been disposed of we shall resume consideration of the pending conference report.

Mr. HARRISON. That is my understanding.

Mr. SCHWARTZ. Very well.

Mr. HARRISON. I submit the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 10413) to provide revenue, and for other purposes.

[For conference report see p. 12945 of the proceedings of the House of Representatives.]

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

Mr. HARRISON. I yield.

Mr. AUSTIN. Is it the intention of the Senator to call for a quorum?

Mr. HARRISON. It was not my intention; but if the Senator feels that a quorum should be present on so important a bill, it is perfectly satisfactory to me.

Mr. AUSTIN. I shall not suggest the absence of a quorum at this moment. However, it is understood that I shall suggest the absence of a quorum if the tax bill conference report becomes the order of business.

Mr. HARRISON. I ask unanimous consent that the Senate proceed to the consideration of the conference report on the excess profits tax bill.

The PRESIDING OFFICER. Is there objection?

There being no objection, the Senate proceeded to consider the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 10413) to provide revenue, and for other purposes.

Mr. AUSTIN. 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	Downey	Johnson, Colo.	Sheppard
Andrews	Ellender	King	Shipstead
Ashurst	Frazier	McKellar	Smathers
Austin	George	McNary	Stewart
Bailey	Gerry	Maloney	Taft
Barkley	Gillette	Mead	Thomas, Idaho
Bilbo	Glass	Minton	Thomas, Okla.
Brown	Green	Murray	Thomas, Utah
Bulow	Guffey	Norris	Tobey
Burke	Gurney	Nye	Townsend
Byrd	Hale	O'Mahoney	Truman
Byrnes	Harrison	Overton	Tydings
Capper	Hatch	Pepper	Vandenberg
Caraway	Hayden	Pittman	Van Nuys
Chavez	Herring	Radcliffe	Walsh
Clark, Idaho	Hill	Reed	Wheeler
Connally	Holt	Russell	White
Danaher	Hughes	Schwartz	Wiley
Davis	Johnson, Calif.	Schwellenbach	

The PRESIDING OFFICER. Seventy-five Senators having answered to their names, a quorum is present. The question is on agreeing to the conference report.

Mr. HARRISON. Mr. President, I desire to explain briefly the conference report on the tax bill.

First, I will discuss the important changes.

Under the Senate bill there were three important changes over the House bill.

First, the Senate bill increased the ordinary corporation tax on all corporations by 3.1 percent.

Second, the Senate bill removed the penalty of 4.1 percent on corporations electing the average-earnings method as well as the 5-percent differential in brackets of the rate schedule with respect to those corporations electing the average-earnings method. In the conference report, of course, both methods are left in the bill, and the taxpayer may elect as to which one he chooses in the computation of his excess-profits taxes.

Third, the Senate bill increased the specific exemption allowed corporations, for the purpose of the excess-profits tax, from $5,000 to $10,000.

Under the conference we were able to reach the following agreement:

The 3.1 percent increase in the normal rate was retained with respect to corporations with net incomes in excess of $25,000. Those with income less than $25,000 were removed from the increased normal corporate taxes.

The 4.1-percent penalty and the 5-percent differential in rate schedules between those electing the average-earnings method and those electing the invested-capital method were eliminated. In lieu of these, it was agreed to permit corporations electing the average-earnings method to use only 95 percent of their base-period earnings as a credit in computing their excess-profits tax.

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

Mr. HARRISON. I yield.

Mr. VANDENBERG. As I understand the Senator, then, there is still a penalty against the average-earnings option. Is that correct?

Mr. HARRISON. In computing and arriving at the average-earnings method there is a difference of 2½ percent with respect to the largest corporations, but in the average case it would not exceed 1¾ percent. The method, too, is a very simple one.

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

Mr. HARRISON. I yield.

Mr. WALSH. Will the 95-percent base result in increasing the revenue from the excess-profits tax?

Mr. HARRISON. Yes. It was very difficult to get a true estimate of it, but the bill, as finally agreed upon, will bring slightly more revenue than either the bill as it passed the House or the bill as it passed the Senate.

Mr. WALSH. I should think that fixing the base at 95 percent in determining the excess-profits tax upon incomes for the 4 years prior to this year would result in some increase.

Mr. HARRISON. It would result in some increase, estimated to be about $40,000,000, I may say to the Senator.

Mr. WALSH. From that one change which has been made in the House and the Senate bills?

Mr. HARRISON. Yes. That provision will result in a material increase in the revenue.

Mr. WALSH. I think that is desirable and beneficial.

Mr. HARRISON. I may say that under the estimates of the Treasury experts—their very conservative estimates—there will be realized a gross revenue yield of between four hundred and five and five hundred and twenty-five million dollars in 1940 from the bill as agreed to in conference. I may state, however, that the staff of the Joint Committee on Internal Revenue Taxation, in whom I have great confidence, estimates $532,000,000 in revenue for the year 1940 and for the year 1941 a yield of $905,000,000. The Treasury Department, as Senators will see from a table which I will ask to have inserted in the RECORD at this point, makes a breakdown of its estimates in connection with this bill.

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

Second revenue act of 1940 [1]*—estimated yield at estimated calendar year 1940 income levels and under arbitrary assumptions as to increase in net income over the lower estimates for calendar year 1940*

[Millions of dollars]

	1940 levels [2]	Assuming arbitrary income increase				
		10 percent	15 percent	20 percent	25 percent	30 percent
Gross yield:						
Excess-profits tax	185–295	400	505	610	725	850
Increase in normal tax	220–230	240	250	260	270	280
Total	405–525	640	755	870	995	1,130
Net yield: [3]						
Excess-profits tax	155–245	330	410	490	580	675
Increase in normal tax	185–190	195	205	210	220	225
Total	340–435	525	615	700	800	900

[1] H. R. 10413, conference agreement, Sept. 29, 1940.
[2] Probable range of revenue yields.
[3] Allows for decrease in income tax collections.
Source: Treasury Department, Division of Research and Statistics.

Mr. WALSH. That is for all income?

Mr. HARRISON. We will get over $900,000,000 in revenue from this bill in 1941, according to the estimates of the joint committee staff.

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

Mr. HARRISON. I yield.

Mr. VANDENBERG. Am I to understand the Senator to say that out of the excess profits tax section of the bill we are to get five hundred or six hundred million dollars this year?

Mr. HARRISON. No; under the excess profits tax section of the bill it was estimated by the Treasury that for 1940 between $185,000,000 and $295,000,000 would be derived, and on the increase in the normal tax of 3.1 percent on all corporations having incomes over $25,000 there would be derived between $220,000,000 and $230,000,000, making a total of between $405,000,000 and $525,000,000. That is the estimate the Treasury has given us for 1940.

Of course, the Senator realizes that it has been made plain to the committee that work under the national-defense program will not fully get under way until 1941. In 1941 the revenue will increase quite perceptibly.

Mr. VANDENBERG. I should be glad to have the Senator explain the matter to me at a point at which I am finding it difficult to follow him. The excess-profits tax for the present year was estimated at $100,000,000 as the bill left the Senate. Now the exemption has been increased to $25,000, which would take off $20,000,000. That would leave a net of $80,000,000. What has happened to increase the excess profits tax revenue for this year from $80,000,000 to $250,000,000?

Mr. HARRISON. It would take me until doomsday to explain to the Senator the different formulas which were placed on the blackboard and the different arguments upon the part of the experts and to show him how the 2½-percent differential would make the return from the excess-profits taxes somewhat higher than it was in the bill as it left the Senate. I am unable to explain how the experts arrive at their estimates, but there must have been other factors besides this 2½-percent differential.

Mr. VANDENBERG. I am not going to press the Senator, because I will concede in advance that it will take him and me until doomsday to understand anything that is in this particular bill.

Mr. HARRISON. It is much simpler than when it came from the House, and I am inclined to think that it is somewhat simpler than as passed by the Senate. So, roughly, it is estimated that from this bill we will get a billion dollars.

Mr. VANDENBERG. Next year?

Mr. HARRISON. For 1941, and between $500,000,000 and $600,000,000 in 1940.

Mr. VANDENBERG. Of which the Senator now attributes $250,000,000 to the excess-profits tax?

Mr. HARRISON. The Treasury estimates between one hundred and eighty-five and two hundred and ninety-five million dollars in 1940 from the excess-profits tax.

Mr. VANDENBERG. But the Senator says I will have to wait until doomsday to find out how that estimate was reached.

Mr. HARRISON. No; I said if I had to explain it, it would be doomsday before I could convince the Senator or explain it definitely. I hope the Senator will realize that that is a very frank statement.

Mr. VANDENBERG. I appreciate the Senator's candor; I underwrite it and endorse it, because I think doomsday is an excellent word to describe what he has presented.

Mr. HARRISON. As I have said, the 3.1-percent increase in the normal rate was retained with respect to corporations with incomes in excess of $25,000.

The 4.1-percent penalty and the 5-percent differential in rate schedules between those electing the average-earnings method and those electing the invested-capital method were eliminated; and in lieu of that there was imposed what amounts to about 2½-percent differential between the two methods. The differential under such a plan could never exceed 2½ percent with respect to the largest corporations, and in the average case it would not exceed 1¾ percent.

The method is a very simple one.

The conference report restores the $5,000 specific exemption allowed under the House bill. However, the small corporation was protected by not applying the increase of 3.1 percent to them.

The Senate provision allowing an exemption of 8 percent of the invested capital of the taxable year was accepted by the conference. That provision remains as recommended by the Senate. This was also true with respect to the Senate provision making an allowance of 50 percent for borrowed capital. That was recommended by the Senate.

A single rate schedule was adopted which applied to all corporations, whether they elected the average-earnings method or the invested-capital method. This was the rate schedule adopted by the Senate Finance Committee. Because of loss in revenue, the rate schedule which was added to the Senate bill on the floor was not accepted.

In regard to the amortization provisions, the Senate changes were accepted by the conference, with the exception of the date after which the construction, reconstruction, erection, or installation of any facility must have been completed or its acquisition have taken place in order that the cost thereof may be subject to amortization. Under the Senate bill, amortization was allowed when the facility was constructed or acquired after January 1, 1940. The House bill had as its date July 10, 1940. The conferees agreed to the date of June 10, 1940, which was the date of the Ways and Means Committee report on the first Revenue Act of 1940. The Ways and Means Committee's report stated that the subject should be studied with a view toward enacting legislation which might apply to incomes earned in 1940. We felt that when that report was made it was notice to the taxpayers of the country that some allowance would be made for amortization.

In this report, the conference agreed to relieve what we termed hard cases, such as the following:

First. Under the Senate bill, for instance, losses from the sale of depreciable assets were allowed to be deducted in computing the income for the taxable year. This was agreed to.

Second. The Senate bill did not require refunds and interest on Agricultural Adjustment Act taxes to be included in income for the purposes of the excess-profits tax. That was agreed to in conference.

Third. The Senate bill allowed corporations electing the average-earnings method to deduct in full dividends received from other corporations, whether domestic or foreign. A similar deduction was allowed under the House bill to corporations electing the average-earnings method. Under the conference agreement, the Senate provision was retained as to domestic dividends. In the case of foreign dividends, relief was granted under the abnormality or general relief section.

Fourth. With respect to awards of the Mixed Claims Commission, United States and Germany, the Senate bill provided that such awards should not be subject to the excess-profits tax. It was pointed out that these awards were already covered by the general relief provision of the bill with respect to abnormalities in income, and that under that provision they would not be subject to the excess-profits tax. With this in mind, and an agreement to put in the conference report a specific statement to that effect, the specific provision of the Senate bill dealing with the subject was eliminated.

Fifth. The Senate bill exempted from the excess profits tax income attributable to the recovery of a bad debt if such debt was deductible from gross income for any taxable year prior to January 1, 1940. This was agreed to.

Sixth. The Senate bill prevented income in the base period from being reduced by deductions on account of retirement or discharge of bonds. This was agreed to.

Seventh. The Senate bill prevented income in the base period from being reduced by losses arising from demolition, abandonment, or loss of useful value of property not compensated for by insurance. This was agreed to.

Eighth. The Senate bill prevented income in the base period from being reduced by deductions attributable to claims, awards, or judgments against the taxpayer, or interest thereon, if, in the light of the taxpayer's business, it was abnormal for the taxpayer to incur a liability of such character, or if the amount of such liability in the tax period was grossly disproportionate to the amount of such liability in the 4 previous years. This was agreed to.

Substantially all the special relief provisions which were incorporated in the Senate bill were adopted by the conference.

Mr. VANDENBERG. Mr. President, were there any Senate relief provisions which were not incorporated in the conference report?

Mr. HARRISON. I know of only one special relief provision which was not so incorporated. That was the one which was offered by the Senator from Kentucky [Mr. BARKLEY], to give relief relative to an unrecovered debt in connection with a loan made by a parent corporation to its subsidiary; and the House conferees would not accept that amendment.

Mr. BARKLEY. Mr. President, I understand that that provision went out on the insistence of the Treasury Department.

Mr. HARRISON. The Senator is right.

Mr. BARKLEY. Which raises a question, after all, whether the Congress or somebody else writes these bills.

Mr. KING. Mr. President, let me say to the Senator, if he will pardon me, that the question is frequently raised whether Congress itself writes any bills, or whether they come from the executive department.

Mr. BROWN. Mr. President, I was interested, as the Senator recalls, in the consideration of the record with respect to development of a process, patents, and so forth, of the predecessor corporation, or copartnership, or other form of business organization, of a taxpayer in figuring the excess-profits tax. I understand that while the provision I introduced in the Senate was stricken out of section 721, section 722 was added, which reads as follows:

> For the purposes of this subchapter, the Commissioner shall also have authority to make such adjustments as may be necessary to adjust abnormalities affecting income or capital—

With the right of appeal to the United States Board of Tax Appeals. Under that section, does the Senator think the relief could be given to corporations which had been formed out of prior corporations or partnerships substantially similar in ownership, as is given to a taxpayer who had no change in its corporate organization?

Mr. HARRISON. If, as the result of such a situation, there developed an abnormality of income, it is entirely possible that section 722 would afford relief.

Mr. BROWN. May I ask if section 722 is taken from the Excess-Profits Tax Act of 1918? Is it substantially the same provision that is in that act?

Mr. HARRISON. No; it is substantially the provision of the Senate bill. I may say, in that respect, that in my opinion the general-relief provision is one of the most important features in this bill. Indeed, I would have liked to have seen it perfected; but the Senator will recall that when the relief provision was recommended by the Senate Finance Committee, some doubt was expressed by the drafting experts and the Treasury Department representatives as to whether or not they could draft it in perfect form, and so forth. We gave them the time to do it in the way that they insisted it be done, and brought in a draft dealing only with abnormalities in income for the taxable year. This was subject to some criticism, and on the floor the Senator from Georgia [Mr. GEORGE] offered another provision giving the Commissioner general authority to make adjustments where abnormalities existed in income or capital and giving the Board of Tax Appeals the right to review the decision of the Commissioner.

One of the hardest fights made in the conference was the attempt of the Senate conferees to get this Senate amendment or the substitute offered by the Senator from Georgia [Mr. GEORGE] adopted. The Senate amendment, with slight modifications, was finally adopted and the Treasury and the staff of the Joint Committee on Internal Revenue Taxation were instructed by the conference to study the entire problem covered by this section, and report to the appropriate committees on the subject as soon as possible.

Mr. BROWN. Mr. President, the idea is that the report will be made soon enough so that the Congress may legislate upon that subject, with effect upon the tax returns for the calendar year 1940?

Mr. HARRISON. The Senator is correct.

Mr. BROWN. And the Senator feels that section 722, on page 14 of the bill, which is a very general relief section, may be used for the purpose of assisting corporations which have been formed out of other corporations, partnerships, or individuals with substantially the same ownership?

Mr. HARRISON. The Senator is correct. Of course, the Senator is aware of the fact that the whole Finance Committee was insistent that something like the 1918 law, with some discretion vested in the Commissioner or the Board of Tax Appeals, should be written into the law.

Mr. BROWN. The Senator will recall that the Finance Committee unanimously approved the general proposition that the development period and earnings, or lack of earnings, of predecessor corporations, predecessor partnerships, and predecessor individuals should be considered in the calculation of the excess-profits tax base.

Mr. HARRISON. The Senator is correct. I merely wish to say that we did our best to hold that provision, so that there would be no question about the matter.

Mr. BROWN. I thank the Senator very much.

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

Mr. HARRISON. I yield.

Mr. ADAMS. I am interested, as are all those from the mining sections, in the provision in reference to abnormal incomes, incomes which appear as a result of a process of development and research carried on over a period of years which result in a substantial profit in 1 year because of the activities of the preceding year or years. That matter was before the Finance Committee, of course, and before the conference committee.

As the bill came from the Senate committee it contained relief provisions, and gave authority to the Commissioner of Internal Revenue, with the approval of the Secretary, to make adjustments. On the floor an effort was made by an amendment to not only give the authority to make such adjustments, but to make it compulsory, and to establish a mathematical method by which they should be applied. In other words, it provided that if a process of development, say in a mine, had been carried on for 5 years, and there had been loss for 4 years, and if, at the end of the fifth year, if a fortunate mineral discovery were made, the profit should be distributed back over the period of 5 years. That has been taken out. The conference committee recommends the elimination of this mathematical formula for the distribution. As the bill comes from the conference committee power is given the Commissioner, with the approval of the Secretary, to make adjustments, but, as I read it, there is absolutely no compulsion upon the Commissioner to make any such adjustments. We are left absolutely at the mercy of the judgment and decision of the Commissioner and the Secretary of the Treasury.

Mr. HARRISON. That has relation to the amendment the Senator offered, the 5-year amendment?

Mr. ADAMS. Yes.

Mr. HARRISON. We believe that the bill as now written absolutely requires the Commissioner to make the allocation of the income to the proper year.

Mr. ADAMS. Will the Senator be good enough to satisfy my mind a little, to ease it, by telling me where the provision is?

Mr. HARRISON. Under section 21 of the bill as agreed to in conference, the amount attributable to any previous taxable year or years is to be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary. In the case of income from exploration, and so forth, the Commissioner is required under the language of this section to allocate so much of such income as is not attributed to the taxable year to each of the preceding years.

Mr. ADAMS. The Senator is reading the statement as to the Senate amendment, but not a statement as to the conference report.

Mr. HARRISON. I am referring to the section of the law itself and the interpretation placed upon it by both the Treasury and our own experts.

It was the viewpoint of every expert in our conference—those representing our joint committee and those representing the Treasury—that we had taken care of the very situation the Senator pointed out in his amendment; that explorations might not run back just 5 years, but might run back 20 years, and that the Commissioner would be required to make the adjustments.

Mr. ADAMS. The Senator is quite correct that the authority exists in the Treasury Department to make the adjustments, but in the conference report there is no compulsion upon the Treasury Department to make the adjustments. It is all within their discretion.

The amount to be attributed to previous years is to be determined by the Commissioner or the Treasury Department. Then the subsections which follow deal with the amount to be attributed to previous years; but the amount to be attributed comes from the exercise of the discretion of the Treasury Department. In other words, there is not a particle of compulsion upon the Treasury Department to meet the problem. Of course, I am hopeful that the Treasury Department will recognize the implications of the language rather than the unrestricted discretion.

Mr. HARRISON. If anyone was misled and there could be the interpretation the Senator fears, we were the ones who were misled, because, as I have stated, we were told by every representative of the Treasury Department, and it was as well the belief of our own staff, that the situation was taken care of.

I give the Senator this assurance, that, so far as I am concerned, if, when the question arises, it should be held that what I have stated is not the correct interpretation and construction of the law, we will certainly make every effort to amend the law in order to take care of the situation.

Mr. ADAMS. I am very hopeful that the Senator's views in the matter will be carried out. Of course, the Treasury Department naturally, as is true of every other great department, likes to have the power vested in it to make decisions. I am not saying they would not do as the Senator expects, but I am saying that they are not compelled to, under the proposed law, and out of the bill has gone the provision which would have compelled them.

Mr. HARRISON. Because we were all very sympathetic with what the Senator had in his mind, when he restricted the matter to 5 years, we thought we were giving him more than his own amendment was giving him by eliminating the 5-year limitation. There may be a difference between the construction on the part of the conferees and the Senator's construction, but I give him every assurance that if there should be any doubt about the construction the Treasury puts on this provision, when the question arises, we will join hands with the Senator in remedying the situation.

Mr. ADAMS. I am very happy to have the Senator's assurance. I hope he will not have any occasion to act upon it.

Mr. HARRISON. I hope so, too.

Mr. President, agreement was reached on the subject of bad debts, and it is incorporated in the report.

In the Senate bill we allowed a 2-year carry-over of the unused exemption with respect to the canning and mining industries. We finally compromised, after a long discussion, by providing a 1-year carry-over of the unused exemption to be applied to all corporations whose income did not exceed $25,000 for the taxable year.

Mr. JOHNSON of Colorado. Mr. President, I have been unable to discover that section. Will not the Senator give me a reference to it?

Mr. HARRISON. The Senator will find that section on page 3 of the conference report.

As to the Senate amendment which the senior Senator from Nevada [Mr. PITTMAN] offered, and which was adopted by the Senate, dealing with strategic metals, we were able to work out a compromise confining the exemption to the mining of such metals by domestic corporations within the United States. That was the very best arrangement that could be made.

The Senator from Nevada [Mr. PITTMAN] offered another amendment which would have permitted a corporation to take 3 out of the 4 base years in computing its tax under the average earnings method, but because of changes in other parts of the bill, and because of the large loss in revenue which would result from such an amendment the conferees were unwilling to accept it.

Mr. PITTMAN. Mr. President, will the Senator explain again the matter of exemption of taxation of the profits derived from the mining of strategic metals? What is his understanding with regard to the change made in the provision.

Mr. HARRISON. I stated that there were some six or seven metals represented or dealt with in the Senator's amendment. We were not able to get the House conferees to agree to the exact language of the Senate amendment, but we were able to point out that the President in a message to the Congress, as I recall—I do not know that he included all of these metals—had asked us to enact legislation to preserve these strategic metals in the United States for our own defense.

Mr. PITTMAN. I simply wanted to see how it was worded.

Mr. HARRISON. It is section 731 of the committee report. It reads as follows:

> In the case of any domestic corporation engaged in the mining of tungsten, quicksilver, manganese, platinum, antimony, chromite, or tin, the portion of the adjusted excess-profits net income attributable to such mining in the United States 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.

Mr. PITTMAN. Does that mean there is no excess-profits tax charged against the profits derived from that character of industry?

Mr. HARRISON. In effect, yes.

Mr. PITTMAN. I could not tell from reading it what it means.

Mr. HARRISON. That is what it means.

Mr. PITTMAN. I thank the Senator.

Mr. HARRISON. The question of personal-service corporations was advanced in the debate. We were unable to get the House conferees to agree to the Senate amendments in toto. However, under the conference agreement, the definition of a personal service corporation was defined to mean a corporation where income was attributed primarily to the activities of shareholders who are regularly engaged in the active conduct of the affairs of the corporation and are the owners at all times during the taxable year of at least 70 percent in value of each class of stock of the corporation and in which capital is not a material income-producing factor. Under the House bill, the persons actively engaged in the business had to own 80 percent of the stock.

In the case of determining whether the shareholders own the requisite shares of stock the Senate provision was adopted, which permitted that the individual shall be considered as owning stock owned not only by his spouse or minor child but by any guardian or trustee representing them.

So we did the best we could in trying to work out that very delicate question.

The Senate amendment permitting credit against the Federal unemployment tax was offered by the Senator from Missouri [Mr. CLARK]. The Senate amendment permits credit against the Federal unemployment tax for the calendar years 1936, 1937, 1938, or 1939 on employers of eight or more employees for contributions paid by the employer before the sixtieth day after the date of the enactment of this act into an unemployment fund under a State law. The conference limits the credit for 1939 to 90 percent of the amount which would have been allowable to conform to the limitation of existing law.

An important amendment was offered by the Senator from Michigan [Mr. VANDENBERG] relative to social-security legislation affecting persons to be called into the military or naval service. A more general provision was later offered as a substitute in order that all of these problems might be studied by the conferees. The conferees were able to report on two of the most urgent problems, one relating to insurance and the other to the railroad-retirement provisions.

Part I of amendment No. 35 permits persons in military service to take out national service life insurance up to $10,000. This insurance is similar to war-risk insurance with certain modifications based on experience gained over the past 20 years. This new insurance permits waiver of premiums upon total disability, but benefits are not payable for such disability as was the case under war-risk insurance. The new insurance will be 5-year term insurance with the right to convert to life, 20-year life, or 30-year life. Premium rates based on the average age—25 years—will be 67 cents per thousand per month. Rights of World War veterans under existing law with respect to war-risk insurance is not changed.

Because that fund had been built up by the older men who served in the World War, we did not feel we ought to impair or injure it. It would also cause a great deal of controversy and trouble, so we did not affect that fund at all.

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

Mr. HARRISON. I yield.

Mr. VANDENBERG. I am unable to determine from the report where the responsibility is lodged for setting up the national service life insurance and for operating it. Where does that responsibility go?

Mr. HARRISON. To the Veterans' Bureau.

Mr. VANDENBERG. It goes to the Veterans' Bureau rather than to the Social Security Board?

Mr. HARRISON. Yes; to the Veterans' Bureau.

Mr. VANDENBERG. Is it presumed to be built comparably with and on the basis of war-risk insurance?

Mr. HARRISON. Yes. There is not much difference between the two. They are along the same line, but separate and distinct insurance policies are issued under these two services.

Part II of the amendment permits individuals who are covered under the Railroad Retirement Acts to use past military service in a war-service period for the purpose of determining eligibility for and the amount of annuities. If a man had 2 years military service during the World War and 28 years railroad service, he could use the 2 years to compute his annuity, based on 30 years' service.

So we took care of those phases of the problem, but we have to make a further study of the social security features that were embraced in the amendment of the Senator from Michigan.

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

Mr. HARRISON. I yield.

Mr. VANDENBERG. Now as I understand it, amendment No. 35, which is the outgrowth of my original suggestion, does not cover a protection of the conscript, the National Guardsman, taken into military service, with respect to any of his rights under the Social Security Act?

Mr. HARRISON. It takes care of none of the provisions with reference to the Social Security Act, because we found there were so many angles to it, that it was so complicated, and that without question it would be better and wiser not to go into that matter in a conference committee, and if we had done so we would have been unable to submit a conference report within any reasonable time. Moreover, public hearings would have been necessary before the problem could have been fairly dealt with.

Mr. VANDENBERG. I am inclined to agree with the Senator that the thing is so complex that it would probably require further study, although it is probably no more complex than about 98 percent of the other subjects dealt with in the conference report.

Mr. HARRISON. There are plenty of complexities in the measure.

Mr. VANDENBERG. What does the Senator propose that we shall do with respect to these rights under the Social Security Act? Is he proposing that there shall be a specific study made?

Mr. HARRISON. I personally thought that was a very good way to do it—that is, to have those who will consider this question appointed by the Presiding Officer of this body, and the Presiding Officer of the House, and thus have a joint committee, but the conferees did not all agree with me. So they are going to proceed in the House, because legislation pertaining to social security must originate in the House, and it will go through the regular channels as expeditiously as possible.

Mr. VANDENBERG. I suppose our special committee on the exploration of the Social Security Act which the able Senator appointed in the Finance Committee could take jurisdiction of the subject on its own motion if it chose to do so.

Mr. HARRISON. I think that would be very well, although I think the subcommittee which was named will have its hands full when it gets to work. However, I am sure there will be no trouble about that question.

Mr. VANDENBERG. The Senator agrees that it is something which ought to be covered?

Mr. HARRISON. I agree; and the whole conference was in agreement on that point.

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

Mr. HARRISON. I yield.

Mr. KING. Dr. Altmeyer and various other representatives of Federal agencies connected with social security, public welfare, and so forth, were before the committee. We had considerable discussion trying to work out some plan by which we might take care of the question suggested by my dear friend from Michigan, but many matters were in nebulous form, and we did not have the concrete evidence and facts before us. So we finally concluded that it would be unwise for us to cover the entire ground of social security and make adjustments in the tax bill. For that reason, as indicated by our chairman, the matter was pretermitted for the present, and it was understood that both the House and Senate, through appropriate committees if a joint committee were not appointed, would address themselves immediately to the consideration of those very complicated questions.

Mr. HARRISON. Mr. President, that completes about all I desire to say with reference to the conference report. The report was signed by every member of the conference—seven Members of the House and five Members of the Senate.

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

Mr. HARRISON. I yield.

Mr. VANDENBERG. The Senator has not indicated what happened to the Connally amendment.

Mr. HARRISON. I neglected to refer to the action taken on that amendment. Twice we have passed the Connally amendment in the Senate. Twice it has been to conference. The conferees in the first instance were pretty much the same as the conferees in this instance. On Sunday we took a last whack at trying to persuade the House conferees to accept the Connally amendment. We failed, so there was nothing for us to do but recede or not have a conference agreement.

Mr. VANDENBERG. Was I misinformed in hearing that at one point the Senate conferees were almost in a panic when they learned that the House conferees were about to agree with them on the Connally amendment? [Laughter.]

Mr. HARRISON. No. In this political year the Senator is probably seeing hobgoblins. There is nothing in that rumor. From the very beginning I was favorable to the Connally amendment. I disliked to have to go through the whole business we went through. This was not by any means an easy conference. The Connally amendment was written by a subcommittee of the Finance Committee which studied the matter carefully. In the event war should come, the rates would have to be increased materially. It might be a good idea for some persons to be a little frightened at the taxes they would have to pay if war should come. We did what we could for the Connally amendment.

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

Mr. HARRISON. I yield.

Mr. CONNALLY. Will the Senator from Mississippi advise us whether or not the House conferees ever understood what the Connally amendment was all about?

Mr. HARRISON. I am informed that they understood it, although I have a wee bit of doubt as to whether or not they understood it.

Mr. CONNALLY. Was it because of jealousy on the part of the House toward the Senate, the House being supposed to initiate revenue legislation; or was it simply because the House did not want any war-profits taxes in time of war?

Mr. HARRISON. The House conferees were not very sympathetic with the war profits tax bill. I do not know whether or not they were influenced by jealousy, rivalry, or feeling against the Senate. I should not say that, because I am too glad to have got out of the confused state which existed for a long time.

Mr. KING. Mr. President, as stated by the Senator from Mississippi [Mr. HARRISON], the conference report was signed by all the conferees. That does not mean that all of the conferees agreed to the provisions of the measure submitted by the conferees. Speaking frankly, there are many provisions of the bill embodied in the conference report with which I do not agree. I declined to sign the conference report at the conclusion of the conference, and also for some time thereafter, though, as I was advised, all other conferees had affixed their signatures to the same. I had numerous objections to the conference report, believing that the measure agreed upon contained provisions to which valid and substantial objections could be made. Upon further consideration, and weighing all of the questions—ethical and otherwise—involved, I concluded to join with my colleagues in signing the conference report.

Though I still have objections to many of the provisions of the pending measure, I am frank to confess that it is far superior to the bill which came from the House. The Senate bill made important changes in the House bill, and I regret that the conferees did not accept the Senate bill with a few suggested changes. As stated, I reached the conclusion that, notwithstanding my objections to the House bill and to many of the provisions of the bill agreed upon in conference, I would not be justified in attempting to defeat the will of the conferees. I realized that because differences of opinion existed conferees are appointed for the purpose of reconciling the differences between the two Houses in order that legislation may be enacted. Perhaps there is a question of ethics as to how far a conferee is under obligation to sacrifice his own views and to join in a conference report in order to secure legislation. When conferees are appointed, it is with the understanding that they will reach an agreement, if possible, to reconcile the differences between the two Houses in order to obtain legislation. Perhaps this imposes upon each conferee a duty, after striving valiantly to secure the adoption of the views of the body which appointed him, to yield if and when it becomes apparent that failing so to do no agreement would be possible and the bill under consideration might therefore fail.

Because the measure agreed upon in conference contained objectionable provisions, as indicated, I was not disposed to sign the conference report. Upon further consideration, and appreciating the fact that I represented the Senate and was expected to cooperate with the conferees of the House and the Senate to the end that a measure might be agreed upon, I finally signed the conference report.

I repeat when I state that I contended earnestly for the Senate bill. I believed it to be a better bill and a more just measure than the House bill or the one which had been reported to both Houses. As I have stated, the bill agreed upon, though imperfect I know, and as much as I should desire, is better and fairer than the House bill, and I therefore felt warranted in waiving my objections to the report in its present form.

I appreciate the fact that scarcely any measure—certainly no measure of great importance—which has been the subject of consideration by both branches of Congress is free from objections and will command the approval of conferees

representing the House and the Senate. On important and indeed vital questions it is not expected that conferees of both branches of Congress will be in agreement upon all provisions; and it is obvious that conferees will have differences of opinion with respect to many provisions of important legislation.

The revenue measure before us was the subject of study by the Treasury Department and its experts. Undoubtedly there were differences of opinion among the representatives of the Treasury Department. The Committee on Ways and Means of the House contains many men of great ability. Some of them have been members of the committee for many years, and all of them have been students of plans for the raising of revenue to meet the expenses of the Federal Government. It is to be expected that in their studies their views upon tax measures and tax policies would not be entirely harmonious. After hearings were conducted by the Committee on Ways and Means, the members formulated a tax bill which received approval at the hands of the House of Representatives. Upon the bill being received by the Senate it was referred to the Committee on Finance, and that committee devoted itself for some time to a study of the House bill and to a consideration of the questions pertinent to the issues involved and to the consideration of the testimony submitted by a large number of persons from various walks of life. There was considerable criticism by witnesses and by various segments of the public of the House bill; and the Senate hearings, in my opinion, justified much of the criticism and warranted the Committee on Finance in insisting upon important modifications of the House bill and important changes in some of its provisions.

I know that the members of the Committee on Finance addressed themselves in a patriotic way to the discharge of the duty resting upon them. They were anxious to agree upon a sound and just tax measure and to that end were willing to modify in many respects the views which individually, if not collectively, they entertained.

There is no exact science of taxation, and differences of opinion are bound to arise when measures are being devised to raise revenue. Taxes mean that the heavy hand of the Government will be laid upon individuals and upon their property, and all tax measures will contain provisions that are not entirely just and which do not bear equally upon all individuals and classes.

With an industrial and economic system such as that prevailing in the United States, many complicated and difficult situations arise which have to be met in the formulation of revenue measures. We do not have a unitary form or system of government; the States and their political subdivisions have to meet heavy burdens and provide revenues for their growing and expanding needs. The Federal Government reaches out its powerful hands and makes heavy exactions upon States and their political subdivisions and their citizens.

Notwithstanding these heavy burdens deficits, Federal and State, are increasing, and it is certain that though taxes may and will be increased, deficits will likewise increase and reach mountainous, if not dangerous heights. There are some persons who seem quite indifferent to the exactions which are made under the guise of taxation. There are some who would look with concern upon tax levies which would destroy private capital and pave the way to State socialism.

Undoubtedly Federal expenditures will increase, and this will call for heavier taxes. Congress has passed two tax bills during this year and the one under consideration will add at least a billion dollars more to the burdens of the people. Only a few weeks ago Congress increased the taxes imposed upon the people, but it is evident that the billion dollars which will be provided by the pending measure will be wholly inadequate to meet the needs and pressing demands of the Federal Government for additional revenue.

I might add that I was not in favor of enacting a tax bill at this time. I knew that the next session of Congress, which will meet in January, will have the duty resting upon it to enact a tax measure which will call for not alone one billion, but many billions of dollars, because of the enormous expenditures which are being made by the Federal Government.

It seemed to me that the wise and proper course to pursue was to enact a law dealing with amortization alone.

The administration, including the National Defense Council, called attention to the fact that the defense program was being delayed because no provisions were being made for the amortization of facilities required in the execution of the national-defense program.

Many individuals and corporations were ready to enter into contracts for the production of military and naval supplies, but until reasonable provisions were made for amortization of facilities which were required, they hesitated to enter into contracts which might result in heavy liabilities.

As indicated, in view of the fact that within a few weeks—or, at least, a few months—Congress would be called upon to enact another tax bill—one which, as I have stated, will call for billions of dollars of revenue—it seemed unwise to attempt to enact a tax bill during the closing days of this session. It is obvious that when Congress frames a new tax bill within the next few months, it will be called upon to invade fields covered by the bill under consideration. Many of its provisions will be modified. Undoubtedly some will be repealed, and the work of this session, so far as that work is represented in the bill under consideration, will be largely nugatory. If we had passed an amortization bill several weeks ago, undoubtedly the work of national defense would have been further advanced, and, as I have stated, no little part of the framework of the bill before us will be undermined, if not wholly destroyed. So I have felt that we were engaged in a work of futility aside from the provision of the pending measure which deals with amortization.

In the consideration of a revenue measure when Congress meets in January, all revenue measures then in force will have to be considered; their provisions examined; and, as I have stated, subjected to material changes and, in many respects, to complete destruction.

A comprehensive and far-reaching tax bill, such as will be required when Congress again meets, of necessity will cover fields which have been invaded by revenue laws; and, as I have stated—and I am repeating—such laws will be changed and modified and many of them absolutely repealed. The tax measures now on the statute books, burdensome as many of them are, will prove wholly inadequate to meet the increasing demands of the Federal Government. With increasing expenditures and mounting deficits, obviously heavier burdens must be laid upon the people and every avenue explored for the purpose of finding and obtaining additional revenues. Only a few years ago the Federal expenditures were less than $1,000,000,000. We know that the appropriations for the next fiscal year will, perhaps, exceed $20,000,000,000, and the tax burdens placed upon the people may reach the stupendous sum of $12,000,000,000. Indeed, it is impossible to determine, in view of the confused condition of the world, what our Government will be compelled to expend in order to meet the heavy responsibility which will rest upon it. Notwithstanding billions of taxes will be collected and expended, there will be deficits aggregating many billions of dollars. It is a serious condition confronting the American people, and in order to meet that condition there must be a united purpose, a high degree of patriotism, and an unflinching determination that this Republic shall carry high the standard of liberty and justice.

Mr. GEORGE. Mr. President, I desire to say a very few words about the conference report, because there are some very important principles in it to which I wish to direct a very brief observation.

I have been interested in looking at the newspaper comments throughout the country on the bill. So far as I have been able to find them since the conference report was made, they are generally summarized in one or two editorials from which I wish to quote briefly. Practically all the newspapers of the United States—at least all the respectable publications—recognize that there is a certain unsoundness in this tax bill. In order that the record may be kept perfectly straight, I wish to put into the RECORD a brief statement from the Baltimore Sun which covers the point.

Speaking of the conference report, the Baltimore Sun has this to say:

One of these objections touched the basic provisions for deciding when profit becomes excessive. There are two obvious methods for making such a decision. Profits which exceed earnings made in average and normal years may be called excessive. Or profits which exceed a certain percentage of return on invested capital may be called excessive. Equity required that taxpayers have a free choice between the two methods. The House bill allowed a choice but, under Treasury pressure in behalf of the invested-capital method, it penalized corporations using the other method.

They were to be taxed on excess profits not merely at higher rates, but a special tax of 4.1 percent was to be imposed on their normal incomes.

The conferees have now agreed to strike away the penalty tax on normal income where corporations chose the average earnings base. The discriminatory rates are also stricken away. But a free choice between the two methods is still not offered. For the conferees propose to credit corporations using average earnings as a base, not with 100 percent of those earnings against excess-profits taxation, but with only 95 percent. Five percent of earnings agreed to be perfectly normal, in brief, will be taxed as excess profits.

Again, the aspect of excess profits which ought to be taxed is clearly their excessiveness. But the bill which passed the House taxed excess profit in accordance with mere dollar volume. It is clear that a large corporation may make an excess profit large in dollar volume, but exceeding allowable normal earnings by only a slight margin. On the other hand, a company with a profit small in dollar volume may actually be exceeding its allowable normal earnings by a very wide margin. The Senate accepted, from the floor, an amendment which brought margin of excess into the picture as a measure of the tax. The conferees have dropped this provision. The bill as it stands, then, is a tax not on the excessiveness of profits, but on mere bigness of excess profits, a different thing.

That, Mr. President, is quoted from the Baltimore Sun of October 1. The New York Times has substantially the same comment to make upon the conference report. I quote from the New York Times of the current date, October 1, 1940:

The compromise removes the penalties of the House bill on corporations choosing the prearmament "average earnings" basis for taxation—which ought to be the primary basis of an excess-profits tax—at the same time as it retains the much fairer allowance of an 8 percent "normal" profit on invested capital as provided in the Senate bill. Yet the new bill also retains many quite unnecessary complications. One of these is the graduated scale of taxation based on the absolute amount of "excess" earnings. As applied to corporations this is a mere tax on bigness which penalizes mass production methods but bears only a capricious relationship to the individual incomes on which it must ultimately fall.

A needless complication is introduced in the bill when it taxes everything above 95 percent of pre-1940 income, instead of merely taxing the excess above the whole of such income. This is doubtless a compromise granted to the House as a return for its abandonment of other penalties on corporations choosing 1936–39 earnings. But its effect is to tax as "excess" earnings which might, in fact, be somewhat smaller than before the armament program.

Mr. President, I will not read further from the press of today, but substantially, throughout the country, those are the comments.

I wish to make my own record perfectly clear. There is no possible justification in an excess profits tax bill for taxing earnings which are purely normal; but we were compelled to agree to reduce the normal earnings in the period not fairly representative of corporate earnings in this country by 5 percent in order to effect an agreement with the House conferees. For that reason, and for that reason only, I agreed to this particular provision of the bill.

Furthermore, Mr. President, on this floor I offered the amendment which is commented upon in these editorials and in nearly all other editorials, which would have imposed the excess-profits tax not upon brackets arranged according to the mere dollar income of a corporation, but upon the proper relationship between the earnings and profits and the excess-profits credit. That has been pronounced sound by every reasonable commentator who has commented upon this bill. That, I thought, was one of the most important provisions of the bill. It is one of the provisions for which I fought hardest and longest in conference, as my colleagues will attest.

While I have agreed to the report upon the basis that there must be agreement in order to obtain a report, I want my record to be perfectly clear, that this arrangement of the excess profits upon a mere dollar-bracket basis, is one of the most unsound, one of the most inequitable, and one of the most indefensible provisions that ever was written into a harsh bill such as the excess profits tax bill, and it is done for the sole purpose of taxing bigness according to somebody's idea of bigness, without any possible consideration of how the burden falls upon the individual owner of stock which must be made less valuable and less productive under such a crude arrangement as this.

Mr. President, I wanted to make my position clear on these two points, particularly in this bill.

There is one other feature of the bill to which I wish to refer. On the floor, in addition to the specific provisions for relief made in extreme hardship cases in section 721, I offered an amendment known as section 721½. That amendment, in substance—and I think as it was intended to mean at the time—is contained in the bill as section 722. Broadly, it gives authority to the Commissioner of Internal Revenue to make adjustments in the case of abnormally affected income or capital and also makes his decision reviewable by the Board of Tax Appeals. Not only, Mr. President, is that in the bill, but it is in the bill with my express concurrence; but coupled with the statement that at the very first opportunity, on bills that must be favorably considered by the House and Senate, I propose to offer and carry through, if it is humanly possible, additional provisions to make effective, and provide the method of procedure by which it can be made effective, this broad provision in this bill, because in no other way can exceptional hardship cases be saved under this particular bill.

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

Mr. GEORGE. I am glad to yield to the Senator from Michigan.

Mr. BROWN. On page 51 of the report, under the subsection in regard to the predecessor-corporation proposition, in which I have taken a good deal of interest, appears this statement:

Income resulting from activities of such a character carried on by a predecessor corporation is not entitled to the treatment provided in section 721.

Then following section 721 in the conference report—the bill as it is about to pass—is section 722, which, I understand, is the section which the Senator from Georgia drafted and which reads:

For the purposes of this subchapter the Commissioner shall also have authority to make such adjustments as may be necessary—

To take care of these abnormalities. Would the relief provided for in section 722, in his opinion, be open to a taxpayer whose predecessor, substantially identical in ownership, was the business organization that had developed the patent or process which resulted in the profit for the taxable year? I ask this in view of the fact that such relief is denied under section 721; could it be granted under section 722?

Mr. GEORGE. I do not think it would specifically come within section 722, except under these circumstances: If the failure to permit the history of the predecessor to be considered resulted in an abnormality either in capital investment or in income, then that abnormality, if it resulted in exceptional hardship, would clearly come within the spirit of the section.

Mr. BROWN. I am satisfied with that answer, because, as I understand, relief is not given in any case unless there is an abnormality.

Mr. GEORGE. That is true.

Mr. BROWN. If the abnormality existed because of the predecessor-corporation situation, it seems to me a fair interpretation of section 722 is that relief could be granted.

Mr. GEORGE. I believe it should and could be, if the failure to consider the history of the predecessor had brought about circumstances and conditions which resulted in an abnormality in investment or in income for the taxable year.

Mr. BROWN. I agree with the Senator. May I ask him if that opinion is concurred in by Mr. Stam, counsel for the joint committee who aided in drafting this section?

Mr. GEORGE. I should think Mr. Stam would concur in that opinion, and my recollection of some discussion of it

leads me to that belief. Of course, I would not speak for him otherwise.

Mr. BROWN. My understanding was that he did agree.

Mr. GEORGE. I think he did.

Mr. KING. Mr. President, I am very glad the Senator from Michigan brought to the attention of the Senate the matter now under discussion.

I share the views expressed by my colleague the Senator from Georgia [Mr. GEORGE]. If there should be any dubiety upon the part of the representatives of the Treasury in the interpretation of the provision, I am sure the statements made by conferees as to their interpretation would be considered as part of the res gestae, and would influence the representatives of the Treasury in arriving at an interpretation of the provision; and that is one reason why, among others, I finally yielded instead of contending to the end for the amendment offered by the Senator from Georgia. It was a just and fair amendment, and ought to have been adopted, but with the provisions now in the bill, together with the statement just made, I think the Treasury Department will place upon the provision referred to the interpretation which has just been indicated.

Mr. GEORGE. Mr. President, just a final word with reference to an amendment adopted by the Senate which was specifically omitted in the conference; that is to say, an amendment dealing with the awards of the German-American Mixed Claims Commission, and exempting those awards from the excess profits tax provisions of the bill.

I had the honor to offer that amendment in the Senate, at the request of some Senators who necessarily had to be absent. We were assured—and I think beyond all doubt it is a correct statement—that section 721 (a) (1) of the bill as reported by the conference committee clearly covered the case in hand, and that these awards, when paid and to the extent that they do no include current interest, should not and would not be subject to the excess-profits tax. I take it from the discussion which was had in conference, and the report which has been submitted, that it is important now to note that all such payments made upon these awards—specifically, the German-American awards—except for interest accruing during the taxable year 1940 or thereafter, will be exempt from the excess-profits tax.

Mr. CONNALLY. Mr. President, I very greatly regret that the House conferees refused to agree to the war profits tax amendment which I had the honor to offer and which the Senate adopted on this bill, and which it adopted as an amendment to the last tax bill, the Revenue Act of 1940.

I cannot, of course, know the motives which actuated the House conferees; but I assume, of course, that they were proper. I make no reflection upon the House conferees; but I urge upon Senators and upon the country that they impress upon the Members of the House the importance of enacting legislation of this character in advance of a state of war, rather than waiting until after the country is involved in war, perhaps—I hope not; I pray God we do not have a war—to adopt a taxing system.

In the first place, such a system can be considered more deliberately and more carefully and more cautiously in time of peace. We have a better picture of the whole field of taxation than if we wait until war is upon us and then, in a great emergency and under great stress, and under whip and spur, we hastily and probably improvidently adopt a plan of war taxation which over the long years would not be wise or not be best for our economy.

Of course the rates carried in the particular amendment to which I refer are very high; but war is not a normal condition. War is a state at variance with all normal procedures. I have an abiding conviction that in time of war, while we want to preserve as well as we can our industrial and commercial and business activities, every citizen, whether he be in the armed forces or in the civilian economic structure, ought to be willing during the existence of the state of war to give up, either in his personal services or out of his own resources and income, substantially all above a comfortable living. So these rates are very highly graduated. I want the country to know, however, that the present Congress has already authorized appropriations of something like $15,000,000,000 for preparedness and national defense, and those sums will have to be repaid. In addition, during the past several years we have accumulated a tremendous deficit in time of peace in the form of the national debt. That debt will have to be paid. We might as well make up our minds now that beginning in January it will become the duty of the Congress to revamp and revise the entire tax structure in order to raise what we would ordinarily regard as staggering sums for the purpose of meeting the national needs.

Much of the ground which has been plowed over by the Finance Committee in the present bill will have to be reviewed in January. Much of what transpired in the last revenue bill will have to be reharrowed and replowed and recombed for sources of revenue. I think we ought to let the country know that that is the case. If we do not let them know, we shall lull the country into the belief that this apparently inexhaustible supply of money which comes purely from loans and not from taxation will continue. It will not continue. We all know that after a while the springs will dry up. I hope the Members of the House of Representatives will come back here in January with a resolve to be willing to survey the whole field of taxation and impose much heavier rates.

The truth of the matter is that in this period of emergency, so far as income and outgo are concerned, we are in a state practically comparable to a state of war. We are spending vast sums and supposedly having profits. So far as I am concerned, I believe that even the rates carried in this war-profits tax amendment, if put into effect now, during this period of emergency, would have a great effect upon the economy of the country. They would tend to stabilize it. They would tend to arrest any movement toward inflation. They would tend to put the brakes on any inordinate profits on the part of those who are manufacturing war materials, or those who have negotiated or may negotiate contracts with the Government.

I regret very deeply, Mr. President, that the House of Representatives, through its conferees, has a second time rejected the war profits tax amendment. That amendment by its specific terms would become effective only upon a declaration of war by the Congress, and by the declaration in a congressional pronouncement of a state of emergency, hedged about with all necessary safeguards protecting the authority and the power of the Congress itself. I repeat, it is a very great disappointment.

The Senate has performed its duty with respect to this matter. The Senate Finance Committee, through a subcommittee, spent many weary months in exhaustive hearings, in laborious sessions, and in consultation with experts, in the preparation of the bill. It is not a wildly conceived, visionary plan of confiscation; it is a carefully studied and a carefully implemented plan, of heavy taxation, it is true, but so drawn as to spread the burden in a way which would make the ability to pay the real test, and yet would leave in everyone's possession and enjoyment a sufficient income to meet the necessities of the period and of the times.

Mr. President, we shall not despair, but the Senate I am sure will continue to insist, upon every legitimate occasion, that we should look into the future, or just a little farther than our footsteps might lead us, and prepare for that particular period when, if we should become engulfed in war, automatically this form of taxation would come into effect, and as a result we would have the vast increase of our national income and a slowing down of the accumulation of vast profits as a result of the country's misfortune in being plunged into war.

Mr. VANDENBERG. Mr. President, inasmuch as there apparently will be no roll call on the conference report, I wish to make it plain for the RECORD that my view has not changed respecting the bill. I found it impossible to accept membership on the conference committee because I was so completely out of sympathy and out of harmony with

the Senate's version, and since the conference version inevitably had to be less palatable than the Senate version, in fairness to the chairman of the Senate conferees I was unable to be a party to the crime.

I still think this bill is an imponderable mess, which is being perpetrated upon the poor American businessman at a time when he should be allowed a slight modicum of freedom to attend to his own business in behalf of a healthy public economy.

I think it is a tax atrocity in many of its features. It is not an excess profits tax law in any adequate or legitimate sense of the word, because it merely uses the pious excuse of an excess-profits tax to reach into normal taxes and penalize the taxpayer.

It certainly is not a war-profits tax, which probably two-thirds of the country thinks it is, because it does not even remotely reach into the area which is going to prevent the so-called war millionaire, and the extraordinary war profits, which the able Senator from Texas has been most appropriately discussing.

Mr. CONNALLY. Mr. President, the Senator from Michigan was favorable to the war-profits amendment, was he not?

Mr. VANDENBERG. Oh, yes; and I am about to say something further about it.

The bill not only fails to justify an excess profits tax definition, it not only fails to justify war profits tax definition, but it is not even a revenue bill within the reasonable definition of that term, in the presence of the Government's present fiscal needs. Again I agree with the able Senator from Texas when he insists that the responsibility of the Congress should be to face the fiscal realities, and do something measurable to meet them.

This is the second extraordinary revenue bill we have had this year. The two of them put together in this particular year will not produce over a billion dollars, in all probability. Yet, this year's deficit is already $10,000,000,000, and it is perfectly obvious, as the Senator from Texas has said, and as every Senator knows, that there has to be a realistic, fundamental, basic reorganization of the entire tax structure of the country, and there has to be courage enough to lay the heavy hand of Government upon sufficient revenue to approximately balance a portion of our books, at least, or we shall lose the first line of national defense, which is the protection of a solvent public credit.

So, Mr. President, without any criticism of the Senate conferees, because they have done the best they could with an impossible task—their possibility of operation was entirely bounded by the infirmities of the original measure—I continue to feel that in the present critical emergency the bill is a positively pathetic travesty upon the proper approach to the steps necessary to the maintenance of public credit. I think it fails completely to justify the theory or principle of a real excess-profits tax. I think it fails completely even to approach the rim of an assault upon so-called war millionaires. Since the conference report leaves very little I could approve, I wish to make it plain that I still think the bill is an imponderable mess, and I still think it is a tax atrocity.

Mr. BARKLEY. Mr. President, I merely wish to express a word of regret that the Senate conferees were compelled to yield on a small and relatively unimportant amendment which I offered, and which was adopted by the Senate. Under the bill as it was passed by the House, and as it was reported by the Senate committee, corporations which lose money because they have purchased bonds are allowed certain credits with respect to the fixing of the average earnings over the base period. The amendment which I offered provided the same privilege where a parent corporation made a loan to a subsidiary, and lost it entirely, not by a bond issue, but by accepting a promissory note.

The Treasury experts apparently objected to that, and therefore it went out. I do not know what objection there was. It did not affect very many people, it did not affect very much in the way of revenue to the Government, but it seemed to me to be a measure of justice to business institutions which made loans to corporations which they owned, where they lost money through bankruptcy or other proceedings.

I appreciate the efforts made by the Senate conferees to retain the amendment, and I hope that when we have before us another tax bill, we may be able to give more consideration to that relatively small question.

The PRESIDENT pro tempore. The question is on agreeing to the conference report.

The report was agreed to.

EXTENSION OF OIL AND GAS PROSPECTING PERMITS

Mr. BARKLEY. Mr. President, yesterday on the call of the calendar the Senate passed Calendar No. 2207, House bill 8448, to provide for the extension of certain oil and gas prospecting permits. A similar Senate bill (S. 3172) was postponed indefinitely.

When the bill was called I overlooked that I had received a letter some 2 weeks ago from the Secretary of the Interior calling attention to the fact that this same extension was granted 3 years ago, and that the President at that time announced that he would not approve any further extension of the same leases. I did not object to the consideration of the bill at the time it was reached on the calendar because I had overlooked the objection of the Interior Department.

I ask unanimous consent that the vote by which the bill was passed be reconsidered, and that the bill be restored to the calendar.

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

Mr. BARKLEY. I ask also that the action postponing indefinitely Senate bill 3172 be reconsidered.

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

LABELING OF WOOL PRODUCTS; TRUTH-IN-FABRIC CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 162) to protect producers, manufacturers, distributors, and consumers from the unrevealed presence of substitutes and mixtures in spun, woven, knitted, felted, or otherwise manufactured wool products, and for other purposes.

Mr. THOMAS of Oklahoma. Mr. President, as I understand, the so-called truth-in-fabric conference report regains its place before the Senate as the unfinished business.

The PRESIDENT pro tempore. The conference report was laid aside only by unanimous consent for the consideration of the conference report on the tax bill. It is the unfinished business, and will continue so until the time of adjournment or recess.

Mr. THOMAS of Oklahoma. Mr. President, before a consent agreement was presented for the consideration of the tax-bill conference report, the senior Senator from Massachusetts [Mr. WALSH] asked me whether in my opinion the truth-in-fabric bill, if enacted into law, would not favor foreign manufacturers over domestic manufacturers. My answer is, emphatically, "Yes."

It is conceded by those who have made a study of the proposed legislation that it is impossible to tell by examining a piece of cloth whether or not the cloth is made from so-called virgin wool or a mixture of so-called virgin wool and reprocessed wool.

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

Mr. THOMAS of Oklahoma. Mr. President, last night the junior Senator from Florida sought the floor, and because of conditions over which he had no control, and over which no one else had control, he did not get the floor. I promised at that time to yield the floor at any time he desired to address the Senate, and I now yield for that purpose.

Mr. PEPPER obtained the floor.

Mr. SCHWARTZ. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Florida yield to the Senator from Wyoming?

Mr. SCHWARTZ. I desire to make a parliamentary inquiry.

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

Mr. PEPPER. I yield.

Mr. SCHWARTZ. I wish to know whether, if the Senator from Oklahoma yields for other than a question, he surrenders the floor and concludes his speech for the day.

Mr. PEPPER. Mr. President, I should like to say that if such would be the effect of the generous action of the Senator from Oklahoma, I would feel constrained not to accept the benefit of his generosity. Unless he intentionally yields the floor, I do not desire to cause him to lose the floor.

Mr. THOMAS of Oklahoma. Mr. President, I am advised that I have the privilege of speaking twice on any day upon any subject. I yielded to the Senator from Mississippi [Mr. HARRISON] in order that the conference report on the tax measure could be brought up. I have not yielded at this moment for any other purpose save to permit the Senator from Florida to speak. If it is held that by yielding I should lose the floor, I should not yield, but continue my remarks. I am only too glad to yield if later I may be recognized by the Chair and may resume the floor.

The PRESIDENT pro tempore. The Chair is not advised as to whether or not the Senator has spoken once before today. He is entitled to make two speeches on the same day. If he yields the floor now and takes the floor again, it will be his second speech.

If a point of order is made as to a third speech, the Chair will have to rule that the point of order is well taken. The Chair cannot determine these matters until the point of order is made by some Senator and the facts are presented to the Chair.

Mr. THOMAS of Oklahoma. A parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. THOMAS of Oklahoma. Does the Chair hold that the Senator from Oklahoma has already spoken once on this day?

The PRESIDENT pro tempore. If the Senator yielded by unanimous consent for the consideration of the conference report on the tax bill, he will not be considered as having yielded the floor under the Senate rules.

Mr. THOMAS of Oklahoma. I now ask unanimous consent that I may yield the floor to the Senator from Florida on condition that I may not lose the floor and that I may proceed with my remarks on the conclusion of the remarks of the Senator from Florida.

The PRESIDENT pro tempore. Is there objection?

Mr. O'MAHONEY and Mr. SCHWARTZ objected.

Mr. THOMAS of Oklahoma. Then I yield the floor, Mr. President, to the Senator from Florida.

THE PACT AMONG GERMANY, ITALY, AND JAPAN

Mr. PEPPER. Mr. President, in the last few days the world has seen another challenge by the dictatorships to the democracies of the earth. This is simply another chapter in the long story which for the past few years has been sadly written before the eyes of mankind. This book started, so far as recent history is concerned, in the case of one of those governments signatory to the Three Power Pact, with its assault upon the independent character of China, under the pretense that it had to attack that country for its own defense.

In spite of the fact that there is no other country in the world which has borne for centuries the pacific reputation which the Chinese people have borne, the aggressions of this country, Japan, were directed against this peaceful country of China, as the world later learned, for no purpose except to aggrandize itself, out of the great wealth of that peaceful people. That policy on the part of the Japanese Government found expression a little bit later in making a definite assault upon the main body of that nation, when its cities were plundered, its people were enslaved, its women were ravished, and its wealth appropriated to satisfy the appetite of this oriental conqueror.

It soon became apparent that its appetite was not even satisfied by this huge morsel of China, but that it extended its gaze to the south and looked upon territory that belonged to what were then considered impregnable nations of the West. We have found it turning its lustful eyes first upon a French island, and later upon territory of a France now lying prostrate under the foot of another ruthless conqueror.

Finally with that appetite growing upon what it had fed, we find that same unsatisfied lust turning itself even farther to the south to gobble up the relatively unprotected area formerly belonging to a land which now itself is a slave to another master.

So that country, starting out upon the pretense that it was necessary to defend itself, has now made the open declaration to the world that it is interested in one thing, loot, and it has one purpose, conquest of all that may be brought within its sway. That is one power to this pact which was enacted with the usual ceremonial before these conquerors in the city of Berlin last week.

Another nation which was signatory to that pact, the Italian Nation, gave to the world its first modern exhibition of the totalitarian state. As early as the early twenties it established itself by the famous march upon the capital of the Italian Empire, and proceeded thereafter to destroy first the integrity of its own country by bringing its people to slavery, by persecuting them with cruel punishment, by suppressing all evidence of freedom, and molding the will of a noble people to the dictates of a ruthless conqueror. So, the first conquest in that march was of its own people, as has been the unhappy experience of every people who came within the sway of that form of modern state.

Now, a little while later we see that same state, which at first had no declared purpose except its own integrity and safety, not satisfied with what it had at home, and what it might gain legitimately from exchange of goods and services with its neighbors and the world—we find that government turning a lustful eye upon a simple people living far to the South, which had an ancient and an honorable past, which certainly threatened no other people, not indeed the Italian people, with any form of aggression imaginable to the mind of man.

Here again this nation found it necessary to enhance its prestige and to give expression to what it considered its legitimate national interest by offending the conscience of mankind and turning the mighty power of an enlightened nation upon the ignorance and, in some instances, the savagery of an unenlightened people helpless against the attacks of modern war and modern machines.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield to me before he gets too far away from the subject of the situation in the Pacific? I wonder if he would mind if I make some remarks in reference to it?

Mr. PEPPER. I yield.

Mr. SCHWELLENBACH. I wish to start out—and I say this with no spirit of criticism at all—I wish to start out by congratulating the Senator from Florida in finally having joined with those of us in the Senate who for some years have recognized the seriousness of the situation in the Pacific. It was in January 1937 that I first introduced a joint resolution in this body which provided for an embargo against the shipment of scrap iron and scrap steel. If that joint resolution had been adopted in 1937, I am confident that Japan would never have continued on in China in August 1937.

After Japan took its position and attempted to take China proper, I introduced into this body a joint resolution based purely upon the obligation which we had as a signatory to the nine-power agreement, which would have enabled our Government to have stopped Japan at that time; and the present Presiding Officer, the President pro tempore of the Senate, the chairman of the Foreign Relations Committee of the Senate [Mr. PITTMAN], introduced a similar joint resolution. The philosophy of our two joint resolutions was a little

different, but there was never any disagreement between us as to the purpose of those joint resolutions.

Now we find, after 3 years, when we either knew or should have known what the situation was to be in the Far East, that we are told we must do something, or else. I simply wish to express my regrets that the Congress of the United States has not seen fit to take the very simple step which was suggested by us, a step which could not be honestly complained of by any nation in the world, because it was a step which was based upon a responsibility and an obligation which we had under a solemn treaty into which we had entered; and if we had recognized our responsibility under that treaty at any time during the last 3 years we would not today be confronted with the situation that confronts us so far as Japan and the Far East is concerned.

We are now faced with a situation where, having delayed, having lagged behind in our responsibility for a period of 3 years, any step we might take might be fraught with great danger; and I wish respectfully to suggest that the steps that we take in the Pacific be based upon the same grounds as have been suggested by the Senator from Nevada and by me during these last few years—that they be based upon our responsibility as signatories under the nine-power pact.

So long as we take a position which has as its basis a definite commitment which was made many years ago, a commitment which we made during time of peace, a commitment which was made because we wanted certain things to be done in the Far East, if we carry out that commitment, no matter what may be the results, I am sure the people of the country will stand behind the administration and the Congress in carrying it out. I am only sorry that we must have all the things which have happened during the past week in order to bring forcibly to the attention of the country the situation in the Far East. In every poll which has been taken the people of the country, to the extent of from 60 to 80 percent, have indicated their desire that we carry out the provisions of the Nine Power Agreement and that we stop our policy of violating our obligations under the Nine Power Agreement. But it is unfortunate that the Three Power Agreement of last week was required to bring the matter forcibly to our attention.

Mr. PEPPER. Mr. President, I am very much indebted to the able Senator from Washington for the valuable contribution he has made to the subject. The Senator is undoubtedly deserving of the thanks of the country for the enlightened leadership which he has afforded in the effort which he has just described. The difficult thing is for us, now looking back upon what has happened—and particularly what has not happened—to explain why we did not do what the Senator suggested.

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

Mr. PEPPER. I yield.

Mr. SCHWELLENBACH. I am only sorry that I did not furnish leadership. I am only sorry that my voice was a voice in the wilderness, to which nobody paid any attention; because had the resolutions which I introduced, or the resolution which the Senator from Nevada introduced, been adopted by the Congress of the United States, we should not today be confronted with the serious problem which now confronts us.

Mr. PEPPER. Mr. President, the situation which the Senator describes is not at all attributable to lack of leadership on the part of the able Senator from Washington. It is rather attributable to that strange psychological phenomenon, the moral and spiritual apathy of the peoples as a whole constituting the democracies of the world. It was not only the people of the United States who expressed that apathy. It was the major nations of the world. I go further and supplement what the able Senator from Washington has said by stating that had the nations of the world interested in peace, law, and orders, and something like international decency, acted when Japan entered into Manchukuo upon a policy of willful aggression and unjustifiable conquest, perhaps there would not have been a World War, taking boys from American homes to the training camps of America in the year 1940.

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

Mr. PEPPER. I yield.

Mr. HOLT. Will not the Senator agree with me that the country which sabotaged the Nine Power Pact was Great Britain? Was it not Great Britain which said to the United States, "Do not bother about Manchukuo"?

Mr. PEPPER. I will say to the Senator that undoubtedly Great Britain had a large share of the responsibility for what was done. It has always been assumed that the newspaper reports and the common understanding of the facts are true, that Secretary Stimson appealed to the British Government to cooperate with the American Government in taking some steps to prohibit the aggressions of the Japanese in Manchukuo.

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

Mr. PEPPER. I yield.

Mr. SCHWELLENBACH. I think that our attitude in reference to Great Britain and the Far East must necessarily be the same attitude which I find myself compelled to take so far as the Senator from Florida is concerned. It was not more than a couple of months ago that I interrupted the Senator from Florida in a speech which he was making, and asked him a question about the speech. He turned to me and said that I was very belligerent—I think I am quoting him accurately—so far as Japan was concerned, but that I was not belligerent so far as Germany was concerned. I took great care at that time to explain that neither he nor anyone else could find in any speech I had ever made, or anything I had ever written, any belligerency toward Japan. I have always consistently taken the position that our course was outlined for us when we signed the Nine Power Agreement, and that I did not need to be belligerent toward Japan in insisting that we should comply with the provisions of that agreement. The Senator from Florida did not agree with me then. In the same way, in 1931, Sir John Simon did not agree with our then Secretary of State, Mr. Stimson. I cannot find it in my heart to be critical of the Senator from Florida, now that he has seen the light and joined with me in my position; and I do not think that we as a nation should be critical of Great Britain because of the fact that at long last she has seen the light and has recognized the dangers involved in the situation in the Far East.

Mr. HOLT. Mr. President, will the Senator from Florida yield to me so that I may ask the Senator from Washington a question?

The PRESIDING OFFICER (Mr. ELLENDER in the chair). Does the Senator from Florida yield to the Senator from West Virginia?

Mr. PEPPER. I yield.

Mr. HOLT. It is not because of the fact that Great Britain has seen the light. It is because of the fact that Great Britain's self-interest is at stake.

Mr. SCHWELLENBACH. After all, in international relations there is the responsibility of self-interest upon the part of every Nation. We certainly have a very definite responsibility of selfish interest. For 3 years I have been outlining our responsibility under the Nine Power Agreement. I have been outlining it as a course, on the basis that it was to our selfish interest to insist upon the integrity of international contracts. Hardly anybody has agreed with me.

Mr. HOLT. Mr. President, will the Senator from Florida yield? He is always very generous, and I do not mean to impose on his time.

Mr. PEPPER. I yield.

Mr. HOLT. My point is this: We have heard that this is an unselfish act. I agree with the Senator from Washington that all nations must be selfish. Frankly, I feel that we are not selfish enough. I feel that we have tried to pull too many chestnuts out of the fire for too many countries, at the expense of American boys. I have no objection to what Great Britain has done; but I do object to Great Britain

pushing American boys to the front to do battle for her. I thank the Senator from Florida.

Mr. SCHWELLENBACH. Mr. President, if the Senator will further yield, I cannot agree with the last statement. We are now talking about the situation in the Far East. On Armistice Day, 1921, there was called by Mr. Hughes, the then Secretary of State, now Chief Justice of the United States, what was known as the Washington Conference. The war was over. There was a very definite desire upon the part of our Government to decrease the expenditures for the Navy. After the Treaty of Versailles had been concluded the people of China were very much outraged at the fact that Japan, which had merely rendered lip service in the war, was not only given rights outside of China, not only given the right to take over all the German possessions in the Far East, but was given certain rights in China. China declared war against the Imperial German Government at the specific request of the President of the United States. She declared war because of the fact that through the years she had had such a friendly relationship for the United States. She did not render very great service, but she rendered about as much service as did Japan. Yet when the Treaty of Versailles was written all the advantages in the Far East were given to Japan, including, as I say, certain advantages in China itself. So the Chinese people declared a boycott on the use of Japanese goods.

The meeting in Washington had many purposes. One of the important purposes was a naval agreement. We were anxious to enter into an agreement with Great Britain and Japan on a 5–5–3 basis. Japan was very anxious to have the boycott, which was destructive so far as Japanese trade was concerned, lifted, because Japan was then much more dependent upon her trade in China than she is at the present time. So the Japanese said to us, "If you can persuade your friends the Chinese to call off their boycott, we will agree to a naval reduction program." We did so. China said, "We have just about succeeded in our boycott, and we want something in consideration for giving it up." So the Nine Power Pact was written, under the terms of which nine of the great nations of the world agreed to respect the territorial and administrative integrity of China. We were paid for it. We wanted naval reduction. Japan was paid for it. She wanted an abolition or abandonment of the boycott. China obtained the Nine Power Agreement.

I have consistently taken the position that we owed a responsibility under that agreement, since we knew that Japan was attempting to destroy the territorial and administrative integrity of China. We owed the very definite responsibility not to furnish about 80 percent of the war materials which Japan was using for that purpose. With relation to the Far East I cannot agree with the Senator from West Virginia that we are simply pulling somebody's chestnuts out of the fire. We made a contract. I have taken the position that we should keep that contract by telling our people who produce and ship scrap steel, scrap iron, and gasoline, "You may not ship those things in violation of an agreement which your Government has made."

There is no nation in the world that could possibly object to our taking such a position. It is not for the purpose of protecting Great Britain; it is merely for the purpose of trying to be honest in international affairs.

I think no one can deny that the break-down, insofar as international affairs are concerned, has come because many nations of the world have refused to recognize their treaty obligations. We have always tried to take the position of insisting upon treaty obligations, and when one nation, in violation of a treaty, took over another nation, we said "We will not recognize that acquisition of territory." It was not merely because it was acquired by aggression; it was because it was acquired in violation of all the rules which we have felt were right so far as international affairs were concerned. We cannot consistently defend our position, having supplied the military equipment and munitions to Japan in order that Japan might use them to destroy the territorial and administrative integrity of China, without recognizing that we ourselves have been most derelict in our duty so far as treaty obligations are concerned.

Mr. HOLT. Mr. President, I do not want to impose upon the Senator from Florida——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from West Virginia?

Mr. PEPPER. I yield.

Mr. HOLT. I repeat, I do not wish to impose on the Senator from Florida, for he is always a gentleman, and I appreciate his courtesy, although we frequently disagree; but the Senator from Washington spoke about treaty obligations. The Senator from Washington knows that the United States has had a high reputation for keeping its treaty obligations in international law, but a few weeks ago the United States Government broke its own treaty when it allowed the transfer of destroyers, because in doing so it violated a solemn pact which it signed at the Hague Conference. So we ourselves are not entirely clear. I thank the Senator from Florida and do not desire to take any more of his time.

Mr. PEPPER. I am grateful to the able Senators for their valuable contributions in the discussion of this subject.

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

Mr. PEPPER. I yield.

Mr. MINTON. I ask the Senator if it would be a violation of the Hague Pact, since Great Britain is not a party to the Hague Pact?

Mr. PEPPER. The observation of the Senator from Indiana is pertinent, and even my friend, the able Senator from West Virginia, knows my sentiments on the question of the transfer of the destroyers and its justification and legality.

Mr. President, while what I have done individually or what I have thought individually is not important, there has never been a time when I have not been ready to vote for the resolution of the Senator from Washington and the Senator from Nevada. I think, perhaps, the Senators will recall that I so indicated to them in the committee, and commended the Senators for the action they had taken in trying to preserve something like a lawful and decent world, knowing that the kind of a world it was determined very definitely the kind of life this Nation had in it.

I will state further, Mr. President, that three things might be considered to have influence on the decision of Great Britain and the United States when the Manchukuo question arose. I have heard it disputed even by officials of our own Foreign Service, while at Geneva in 1938, that there was any such clear proposition as has been supposed, made to the British Government by this Government. Whether there was or not, I am not informed, and I have no authority to speak on the subject at this time. Let us assume there was——

Mr. SCHWELLENBACH. If I may interrupt the Senator, I wish to tell him that there was.

Mr. PEPPER. As I said, let us assume that there was, I can well understand how any foreign government might have some little reluctance, without any affirmative action being taken by the American people or the American Congress, to accept the action of the executive department as binding on this Nation to an affirmative policy which might have led actually to belligerency in a territory so remote from this country as is the Far East where the Manchukuo incident arose. I am not saying that that was what actually moved the British Government in the action it took or did not take, but that is at least a theoretical possibility.

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

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

Mr. PEPPER. I yield.

Mr. SCHWELLENBACH. I do not think anybody who had studied the situation, so far as Japan is concerned, in the last 10 years could come to any other logical conclusion than that the keeping of the obligations under the Nine Power Agreement by our Government or by the British Government, would not have led to belligerency. There was not the slight-

est possibility of such a thing and every authority on the Far East agreed as to that. I remember, I think it was last year, or perhaps it may have been early in this year, I posed to Admiral Yarnell, who is probably the best authority on far eastern matters so far as our official life is concerned, the question whether or not if we should adopt either the resolution submitted by the Senator from Nevada or the resolution submitted by me there was any possibility of getting into war with Japan, and he answered the question categorically, "No."

Now, we have reached the point where there is a very definite alinement between Japan and Germany and Italy, and we are confronted with a question of an entirely different nature than that which has confronted us ever since August 1917 as a definite proposition.

If I may make some claim for being a prophet, I prophesied in January 1937 that, unless we stopped supplying war materials to Japan, sooner or later she was going to go farther into China and attempt to take over China in violation of the Nine Power Agreement. But there is no authority upon the Far East, no one who knows anything about the Far East, who has had any doubt during this period of time that if we had shut off the supply of war materials the Chinese-Japanese War would not have been started in 1937.

Mr. PEPPER. Mr. President, of course, the Senator in making the prediction to which he has referred was being moved by principles as old as the race itself and its experience; that is to say, if we permit one nation to make aggression upon aggression without being checked and without being restrained, in other words, if the lusts of mankind are permitted to be satisfied without restraint or remonstrance, of course, they will be extended and expanded as far as their reach may go.

The Senator will also agree, I imagine, that if there had been a concert of the law-abiding and law-observing nations of the world at any time during the last 20 years in restricting and restraining these international illegalities, and this international brigandage which from time to time has reared its ugly head, it would have been stopped and there never would have been the chaotic and terrible situation which faces mankind today. Although there might not have been actual war, the fear of it or something akin to the fear of it or some other quality to which I was about to refer, the moral let-down on the part of the civilized people of the world and their shrinking from boldness, definiteness, and positiveness on moral issues has been responsible for not curbing those activities, however hideous they have appeared.

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

Mr. PEPPER. I yield.

Mr. SCHWELLENBACH. I think the Senator knows that, so far as Ethiopia was concerned, Mr. Hoar and Mr. Laval, representing the English and French Governments, respectively, gave assurance over a period of 8 months to Haile Selassie that they would not permit Italy to attack Ethiopia, and yet when the time came they presented the so-called Hoar-Laval agreement to Haile Selassie under which Italy would get all the best part of Ethiopia and Haile Selassie and the Ethiopians would get the remainder of it. Then, after the attack was made upon Ethiopia and the League of Nations declared the sanctions policy, practically every nation which was a member of the League of Nations secretly walked out on the agreements, and the necessary oil, which Italy had to have in order to carry on the campaign against Ethiopia, was very speedily supplied.

Mr. PEPPER. Mr. President, I think that the period between 1920 and 1935, we will say, will be looked upon and written about by future historians as being one of the ignoble periods of the world's history. I spoke of the moral let-down that occurred in the period subsequent to the World War. That let-down in morality and appreciation for moral principles was not confined to the chancelries of the great powers; it was not restricted to the statesmen of the world; it actually reached into private homes, even to the internal, political life of this great Nation, for it was in the wild twenties that young men and young women, and older men and older women lost the sense of personal moral values.

It was the jitterbug age, when youth seemed to have no anchor, when older men and women seemed to have no faith in the security of a world that was good here or anywhere else. It was a world where life was the so-called wild life. It was pleasure-seeking and money-grabbing that came to be the chief incentive of the people of this country, and the distorted figure of the dollar mark would perhaps have been the most appropriate symbol to place upon the flag of our dear country if many of the acts of this country had been expressed in that unhappy period. Indeed, that was one of the periods in our national history when corruption entered into the official life of this Nation, and reached to such high places that it shocked the conscience of an honorable people. That was in the same period when the standards of decency were not being observed by the powers of the earth.

Mr. President, I have spoken of two powers which were signatories to the Axis pact to which I adverted, and something of their history during the period from 1920 to 1940. The third signatory to that pact, Germany—a republic subsequent to the World War, hard-pressed economically, stifled politically and from a military point of view—yearned for law and order, for the old organization, and the economic comfortableness which she had enjoyed prior to the war. So the people of Germany listened to the siren call of a man named Hitler, who started out to give the dispairing German people all the things they had yearned for.

I have seen with my own eyes the scars upon the public buildings at Munich where bullets were fired in melee and civil war in that great and ancient city. This man Hitler, promising security to that disturbed and disordered people, held out to them alluring hope. He had one great trump card to play, and that was, "I will throw off of you the shackles of this hideous Versailles Treaty," and he told them it was the Versailles Treaty which was responsible for all their ills. Once they got rid of that, he told them, upon earth would open again a beautiful and golden horizon, and life would be lovely, and comfortable, and profitable, and luxurious, and full of pride, as it had been, for the great German Nation. He continued to use that pretext while he rearmed the Rhineland, and while he remilitarized his country, and while, plank by plank, and part by part, he tore the Versailles Treaty to shreds before an apathetic world.

And still the great nations signatory to the Versailles Treaty stood by and did nothing. Why they did nothing only the psychologists of the future will be able to say. That they did not is one of the dark spots in the history of the race; but they did not, because they believed the persuasive assurances that were given. So step by step went the conquests of this Nation, still under the pretense of bringing Germans back into the Reich, of giving Germans their naturally admitted national rights, of relieving the German people from oppression by other nations, until finally Germany had spread and spread and expanded and expanded until it came to be a cruel giant standing astride of Europe, ready to devour it in its ruthless career of conquest.

Now, there is no balance of power in Europe any more. There is no Europe; but this successor to Charlemagne, who in 1938 brought the sword and the crown of Charlemagne from Vienna to Nuremberg and placed them there for keeping and exhibition, has Europe under his military heel. Fair France, beautiful in its traditions and in its spiritual contributions to the literature and the learning of the world, today is but a base slave that moves under the scorpion-like lash of a dictator's whip; and brought within the compass of the same power are proud Spain and the other territorial areas of Europe. Not even the Scandinavian or the Low Countries have escaped.

Now that power knocks at the door of the British nation itself, seeking to realize an ancient ambition to be able to destroy that proud island. Now it reaches its strong and mighty arm across the sea, and tries to bring within its range every people upon whom its fingers may lay their foul clutch.

That is the third power which signed the new pact a few days ago.

I suppose now there is nobody who is deceived by the pretensions of these powers. Whatever may have been the delusions of the trusting and the faithful a little while ago, those who believed the protestations of this conqueror that he meant nothing but good and abhorred, above all, evil—I suppose even the most simple now are assured that the object of that tripartite pact was but one, and that was to bring within the sway of those who signed the pact the people and the property of the world.

They were determined to make the world over by their pattern, and to distribute among themselves the obtainable spoils of the earth.

Mr. President, if one overlooks the character of this movement, if he fails to observe that it is a world-wide revolution, he misses the whole point about this world disturbance. Mussolini has been very valuable as an interpreter of this movement for the rest of the world. When the Italian people entered the war it was he who gave the one straightforward and unequivocal declaration of purpose.

He said it was a world revolution. He said the have-not nations, the poor nations, were going to take the property of the haves, the rich nations; and one thing at which they aimed, he specifically said, was the gold of the world. He said it was a battle of the vigorous and vital new nations against the decadent and degenerate old nations; that it was the new states struggling for dominance against the diseased old states which had held sway in the centuries past. How reluctant all of us have been to embrace in our minds the full, terrible significance of those awful statements which the leaders of mighty states brazenly have been declaring to the world.

Obviously what these dictators in confederacy assembled aspire to do is to break down every bit of opposition to their march of conquest. There are just two great citadels of democracy which stand in the way of their ruthless progress. One of them is the brave British people, who for the last few months, to the glory of their race, have defended their little island, under the leader of Britain who personifies that courageous people, Winston Churchill, who has declared to the world that the British people would fight the invader upon the beaches, they would fight him in the cellars, they would fight him in the dungeons or by the hilltops and in the fields. I believe the first note of fear which has penetrated the cavernous heart of Hitler was the consciousness that in Winston Churchill there was a mortal soul which he neither could intimidate or frighten.

That is the reason Hitler said, "If Churchill becomes a member of the British Cabinet it means war with England," because he knew that that indomitable spirit could not be crushed by his threats.

So the Germans hoped they might destroy Britain alone, "divide and destroy" having been their policy, which had worked out so successfully in the past. But the "blitzkrieg" did not work on schedule. The Germans expected to erase the British people from the face of their land by bombings from the air or paralyze them by the terror of fright; but they did not do it. Many of the British people died, but the survivors kept on fighting; their babies were killed, but they fought on and they kept on looking to the west with hope in their hearts, and they kept on saying, "The inevitable day of victory will come when this evil thing, this scourge to mankind, will be overcome."

So the signers of this pact looked upon another nation beyond the ocean's confines, and they saw a stream of material aid coming across the ocean to this embattled people; as the Senator said a moment ago, not altruistically, not generously, not as a gratuity, but as a contribution to the strengthening of the first line of defense of America's physical, moral, and spiritual solidarity and security.

They would like now to say that is the reason why the "blitzkrieg" has not worked; that it is the aid from America which has made the British able to withstand their horrible assault.

Now, as the dictators see the volume of that aid ever increasing, day by day and month by month, under the determined demands of the American people; as they see the stout-hearted resolution of this Nation not to permit Great Britain to be the victim of this cruel conquest; as they come to understand that this Nation has been aroused at last out of its lethargy and apathy, now is sending its sons to the training camps for her defense, equipped with modern weapons of war; as they see that we are no longer a divided people, but that we stand resolutely unified for liberty, regardless of party or personal conditions; as they see these things they see that the ranks of democracy are closing up, and at last free men have their blood up and their spirit up; that they have straightened up, like the mighty men they are, and have dared to look their would-be conquerors in the face, and defy them to the conquest of their sacred soil.

It is not the same kind of enemy these monarchs of power have been running into. Not one of us but feels some personal pride in being a part of this race of freemen. It is a slowly aroused people. It is reluctant to enter the crucible of war. It is peacefully inclined. It gets so much out of its culture and its life that it hates to lay them down upon the cold sod of the battlefield. But they have not been afraid to die, and if demand be made upon this generation, as much as they love the richness of this generation's life, they, too, are not afraid to die, because they have an inheritance for which to die—of which they are proud.

So what do these creators of new worlds do? They devise another scheme for another squeeze play. Poor France, divided, disunited, unprepared in body and in spirit, fair country that it was, fell prostrate between the Frankenstein to the north and the stiletto to the south. Now these men of war say, "Before our victory is achieved we must crush the United States. Let us try the same tactics upon her." So they look beyond the wide Pacific to another conqueror, where totalitarianism, also having spread from the other infested areas of the earth, reigns supreme and dictatorship is the policy and form of government. Before such greedy eyes the prospect of rich loot is held out. The tempter says, "Take and enjoy of the world's good things, won by the blood of great men." This newest of the dictatorships would like to take them by stabbing in the back the helpless ones who owned them and running away like a thief in the night in the security that it cannot be apprehended.

The one that might keep them back these greedy men thought they had better dispatch; the one who stood in the way of the "blitzkrieg" Hitler thought he must dispose of; so they put the squeeze play from the Atlantic and the Pacific upon the United States of America. Now they have made dire threats. They say, "If you dare let this avalanche of supplies continue to beleaguered people of Britain, if you dare impede our conquest, it means war, attacked by 250,000,000 organized, trained, and equipped people, now the masters of the Old World and the continents of Africa and Asia and Eurasia. Dare you to meet that kind of foe, particularly just before an election, while the people are still unsettled in domestic policy?"

I cannot but recall how they have manifested an interest in our domestic political situation, and how they have tried to time what they have done toward that particular situation. I remember when Britain was about to put Churchill in the Cabinet, as I stated, they dared her to do it, because they did not want that kind of a foe in the British Government.

A little while ago a certain eminent citizen of this country—Colonel Lindbergh—was considered the potential leader of a third party, and I remember how I read on the Senate floor, and all Senators saw in the press, about the satisfaction in the newspapers of Rome at such a prospect, which might divide the political sentiment of this country and defeat that brave and strong man who sits today in the White House of a free people.

Then a little bit ago, after the election in our good State of Maine, again I saw the headlines in the papers of Rome expressing jubilation over that election going against the party now in power, not jubilation because Rome loves republicanism, not jubilation because the empire of the new Caesar prefers

the Hamiltonian theory of government over another, but jubilation because of the possibility that such election returns mean that Franklin D. Roosevelt would be driven out of the leadership of a mighty nation.

Again I find these pact-signers saying just before the election that this great and peace-loving President of ours is leading this Nation toward war. They would like to hold up the horrible spectacle of war as a specter to frighten the citizenry of this country against continuing in leadership that majestic figure.

Mr. President, there has never been a time in the history of this Nation when another nation could level such a challenge to the courage of this people without the assurance that it would be flung back into their scowling faces with the aroused spirit of a strong and a brave people.

This time is no exception. I know that if they expected to frighten this Nation from continuing its aid to Britain, if they expected to keep that material aid from increasing in great volume day by day, week by week, and month by month until Britain shall become so strong on sea and in the air that they can throw back this would-be conqueror, they have misjudged the character and the purpose and the policy of the American people.

If they think they can raise the nightmare of war and pretend that it was incited by our President before the electorate of this Nation, interfere in our internal political affairs, and cause us to repudiate the foresighted and courageous leadership he has given us; if they think they can silence that brave voice which has been the spokesman for the democracies of the world, again, Mr. President, they have misjudged the character and the purpose and the policy of the American people.

Now, therefore, I think it well behooves our people, appreciating as we do the situation in which we find ourselves for the first time with a Navy almost comparable to ours threatening us on the Pacific side and a navy potentially the equivalent of ours threatening us on the Atlantic side, with the British Navy removed, and with all this long coast line open to approach over the highway of the wide ocean, I say in these circumstances, instead of cringing before threats, it behooves us to redouble, I venture to say, our efforts at defense and preparation so that if we could, our strength would be twofold and threefold what it would have been had this challenge not been leveled from those insidious and iniquitous sources.

I think we must leave no doubt in anyone's mind, in the mind of friend or potential foe, as to whether we are so full of folly and so short-sighted in vision that we will let the single democracy which is able to raise its hand upon the face of the earth go down in defeat under the aggression of the conquerors of the world all acting in concert.

If we permit this tyrannical policy of "divide and destroy" to be the means of the destruction of the citadel of freedom in the British people upon their isle and in their Navy we forfeit our obligation to our own people to think first, last, and all the time about their own physical safety and security.

In saying that, Mr. President, I do not say or imply that we should ever send troops or that we should ever send a boy from a mother's heart from this continent to fight in Britain or elsewhere unless some part of this hemisphere were attacked. But I do say, let us give until it hurts in augmenting the material resources of England so that they may be assured of superiority in the air, on the sea, and in arms; that they may be able to save their innocent homes, women, and children from the murderous assault of the night raiders who would terrorize by death a brave civilian population until they could make their Government capitulate to what means the dismemberment of that nation and that temple of freedom.

I think we should go a bit further and tender and keep open always the offer of our services to the warring nations for the purpose of finding a decent occasion for peace, but peace only upon democratc principles and upon decent safeguards for a future peace which will keep subsequent generations from bearing upon their burdened backs the scourge and the blood of another war.

I think also we should resolve in our hearts that in any future time we will and must bear our own share of responsibility for the kind of a world this is. If there was ever a time when this Nation could pursue its own indifferent way, regardless of the character of the rest of the world, that time has passed. As a matter of fact, there has never been any such era in the whole history of this Nation.

Between the time when this country was discovered and the year 1914 there were seven world-wide wars in all of which we participated; those wars originating in Europe and being world-wide in their significance. That is not generally appreciated. The one century of isolation we enjoyed, the one period when we had the consciousness of security was between 1823, when the Monroe Doctrine was promulgated by joint action and policy in substance on the part of the British and the American Governments, and the year 1914, when the first World War began. That period of peace arose not out of our geographical isolation; it arose out of the safeguards thrown around this country's security by the statesmanship of the founding fathers of this country.

Monroe, upon the advice of Jefferson and Madison, promulgated the Monroe Doctrine, by which, as Jefferson said in connection with another matter, we wedded ourselves to the British Fleet. That is what has given us the security of the past century, and the absence of it is what would give us the insecurity of the present century.

So, Mr. President, it was not geography which has saved us from attack, for wide oceans give highways of access to a territory. Germany has had a short and a small coastline which it has been able to defend for the ages past against the mightiest navies in Europe or in the world. But we have a coastline of 15,000 miles, from Nova Scotia around to Puget Sound, or 43,000 miles of coastline if you follow the indentations of the coast in all that vast territory.

How many ships, how many submarines, cruisers, and destroyers and lighter craft, would it take to patrol an area like that? Moreover, the able Senator from Vermont [Mr. GIBSON] a few days ago told the Senate that the Germans were preparing one of the greatest air fields in the world on the western coast of Africa, within 5 hours flying time of the coast of Brazil, upon our own continent.

So we find ourselves beset on all sides by potential or declared foes, the victims of a world-wide squeeze play intended to intimidate us against giving aid to Britain, and against the continuation of our preparedness program. I say that I know the American people have properly appraised this threat to our spiritual and to our physical welfare, and I know what the response of this people and its Government will be.

Mr. President, I am glad to see that there has come back again something of the old religious fervor in the hearts of the peoples of the world defending the institutions of democracy. I have been somewhat ashamed of the difference in the way the citizenry of this country has responded to democracy as compared to the way the citizenry of the dictatorships have responded to their appeals. Where they bravely gave their lives for their dictatorial purposes, we seem to shrink from such a contest, and perhaps from such a sacrifice. I am glad to see now coming back into the spirit of our people an aroused courage and determination comparable to the patriotism of our soldiers and statesmen of an earlier day.

Let me read to the Senate words which the author of the play, Sunrise in My Pocket, put into the mouth of David Crockett while he was besieged at the Alamo at San Antonio defending democracy:

> I didn't mean I'm looking forward to being dead. I'm not. I've got a wife and children somewhere, and that gives a man a mighty powerful want to go on living. Yes; there's an awful lot of me wants to go on living—most of me, I guess, if it comes to that, but there's some of me that's willing to die too, and I'll tell you why. You ask me how I feel about dying, and I ask you, how do you feel about living? And that seems the important thing to me, even now, maybe more than ever now, not how you feel about dying, but how you feel about living. Any fool can die. There's no trick to it at all, but a knowledgeable man

can die in such a way that his way of dying, and what he dies for, can give a blessing to life at the very moment he leaves it.

Now take me. I'm no one in particular, just a common frontiersman out of the Tennessee Shakes, but even so, I've got a bee in my bonnet and I've always had it; a bee that stings out the word "liberty" over the whole universe in every red dawn. For I believe in liberty—really believe in it, and I don't just wear it on my lips for a decoration, like the French ladies wear scarlet paint there. No; it's come to mean more than just a word to me, it's come to mean a mighty real thing to me. It's come to mean that the man who does a slavish task of sowing and plowing the fields ought to have the liberty of reaping the fields. The right to think for myself, the right to talk for myself, the right to act for myself—so long as I don't hurt my neighbors—and the right to reap what I have sown; that's what I call liberty.

And I could no more get along without it than I could get along without air in my lungs. For life is liberty. I never could see a hair's difference between the two. And now, all over the world—in America, too—there's a fight going on between the men who believe in that and the men who believe that they were born booted and spurred and ready to ride, while the rest of mankind were born saddled and ready to be ridden. One of those men is outside these walls now, getting ready to batter them down. His name is Santa Anna, and you heard what Travis called him—a dictator. And if I understand these things at all, then a dictator is all the little tyrants in a country rolled up into one big one.

If I understand these things at all, then a dictator is a man who says to the people, you shall sow the fields, and you shall plow the fields, but my own particular friends shall reap them. My thought may be as black as a mountain tarn, but just the same, you shall think only my black thoughts; my words may be as frenzied as a devil's tongue, but, just the same, you shall speak only my devilish words; my deeds may be as accursed as Cain's own crime, but just the same, you shall all be Cains with me! That's Santa Anna; that's a dictator; that's a man who proves he loves his country by hating the whole world.

Some call that patriotism, but I call it the patriotism of Hell. And so, when you ask me, how do I feel about dying, I ask you, how do you feel about living in Hell? How do you feel about living under the thumb of a man who hates the light of day and the love of life; a man with night in his brain and death in his heart? I don't know how you feel about that, but I know how I feel about it. I'm still an American. And so I say, it's a good thing to fight a man like that, and an even better thing to die fighting a man like that.

Mr. President, 1,500 years ago a little body of people called Armenians received a message from the king of kings, the King of Persia, and that king said to that brave people, who had embraced the doctrine of Christianity:

You must give up Christianity and worship the gods of fire, which are the gods of Persia. I decree that you do it, and if you do it not, I will destroy you.

They were not only a brave people, but their own God raised up a great poet among them to speak for them their Christian, ccurageous sentiments; and this is what he said:

From this faith none can move us, neither angels nor men, neither sword nor fire, nor water nor any deadly punishment.

So, Mr. President, we say to the peoples of the world who are oppressed today:

Take heart. Take new courage. The democracies are standing up like men again. You need not be ashamed to be a democracy, and it will be but a little while until you need not be afraid to be a democracy.

I know that that sentiment is coming out of the brave heart of America toward the oppressed countries of mankind, for more than any other nation we have been the defender of liberty, and so long as that Statue of Liberty in New York harbor shall turn its illuminated hand and head toward the peoples of a besieged world, so long as our mountains shall reach up and touch and kiss the ethereal skies, so long as the red blood of Americanism shall course through brave American hearts, so long as the leadership of our country shall live up to the traditions of our glorious past, these sad peoples can look here with assurance, because we so love liberty that we are willing to help give it to and preserve it for the other liberty-loving peoples of the world.

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 without amendment the bill (S. 4353) to restrict or regulate the delivery of checks drawn against funds of the United States, or any agency or instrumentality thereof, to addresses outside the United States, its Territories, and possessions, and for other purposes.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 9980) to revise and codify the nationality laws of the United States into a comprehensive nationality code; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. DICKSTEIN, Mr. LESINSKI, Mr. KRAMER, Mr. REES of Kansas, and Mr. VAN ZANDT were appointed managers on the part of the House at the conference.

LABELING OF WOOL PRODUCTS: TRUTH IN FABRIC—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 162) to protect producers, manufacturers, distributors, and consumers from the unrevealed presence of substitutes and mixtures in spun, woven, knitted, felted, or otherwise manufactured wool products, and for other purposes.

Mr. THOMAS of Oklahoma. Mr. President, for some time we have listened to the eloquent address of the distinguished Senator from Florida [Mr. PEPPER], and we are made much better because of his eloquent appeal.

Mr. President, the United States faces a future which is somewhat uncertain. About 20 years ago, at the end of what was called the World War, the democracies were in the ascendency. The democracies came out of that world conflict victorious. The democracies in 10 years' time permitted the totalitarian nations, or the so-called dictator nations, to rehabilitate themselves with armies and navies, until today the future of democracies is in the balance.

In Europe today we find the German Government alined with the Italian Government, and now more recently alined with the Japanese Government in Asia; and we hear threats that these alined Governments are to be joined by still other governments of the so-called totalitarian or dictatorial form.

Mr. President, because of the threats which confront the United States, our people have become interested in having our Military Establishment so expanded as to be able, we hope, to take care of the people of our country, our property, and our Government.

Last November I thought I foresaw what might come in the next year or two. Being the chairman of the subcommittee of the Appropriations Committee dealing with the War Department appropriation bill, I suggested to some of my colleagues that, inasmuch as we had to hold hearings and make recommendations it might be a good idea for a number of members of the subcommittee of the Committee on Appropriations of the Senate and a number of members of the Committee on Military Affairs of the Senate to join with similar delegations from the House and make a survey of the status of our present Military Establishment. That was in the latter part of October or the first of November.

Pursuant to that suggestion, a number of Members of the Senate and a number of Members of the House joined together; and the group, with some Army officials, made a tour, visiting approximately 150 military posts and establishments, air fields, airports, and airplane factories, located not only in continental United States but in Puerto Rico and Panama. When we returned late in December we found the people of the United States still not especially interested in the development of our military program and our military power.

When Congress convened in the early part of January, the President of the United States submitted to the Congress his recommendations for approprations in the form of the annual Budget. As is the custom, the Budget was first referred to the House of Representatives for its consideration. After some months of consideration the Appropriations Committee of the House, acting through its subcommittee, brought forth the War Department appropriation bill. The President had been very conservative in making requests for funds with which to expand our military program; but when the House of Representatives began to consider the recommendations of the President and the Budget requests, the House committee proceeded to cut down, pare, and diminish the conservative requests submitted by the President in the Budget for 1941.

Some time in April the House passed on the War Department appropriation bill. The House sustained the reduction made by the House committee in the Budget estimates, and the bill in that form came to the Senate.

Had the Senate agreed to the reductions made by the House of Representatives and passed the bill promptly, we should have had no expansion to speak of in the Military Establishment of the United States. There would have been a slight increase in the number of soldiers, a slight increase in the number of planes, practically no increase in the number of antiaircraft guns, practically no increase in the number of small arms, no expansion in powder, no expansion in ammunition, and, so far as I can tell, but little expansion elsewhere.

Mr. President, it required the invasion of the Netherlands and Belgium to awaken the people of the United States. The awakening came pretty late. I hope it did not come too late. At the time of the invasion of the Low Countries of Europe by the German military machine, when the people of the States became alarmed, Congress was criticized for not having had at that moment a strong military machine able to protect our property, our interests, and our Government, even though they should be attacked by the strong military power of Germany.

Mr. President, that would have been an impossibility. We cannot develop soldiers overnight. I have heard it said that if we should be attacked by some foreign foe, millions of American youth would spring to the service of the country. They might do so, but I wonder what they would carry along with them in their spring. They would have no weapons of any kind. They would have no uniforms. They would not be trained. I should like to know what effect springing to the front would have if we should be confronted with the military might of the present German Government.

So, Mr. President, as a result of what has transpired during the past year, the Congress of the United States is still in session. This is the 1st of October 1940. I have been a Member of this body for some 14 years, and this is the longest single session in which I have served. At the present time I see no probability of adjournment. In all probability, the Congress now in session will remain in session until the next Congress convenes in January 1941.

So, Mr. President, because of the things so eloquently portrayed by the distinguished Senator from Florida, today we are forced to expand our military organization. We must have men, and we must train them. However, trained men will not suffice. The men must have equipment. They must have planes. They must have rifles. They must have antitank guns, antiaircraft guns, and coast-defense guns. We must have guns for the battleships. We are trying to provide those things as fast as we can.

Today we find some difficulties in the expansion of our military program. We are calling boys to the colors, and they are coming by the thousands. To care for those boys we must have cantonments.

We must have housing facilities. Today we find that there is a shortage of lumber. The United States desires to buy so much lumber that there is not sufficient lumber in sight to supply the demand. As a result, the price of lumber is higher than it has been for years, and it is advancing daily.

In order to make antiaircraft guns, rifles, antitank guns, tanks, and battleships, we must have iron. I am not an expert on iron, but I am advised that scrap iron—which means a mixture of all kinds of iron and steel—when melted makes a higher quality of steel than does the iron which comes from the ore in the first instance. If I am not correct in that particular, I shall be glad to be corrected. However, I am advised that scrap iron makes a better quality of steel for making tanks, battleships, and armor plate than does the iron made from the ore as it comes from the mine. In other words, scrap iron is a better iron for military purposes than is virgin iron.

In order to equip our boys we must provide housing for them. We must provide implements and weapons for them. We must provide uniforms for them. Very soon we shall undoubtedly have a million men in cantonments. In order that those 1,000,000 men may be properly trained, they must have facilities. They must have not only weapons but clothing. Clothing for the soldiers is made mainly from wool.

We now have pending in the Senate a bill which has for its purpose increasing the price of wool. I wonder what the Senate would think if some Member of this body should rise in his place and introduce a bill to raise the price of lumber at a time when the Government must have lumber, and when there is not in sight enough lumber to supply the demand. I wonder what would happen in the Senate if some Senator should introduce and press for consideration a bill raising the price of scrap iron or pig iron necessary for the use of the Government in the development of its military expansion program. Yet at this hour we have pending before the Senate a bill having for its sole purpose raising the price of wool. To the extent that the bill, if passed, would raise the price of wool, it would raise the price of woolen cloth. To the extent that the bill would raise the price of woolen cloth, it would raise the price of uniforms; it would raise the price of overcoats; it would raise the price of blankets; it would raise the price of every woolen article which the Government must have to clothe the soldiers who may be called upon to fight the battles of the Nation.

Mr. President, at this time I desire to place in the RECORD a statement as to some of the influences back of the bill. A little while ago I asked unanimous consent to yield the floor in order that the Senator from Florida [Mr. PEPPER] might address the Senate. Both the Senators from Wyoming objected to my yielding the floor for that purpose. I desire to indicate for the RECORD at this time some of the influences back of this particular bill.

I read from what purports to be a copy of the hearings on this bill.

The Senator from Vermont [Mr. AUSTIN] was a member of the committee that held hearings on this wool bill. When the hearings were held, a gentleman by the name of Mr. J. B. Wilson, of McKinley, Wyo., was a witness. Mr. Wilson had previously testified in behalf of the bill. He claimed to represent the Wyoming Wool Growers' Association and the National Wool Growers' Association. Mr. Wilson said he was Washington representative for the wool growers on various matters before Congress affecting their interests.

To Mr. Wilson the Senator from Vermont [Mr. AUSTIN] put the straightforward question:

Is there any such thing as Consumers' League for Honest Wool Labeling?

Mr. Wilson had been before the committee and testified that he represented the wool growers of Wyoming and the National Wool Growers' Association, and he had just published, shortly before that, a little booklet entitled "Honest Wool Labeling," headed, "Why enactment of truth-in-fabrics legislation is necessary to protect the consuming public from fraud and deception in the purchase of woolen products."

So the Senator from Vermont asked Mr. Wilson some questions. Mr. Wilson is now in the gallery; and if I misquote him—I do not intend to do so—I shall probably be advised of the fact, and I shall be glad to make the correction tomorrow; but he is listening to what I have to say.

So the Senator from Vermont asked Mr. Wilson a question. In answering the question, "Is there any such thing as Consumers' League for Honest Wool Labeling?" Mr. Wilson said:

The Consumers' League for Honest Wool Labeling, Senator, is the outgrowth of organizations we have had in Wyoming for some 19 years that have been attempting to secure truth-in-fabrics legislation. The organization you speak of is an organization of which I suppose, if there be a head, I am the directing head, but there are no salaries connected with it, and it is just an organization to——

Then he stopped for a moment—

regarding this particular bill that is now under consideration before your committee.

Senator AUSTIN. What kind of an organization is it?

Mr. WILSON. Well, it is just a loose organization of friends of mine from Wyoming, with no dues.

Senator AUSTIN. Is it incorporated?

Mr. WILSON. No.

Senator AUSTIN. Is it a copartnership?
Mr. WILSON. No. It is just——

Then he paused for a few moments, and said—

and I want to be perfectly frank with you in saying so.

That is not a very good sentence, but that is the record.

Senator AUSTIN. To be perfectly accurate, is it not yourself doing business as the Consumers' League?
Mr. WILSON. No, sir. It is myself and some friends in Wyoming.

I concede that Mr. Wilson has a right to be in the gallery. The humblest citizen of Wyoming or of Oklahoma or of any other State is welcome to the best seat in the gallery of the Senate of the United States, and I am not criticizing him for being there. He has a right to be there. I am not criticizing Mr. Wilson for appearing before the committee. He had a right to appear before the committee. He had a right to testify, and I have a right to quote his testimony. So Mr. Wilson is interested in this bill in behalf of the wool growers of Wyoming and the National Association of Wool Growers, and he has a right to represent them.

Mr. President, this bill is intended to have an influence on wool, to raise the price of raw or virgin wool, and to discredit the use of reworked or reprocessed or used wool. The enactment of the bill would divide the woolen industry into two parts: On the one hand, the growers of wool—that is, the producers of raw virgin wool—and, on the other hand, those interested in reprocessed wool or reused wool, or wool sometimes called shoddy.

Mr. President, if a suit worn by a Senator upon this floor should be discarded, and should find its way back to some woolen mill, it could be put through various processes, taken all apart, and fibers separated and recarded and respun and rewoven into cloth; and, if so, the cloth would be called shoddy under the terms of the bill, because, under the terms of the bill, such cloth would be made from reused wool.

The bill has for its purpose, I say, first the advancement of the price of raw or virgin wool. It has for its purpose, second, the degrading, if I may use that term, or the disuse of all wool which has been used once, either in woven cloth or in worn cloth. So, as I see the bill, it will have the force and effect of increasing the price of wool. Even the prospects of the passage of the bill on yesterday were responsible for increasing the price of wool 3 cents a pound, and increasing the price of woolen cloth 5 cents a yard. If the bill becomes the law, it is my judgment that the price of raw wool will be enhanced still further. Wool will go higher and higher and higher; and as the Government has to buy millions of yards of woolen cloth for uniforms, millions of yards of woolen cloth for overcoats, millions of pounds of wool for blankets and other woolen products, the bill, if passed, will increase the cost of woolen products to the Government in the sum of many million dollars.

I wonder what would happen if I should introduce in the Senate a bill providing that ashy-green tobacco should be placed on a parity with bright-red tobacco. That, in effect, is what this bill does in the case of wool. If this bill becomes a law, it will place on a parity, so far as the law is concerned, tag wool selling for 5 cents a pound and top wool selling for 90 cents a pound. If I should introduce a bill providing that under the law ashy green tinted tobacco, cured in the sunshine, should be of the same character as bright red tobacco, which sells for 30 or 40 cents a pound, while the other tobacco sells for almost nothing—it is a nondescript tobacco—I imagine I should find the Senator from Kentucky [Mr. BARKLEY] and the other Senators from the tobacco-growing States resisting that kind of legislation; and if they did not, they should.

If I should introduce a measure seeking to discredit the cane sugar of the South, would I not find the Senators from the cane sugar producing States of the South resisting it? On the other hand, if I should introduce a bill seeking to discredit and minimize and depreciate the beet sugar of the Northwest, would I not find the Senators from that area resisting that type of legislation? If they did not, they should. Here is a bill proposing to classify cotton on a lower grade than even the lowest-grade shoddy; and so far Senators from the cotton-growing States, if not asleep, are dozing.

At the present time hundreds of thousands of bales of cotton are used in conjunction with wool in making cloth. I repeat, hundreds of thousands of bales of cotton today are used in conjunction with wool in making cloth. Take the case of the rugs on which Senators stand: The base of those rugs is cotton; the top is wool.

In many kinds of cloth the warp is cotton and is stronger than wool. It does not stretch; it does not shrink. But if this bill becomes a law, a man who makes cloth must reveal that it contains a certain percentage of cotton. The bill will, in effect, depreciate cotton; it will, in effect, in my judgment, have a tendency to make the public not want cotton.

I realize that cotton is a firmer fiber than wool. Wool has a sort of soft fiber. Wool is warmer than cotton, I realize; and in making cloth, manufacturers use cotton for the warp to make the cloth stronger, to keep it from stretching and from shrinking. Then they put in for the woof, or the main part of the cloth, wool. The wool gives the cloth warmth, and its appearance and its texture. But the cotton, when used in connection with wool, gives it strength and keeps it from shrinking and stretching.

If the bill becomes law, I am fearful that there will be little cotton used in the future in connection with wool in making cloth, because the label will have to state how much wool is in the cloth, and whether the wool is virgin wool, or whether it is reused wool or reprocessed wool. The label will have to state whether or not there is cotton in the cloth and how much—how much silk is in the cloth, and how much wool. The label will have to relate how much rayon or how much nylon is in the cloth, and the percentage. It is my judgment that, if the bill becomes a law, a consumer who goes to a store to purchase a suit or a coat, if he sees on the label "75 percent wool and 25 percent cotton," will lay the garment aside and say, "I don't want that garment; that has cotton in it. I want an all-wool garment," and the dealer will bring out an all-wool garment. Under the bill the all-wool garment may be made out of shoddy. It is my judgment that the consumer would much rather have a garment labeled "all-wool product" than have the garment labeled "75 percent wool and 25 percent cotton." It is my conviction, if the bill becomes law, that cotton and wool will not be used together any more to any extent, because the public will not want wool and cotton mixed.

It is a fact now that most of the blankets which are made by woolen mills contain a large percentage of cotton. The cotton gives the blanket strength. A blanket with a cotton warp will not stretch. A blanket with a cotton warp will not shrink. One does not dare to wash an all-wool blanket, made of pure, virgin wool, unless it is washed by a particular process. It can be dry-cleaned; but if washed, it draws up and shrinks and is not a satisfactory blanket. Yet, in my judgment, if this bill becomes a law, the use of cotton in connection with making blankets will almost cease. That is the purpose of the bill. It has no other purpose except to magnify and increase the use of wool, and to the extent it increases the use of wool it will decrease the use of cotton.

The bill, if enacted, will stab cotton in the back. The people in 11 or 12 States depend on cotton as the money crop. If the bill becomes a law, it will still further embarrass the cotton industry. In my judgment, it will decrease the use of cotton, in conjunction with wool, by many hundreds of thousands of bales.

Mr. President, I made the statement before upon this floor that, in my judgment, if the bill shall be enacted, cotton will take a place one grade lower in the textile industry than that occupied by poor shoddy, because shoddy is wool. Under the terms of the bill a suit of clothes could be made out of shoddy as a wool product, and the merchants could label the garment an "all-wool product." It might be reused wool; it might be reprocessed wool; but it would be wool. So the purpose of the bill is to increase the demand for wool and decrease the demand for cotton; decrease the demand for rayon; decrease the demand for silk; and decrease the de-

mand for everything else that is used in making textiles, and to magnify the use of wool. It is because of that fact that I have opposed the proposed legislation from its inception. I am opposed to it now, and I shall give some reasons why I am opposed to it.

First. The bill should not pass because there is no test that can disclose the presence or percentage of reprocessed or reused wool in any garment; hence, foreign factories may make merchandise with cheap labor and cheap wool, and label such merchandise as they desire, and compete with United States products where inspectors may be placed in domestic mills.

Second. The bill, if enacted, may force United States mills to establish branches in foreign countries to compete with merchandise made for sale abroad, as well as for sale in the United States.

Third. The bill should not be passed because it places cotton in a class with or below the poorest grade of shoddy; hence, is an anticotton act.

Fourth. The bill should not be passed because its purpose is to increase the price of wool at a time when the price of wool is some 20 percent above parity, while other farm commodities are far below parity, and to the extent that such a bill does increase the price of wool, it is an antinational defense act, thereby obviously increasing the cost of woolen uniforms, overcoats, and all other items of clothing necessary for the comfort and welfare of our soldiers.

Fifth. Since there is no test which can disclose the presence of reprocessed or reused wool, in order to enforce the act it will be necessary to provide inspectors for the entire woolen industry embracing, first, the scouring of wool, carding, spinning, weaving, and manufacture of woolen products at vast expense.

Mr. President, my sixth reason is that the bill would provide for the regimentation of the textile industry, not only the regimentation of the wool industry, but likewise the regimentation of all kinds of textile industries located in the United States.

I was somewhat surprised to find on the conference report the signature of the distinguished junior Senator from Kansas [Mr. REED]. I doubt if he knows that the bill would regiment one of the great industries of the United States. I doubt if he knows that the bill would regiment the woolen industry, would likewise regiment the cotton industry, and would likewise regiment the other textile industries of the United States.

There will be an occasion for a vote upon the conference report, and I shall be amused, if not chagrined, when I see some of the names of those who vote in favor of the regimentation of the woolen industry, the cotton industry, the rayon industry, the Nylon industry, the silk industry, and other industries of the United States.

Mr. President, at this point I desire to place in the RECORD in connection with my remarks the names of the textile companies and woolen mills in the several States which are opposed to the conference report.

I commence, first, with the State of California. The Eureka Woolen Mills, of Eureka, Calif., are against the bill. The Western Wool Manufacturing Co., of San Francisco, Calif., is against the bill. Worth Bros., Inc., Los Angeles, Calif., is against the bill.

I next come to the State of Connecticut. The Airlie Mills, Hanover, Conn., are against the bill. Assawaga Co., Killingly, Conn., is against the bill. Broad Brook Co., Inc., Broad Brook, Conn., is against the bill. D. & M. Woolen Mills, Putnam, Conn., are against the bill. Davis & Brown Woolen Co., East Killingly, Conn., is against the bill. Gordon Bros., Inc., Hazardville, Conn., are against the bill. Jordan Mills, Inc., Waterford, Conn., are against the bill. Angus Park, Angus Woolen Co., Glastonbury, Conn., is also against the bill. So is William Park & Sons, Inc., of Stafford, Conn. The Phoenix Woolen Co., of Stafford, Conn., is against the bill. The Rhode Island Worsted Co., Stafford Springs, Conn., is against the bill. The Saxton Woolen Corporation, of Norwich, Conn., is against the bill. The Saxony Corporation, of Norwich, Conn., is also against the bill. So is the Stafford Worsted Co., of Stafford Springs, Conn., as well as the Warren Woolen Co., of Stafford Springs, Conn., and the Warrenton Woolen Co., of Torrington, Conn.

I next come to the State of Georgia.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. KING. It is now nearly half past 5. It seems to me we have been in session long enough today. I was wondering if we might not at this time, if agreeable to the Senator, take a recess.

Mr. THOMAS of Oklahoma. Mr. President, I ask unanimous consent to have printed as part of my remarks the list of States, as well as the names of woolen mills and textile mills in such States, which are opposing the proposed legislation.

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

The matter referred to is as follows:

WOOLEN AND WORSTED MILLS OPPOSED TO S. 162 (WOOL-LABELING BILL)

CALIFORNIA

Eureka Woolen Mills, Eureka, Calif.
Western Wool Manufacturing Co., San Francisco, Calif.
Worth Bros., Inc., Los Angeles, Calif.

CONNECTICUT

Airlie Mills, Hanover, Conn.
Assawaga Co., Killingly, Conn.
Broad Brook Co., Inc., Broad Brook, Conn.
D. & M. Woolen Mills, Putnam, Conn.
Davis & Brown Woolen Co., East Killingly, Conn.
Gordon Bros., Inc., Hazardville, Conn.
Jordan Mills, Inc., Waterford, Conn.
Park, Angus Woolen Co., Glastonbury, Conn.
Park, William & Sons, Inc., Stafford, Conn.
Phoenix Woolen Co., Stafford, Conn.
Rhode Island Worsted Co., Stafford Springs, Conn.
Saxton Woolen Corporation, Norwich, Conn.
Saxony Corporation, Norwich, Conn.
Stafford Worsted Co., Stafford Springs, Conn.
Warren Woolen Co., Stafford Springs, Conn.
Warrenton Woolen Co., Torrington, Conn.

GEORGIA

National Dixie Mills, Inc., Newman, Ga.
Peerless Woolen Mills, Rossville, Ga.

ILLINOIS

Caron Spinning Co., Chicago, Ill.

INDIANA

LaPorte-Daniels Woolen Mills, Inc., LaPorte, Ind.
Seymour Woolen Mills, Seymour, Ind.

IOWA

Amana Society, Amana, Iowa.

MAINE

Abbott Amos Co., Dexter, Maine.
Bridgton-Pondicherry Woolen Mills, Inc., Bridgton, Maine.
Camden Woolen Co., Camden, Maine.
Cascade Woolen Mills, Oakland, Maine.
Cummings, Daniel E. Co., Skowhegan, Maine.
Farnsworth Mill, Lisbon Center, Maine.
Georges River Woolen Co., Warren, Maine.
Goodall Worsted Co., Sanford, Maine.
Hughes Woolen Mill, Camden, Maine.
Kezar Falls Woolen Co., Kezar Falls, Maine.
Limerick Yarn Mills, Limerick, Maine.
Lincolnsfield Mills, Inc., Lincoln, Maine.
Madison Woolen Co., Madison, Maine.
Maine Spinning Co., Skowhegan, Maine.
North Berwick Co., North Berwick, Maine.
Old Town Woolen Co., Inc., Guilford, Maine.
Park, George, Manufacturing Co., Inc., Dexter, Maine.
Robinson Manufacturing Co., Oxford, Maine.
Rocky, George Woolen Co., South Berwick, Maine.
Sanford Mills, Sanford, Maine.
Wilton Woolen Co., Wilton, Maine.
Worumbo Manufacturing Co., Lisbon Falls, Maine.
Wyandotte Worsted Co., Waterville, Maine.

MARYLAND

Dickey, W. J. & Sons, Inc., Oella, Md.
Melville Woolen Co., Sykesville, Md.

MASSACHUSETTS

Abbott Worsted Co., Graniteville, Mass.
Aetna Mills, Fitchburg, Mass.
Arlington Mills, Boston, Mass.
Barbour Mills, Montello, Mass.
Barre Wool Combing Co., Ltd., Boston, Mass.
Belgian Spinning Co., Waltham, Mass.

Berkshire Woolen Co., Pittsfield, Mass.
Blackinton Mills, Blackinton, Mass.
Buckley & Mann, Inc., Franklin, Mass.
Charles River Garnetting Mills, Waltham, Mass.
Charlton Woolen Co., Charlton City, Mass.
Clapp Charles & Co., Inc., Braintree, Mass.
Clover Worsted Mills, Franklin, Mass.
Coe Woolen Co., Worcester, Mass.
Comins & Co., Rochdale, Mass.
Concord Garnet Mills, Inc., West Concord, Mass.
Cordingly, W. S. & Son, Newton Lower Falls, Mass.
Doran & Kuriss, Waltham, Mass.
Draper Bros. Co., Canton, Mass.
East Weymouth Wool Scouring Co., East Weymouth, Mass.
Ellis, A. D., Mills, Inc., Monson, Mass.
Elmvale Worsted Co., Pittsfield, Mass.
Gilet Carbonizing Co., Inc., Lowell, Mass.
Hayward Woolen Co., West Douglas, Mass.
Hopeville Manufacturing Co., Worcester, Mass.
Hudson Worsted Co., Hudson, Mass.
Huntington Textile Co., Inc., Huntington, Mass.
Intervale Mills, Inc., Webster, Mass.
Jefferson Manufacturing Co., Jefferson, Mass.
Klous, Henry, Co., Lawrence, Mass.
Leominster Mills, Inc., Leominster, Mass.
Lewis, E. Frank, Co., Lawrence, Mass.
Livingston Worsted Mills, Inc., Holyoke, Mass.
Lodge, John T. & Co., Inc., Boston.
Mabbett, George & Sons Co., Plymouth, Mass.
Massachusetts Mohair Plush Co., Boston, Mass.
Mayflower Worsted Co., Kingston, Mass.
Mayo Woolen Mills, Millbury, Mass.
Merchants Wool Scouring Co., East Boston, Mass.
Merrimac Mills Co., Methuen, Mass.
Millbury Woolen Co., Millbury, Mass.
Modern Garnetting Co., Stoughton, Mass.
Monomac Spinning Co., Lawrence, Mass.
Moore, George C. Wool Scouring Mills, North Chelmsford, Mass.
Neponsett Woolen Mills, Inc., Canton, Mass.
Pacific Mills, Boston, Mass.
Packard Mills, Inc., Webster, Mass.
Pondville Woolen Mills, Auburn, Mass.
Reliance Garnetting Mills, Inc., Waltham, Mass.
River Mills, Inc., Fall River, Mass.
Rockwell Woolen Co., Leominster, Mass.
Royal Worsted Mills, Lowell, Mass.
Sawyer Regan Co., Dalton, Mass.
Schuster Woolen Co., East Douglas, Mass.
Scott, S. F. & Sons, Uxbridge, Mass.
Seabright Woven Felt Co., Boston, Mass.
Selden Worsted Mills, Methuen, Mass.
South Acton Woolen Co., South Acton, Mass.
Steacie Garnetting Co., Framingham, Mass.
Stevens, M. T., & Sons, Co., North Andover, Mass.
Strong Hewat & Co., Inc., North Adams, Mass.
Stirling Mills, Lowell, Mass.
Suttons Mills, North Andover, Mass.
Taft, D. N., Manufacturing Co., Oxford, Mass.
Talbot Mills, North Billerica, Mass.
Taunton Wool Stock Co., Taunton, Mass.
Uxbridge Worsted Co., Uxbridge, Mass.
Wave Woolen Co., Wave, Mass.
Wancantuck Mills, Uxbridge, Mass.
Whitney Worsted Co., Franklin, Mass.
Whittaker, James & Sons, Inc., Oxford, Mass.
Windle, A. D. & Co., Inc., Millbury, Mass.
Windle, W. W. Co., Millbury, Mass.
Woonsocket Worsted Mills, Boston, Mass.
Wuskanut Mills, Inc., Farnumsville, Mass.

Top makers

Basford, J. & W. Co., Boston, Mass.
Draper Top Co., Boston, Mass.
Houghton Wool Co., Boston, Mass.
Nichols & Co., Inc., Boston, Mass.
Prouvost, Lefebure & Co., Boston, Mass.
Rosenthal Bros., Boston, Mass.
Willey, Francis & Co., Boston, Mass.
Winterbottom & Brown, Boston, Mass.

MICHIGAN

Clinton Woolen Manufacturing Co., Clinton, Mich.
Horner Bros. Woolen Mills, Eaton Rapids, Mich.
Yale Woolen Mills, Yale, Mich.

MISSOURI

Moniteau Mills, California, Mo.
Ashaway Woolen Mills, California, Mo.

MINNESOTA

Faribault Woolen Mills Co., Faribault, Minn.

NEW HAMPSHIRE

Abbott Worsted Mills, Wilton, N. H.
Brampton Woolen Co., Newport, N. H.
Cheshire Mills, Harrisville, N. H.
Cocheco Woolen Manufacturing Co., East Rochester, N. H.
Dartmouth Woolen Mills, Claremont, N. H.
Derry Fibre Mills, Inc., Derry, N. H.
Dodge-Davis Manufacturing Co., Bristol, N. H.
Dorr Woolen Co. Guild, N. H.
Faulkner & Colony Manufacturing Co., Keene, N. H.
Gonic Manufacturing Co., Gonic, N. H.
Gordon Woolen Mills, Newport, N. H.
Hillsborough Mills, Wilton, N. H.
Homestead Woolen Mills, Inc., West Swanzey, N. H.
Keene Silk Fibre Mills, Inc., Keene, N. H.
Lebanon Woolen Mills Corporation, Lebanon, N. H.
Packard, L. W. & Co., Inc., Ashland, N. H.
Somersworth Textile Co., Inc., Somersworth, N. H.
Somersworth Woolen Co., Somersworth, N. H.

NEW YORK

Albany Woolen Mills, Inc., Rensselaer, N. Y.
American Woolen Co., New York City.
Atlas Waste Manufacturing Co., Inc., Glendale, Long Island, N. Y.
Barnet, William & Son, Inc., Rensselaer, N. Y.
Broadalbin Knitting Co., Ltd., Broadalbin, N. Y.
Clayville Knitting Co., Clayville, N. Y.
Enterprise Garnetting Co., Cohoes, N. Y.
Faith Mills, Inc., Averill Park, N. Y.
Gloversville Knitting Co., Gloversville, N. Y.
Hudson River Woolen Mills, Newburgh, N. Y.
Huyck, F. C. & Sons, Albany, N. Y.
Jamestown Worsted Mills, Jamestown, N. Y.
Lowenthal, W., Co., Inc., Cohoes, N. Y.
Millard Yarn Co., Ballston Spa, N. Y.
Niagara Shawl Co., New York, N. Y.
Peerless Fibre Co., Cohoes, N. Y.
Sheble & Wood, Inc., Salamanca, N. Y.
Star Woolen Co., Cohoes, N. Y.
Stroock, S. & Co., Inc., Newburgh, N. Y.
Thermo Mills, Inc., Hudson, N. Y.
Troy Waste Manufacturing Co. (Garnetting Department), Cohoes, N. Y.
Abbott Worsted Sales, Inc., New York, N. Y.
Aetna & Shirreffs Sales Corporation, New York, N. Y
Almy, Frederick & Co., New York, N. Y.
American Woolen Co., New York, N. Y.
Ardross Worsted Co., New York, N. Y.
Bachmann, Louis & Co., New York, N. Y.
Battey, Trull & Co., New York, N. Y.
Botony Worsted Mills, New York, N. Y.
Brackett, M. R., New York, N. Y.
Bry, Edwin & Louis, Inc., New York, N. Y.
Buckley & Cohen, New York, N. Y.
Burke, J. Franklin & Co., Inc., New York, N. Y.
Continental Mills, Inc., New York, N. Y.
Deering, Milliken & Co., Inc., New York, N. Y.
De Land, C. M., New York, N. Y.
Dommerich, L. F. & Co., New York, N. Y.
Dorr Woolen Co., New York, N. Y.
Dougherty & Co., Inc., New York, N. Y.
Dunn Worsted Mills, New York, N. Y.
Faulkner & Colony Co. of New York, Inc., New York N. Y.
Gera Mills, New York, N. Y.
Glenerry Woolen Co., New York, N. Y.
Gloversville Knitting Co., New York, N. Y.
Greenwich Fabrics Corporation, New York, N. Y.
Hayward-Schuster Co., Inc., New York, N. Y.
Hird, Samuel & Sons, Inc., New York, N. Y.
Hockanum Mills Co., New York, N. Y.
Holden-Leonard Co., Inc., New York, N. Y.
Horner Bros. Woolen Mill Sales Co., New York, N. Y.
Hudson River Woolen Mills, New York, N. Y.
Huyck, C. F., & Sons, New York, N. Y.
Jacob, J. G., Co., New York, N. Y.
Johnson, Cyril, Woolen Co., New York, N. Y.
Juilliard, A. D., & Co., Inc., New York, N. Y.
Kaufman, B. M., Inc., New York, N. Y.
Kent-Hampton Sales, Inc., New York, N. Y.
Laidlaw Co., Inc., New York, N. Y.
Lawton, Herbert & Co., New York, N. Y.
Leeds, Herbert R., & Co., New York, N. Y.
Leonard & Keily Co., New York, N. Y.
Libby, Hoff & Co., New York, N. Y.
Lima Woolen Mills, Inc., New York, N. Y.
Lincolnsfield Mills, Inc., New York, N. Y.
Lippitt Woolen Co., New York, N. Y.
Lorraine Manufacturing Co., New York, N. Y.
Lynx Corporation, New York, N. Y.
Mabbett, George, & Sons Co., New York, N. Y.
Mali, Henry W. T., & Co., New York, N. Y.
Mayflower Worsted Co., New York, N. Y.
Melville Woolen Co., New York, N. Y.
Merrill, Howard R., New York, N. Y.
Metcalf Bros., New York, N. Y.
Mitchell, Allen R., & Son, New York, N. Y.
Montrose Worsted, Inc., New York, N. Y.
National Dixie Mills, Inc., New York, N. Y.
Oughton's, John, Sons, New York, N. Y.
Pacific Mills, New York, N. Y.
Paragon Worsted Co., New York, N. Y.
Parker, Wilder & Co., New York, N. Y.
Peerless Woolen Mills, New York, N. Y.
Penn State Mills Agency, Inc., New York, N. Y.
Prendergast, William H., Co., New York, N. Y.
Princeton Worsted Mills, Inc., New York, N. Y.

on, Leonard, New York, N. Y.
'er Regan Co., Inc., New York, N. Y.
ny Corporation, New York, N. Y.
:n Worsted Mills, Inc., New York, N. Y.
:r, Charles E., & Co., Inc., New York, N. Y.
zelbach, A., Sons Co., New York, N. Y.
ens, J. P., & Co., Inc., New York, N. Y.
.ekirk Worsted Co., New York, N. Y.
ng, Hewat & Co., Inc., New York, N. Y.
ock, S., & Co., Inc., New York, N. Y.
ior, J. K., & Co., New York, N. Y.
iune, Yereance & Wolff, Inc., New York, N. Y.
tile Banking Co., New York, N. Y.
rmo Mills, New York, N. Y.
cy & Smith, New York, N. Y.
emand, D. R., New York, N. Y.
itman, William, Co., Inc., New York, N. Y.
se, William, & Co., Inc., New York, N. Y.
rumbo Co., New York, N. Y.
andotte Worsted Co., New York, N. Y.

NEW JERSEY

iedict, Henry H., Co., Camden, N. J.
:any Worsted Mills, Passaic, N. J.
)ft, Howland, Sons & Co., Camden, N. J.
venson & Levering Co., Camden, N. J.
ra Mills, Passaic, N. J.
'd, Samuel, & Sons, Inc., Garfield, N. J.
rshall Spinning Co., Camden, N. J.
w Jersey Worsted Mills, Garfield, N. J.
kes, Thomas, & Co., Inc., Bloomfield, N. J.
:nceton Worsted Mills, Inc., Trenton, N. J.
.ritan Mills, Raritan, N. J.

NORTH CAROLINA

iatham Manufacturing Co., Winston-Salem, N. C.

OHIO

ish Woolen Mills Co., Dresden, Ohio.
)lonial Woolen Mills Co., Cleveland, Ohio.
uenzel Mills Co., New Bremen, Ohio.
ma Woolen Mills Co., Lima, Ohio.
)ckwood, L. B., Co., Cleveland, Ohio.
ational Woolen Co., Cleveland, Ohio.
:. Marys Woolen Manufacturing Co., St. Marys, Ohio.
uler & Benninghofen, Hamilton, Ohio.

OREGON

regon Worsted Co., Portland, Oreg.
)ndleton Woolen Mills, Portland, Oreg.

PENNSYLVANIA

rdross Worsted Co., Philadelphia, Pa.
lue Ridge Woolen Co., Chambersburg, Pa.
rumbach, A. J., Inc., Easterly, Pa.
ry, Edwin & Louis, Inc., Norristown, Pa.
'aledonia Woolen Mills, Clifton Heights, Pa.
:lear Springs Worsted Mills, Doylestown, Pa.
'ontinental Mills, Inc., Philadelphia, Pa.
)earnley Bros. Worsted Spinning Co., Inc., Philadelphia, Pa.
)oak, James, Jr., Co., Philadelphia, Pa.
:agle Textile Manufacturing Co., Philadelphia, Pa.
:nergetic Worsted Corporation, Bridgeport, Pa.
:rben-Harding Co., The, Philadelphia, Pa.
:sterly Woolen Co., Esterly, Pa.
Grundy, William H., Co., Inc., Philadelphia, Pa.
rving, James, & Sons, Chester, Pa.
Kent Manufacturing Co., Clifton Heights, Pa.
.ees, James, & Sons Co., Bridgeport, Pa.
.ewisburg Mills, Inc., Lewisburg, Pa.
.incoln Worsted Co., Philadelphia, Pa.
McGraw, P., Wool Co., Pittsburgh, Pa.
Merion Worsted Mills, West Conshohocken, Pa.
Mitchell, Allen R., & Son, Philadelphia, Pa.
)ak Worsted Mills, Philadelphia, Pa.
)earce Manufacturing Co., Latrobe, Pa.
)enn State Worsted Mills, Philadelphia, Pa.
)enn Worsted Co., Philadelphia, Pa.
)hiladelphia Wool Scouring & Carbonizing Co., Philadelphia.
Ring, Jonathan, & Co., Philadelphia, Pa.
Scatchard's, Joseph, Sons, Inc., Philadelphia, Pa.
Sheble, Frank J., Philadelphia, Pa.
Steel, Warner J., Inc., Bristol, Pa.
Vernon Textile Co., Philadelphia, Pa.
Windsor Manufacturing Co., Philadelphia, Pa.
Wolstenholme, Thomas, Sons & Co., Inc., Philadelphia, Pa.
Woolrich Woolen Mills, Woolrich, Pa.

RHODE ISLAND

Ashaway Woolen Mills, Ashaway, R. I.
Bay Mill, East Greenwich, R. I.
Belmont Woolen Yarn Mills, Woonsocket, R. I.
Bean, Joseph, Corporation, Greystone, R. I.
Bonin Spinning Co., Woonsocket, R. I.
Branch River Wool Combing Co., Inc., Woonsocket, R. I.
Collins & Aikman Corporation, Bristol, R. I.
Dunn Worsted Mills, Woonsocket, R. I.
Esmond Mills, Esmond, R. I.
Falls Yarn Mills, Woonsocket, R. I.
French Worsted Co., Woonsocket, R. I.
Greenwich Mills, East Greenwich, R. I.
Guerin Mills, Woonsocket, R. I.
Juilliard, A. D., & Co., Inc. (Atlantic Mills Division), Providence, R. I.
Lafayette Worsted Co., Woonsocket, R. I.
Lexington Worsted Co., Pawtucket, R. I.
Lippitt Woolen Co., Woonsocket, R. I.
Lorraine Manufacturing Co., Pawtucket, R. I.
Lymansville Co., Lymansville, R. I.
Mackie Worsted Mills, Inc., Providence, R. I.
Masurel Worsted Mills, Inc., Woonsocket, R. I.
Oakland Worsted Co., Oakland, R. I.
Olneyville Wool Combing Co., Providence, R. I.
Onawa Spinning Co., Woonsocket, R. I.
Paragon Worsted Co., Providence, R. I.
Premier Worsted Mills, Bridgeton, R. I.
Prendergast, William H., Mills, Inc., Bridgeton, R. I.
Priscilla Worsted Mills, Thornton, R. I.
Providence Combing Mills, Inc., Providence, R. I.
Rathbun Knitting Co., Woonsocket, R. I.
Riverside Worsted Co., Woonsocket, R. I.
Silver Lake Worsted Mills, Providence, R. I.
Star Carbonizing Co., Woonsocket, R. I.
Wanskuck Co., Providence, R. I.
Woonsocket Spinning Co., Woonsocket, R. I.

SOUTH CAROLINA

Southern Worsted Corporation, Greenville, S. C.

TENNESSEE

American Textile Woolen Co., Sweetwater, Tenn.
Jefferson Woolen Mills, Knoxville, Tenn.
Lebanon Woolen Mills, Lebanon, Tenn.

VERMONT

Bridgewater Woolen Co., Bridgewater, Vt.
Dewey, A. G., Co., Queechee, Vt.
Gay Bros. Co., Cavendish, Vt.
Hartford Woolen Co., Hartford, Vt.
Holden-Leonard Co., Bennington, Vt.
Slack, John T., Corporation, Springfield, Vt.

VIRGINIA

Charlottesville Woolen Mills, Charlottesville, Va.
Hampton Looms of Virginia, Bedford, Va.
Virginia Woolen Co., Winchester, Va.

WASHINGTON

Foundation Worsted Mills, Washougal, Wash.
Washougal Woolen Mills, Washougal, Wash.

WEST VIRGINIA

Dunn Woolen Co., Martinsburg, W. Va.

WISCONSIN

Appleton Woolen Mills, Appleton, Wis.
Badger Worsted Mills, Grafton, Wis.
Crescent Woolen Mills Co., Inc., Two Rivers, Wis.
Rick River Woolen Mills, Janesville, Wis.

Mr. KING. Mr. President, by my request I did not intend to suggest to the Senator that he pretermit the presentation of those names. I thought perhaps he would be glad to have a recess taken at this time and resume his address tomorrow morning.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WALSH. Did the Senator have a chance to develop the question I asked him some time ago about the method of labeling and the system of labeling?

Mr. THOMAS of Oklahoma. I have not come to that yet, and I have not answered the Senator's question with regard to whether or not the bill, if enacted, would favor foreign corporations; and, if so, obviously discredit and discriminate against domestic corporations. I should like to develop that more at a later time, but it is now 5:30 o'clock. I wish to assure the Senator from Massachusetts and our leader and others that I am not attempting to delay unduly a vote upon the bill. There has been no discussion of the bill to speak of save the statements made by the Senator from Wyoming [Mr. SCHWARTZ] and myself, together with the helpful suggestions made by the Senator from Massachusetts, and a few other suggestions that have come from different Senators.

Mr. WALSH. Let me say that I do not know of any more able presentation or analysis of any bill that has been made here in recent years than has been made by the distinguished Senator from Oklahoma. It is very informative and instructive, especially in view of the fact that so few of us have had a chance to study its details and in view of the rapid changes that have been made in the bill in recent months from the original bill.

Mr. THOMAS of Oklahoma. Mr. President, in the remainder of the time I shall occupy in opposition to this meas-

ure I desire to present for the RECORD an analysis of the bill as I see it and the reasons why it should not be passed, especially at this particular time. If we could pass a bill that would be beneficial I would be for it. The Senator from Wyoming has an imposing task upon his hands. The senior Senator from Kansas [Mr. CAPPER] tried it for years, and he could not prepare a bill which satisfied him, and he quit. Representatives in the House have tried to write a bill, and they have failed and quit.

While I compliment the Senator from Wyoming, I must say that he is up against a stone wall. He is trying to define virgin wool. Mr. President, there are 16 different types of virgin wool, and there are as many kinds of virgin wool as there are kinds of sheep. The full-blood Merino sheep is one kind. There are 16 kinds of wool among full-blood Marino sheep. Then there are the half-blood sheep, and again there are 16 different kinds of wool among them. Then there are the three-eighths-blood sheep, and there again we find sixteen different kinds of wool. I shall discuss that tomorrow. The wool from the three-eighths-blood sheep is not the same kind of wool as that from the half-blood sheep.

Then there is the nondescript sheep coming from my State, coming from the desert, and from South America. There are thousands of kinds of wool. The bill makes no distinction. So long as it is wool which comes from a sheep, dead or alive, that has never been used, it is virgin wool. I cannot accept that kind of a definition of wool.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. BARKLEY. I have no desire, of course, to curtail the Senator or any other Senator in debating this measure. I do not know who else desires to speak on it, either for or against it, but would the Senator from Oklahoma be willing to fix an hour sometime tomorrow when the conference report could be voted on?

Mr. AUSTIN. No; Mr. President.

Mr. THOMAS of Oklahoma. I could not do that now. I do not know how many questions may be asked. I can place most of my data in the RECORD without reading them, and I plan to do so. I realize that but few Senators are sufficiently interested in the matter to remain on the floor, and I do not blame those who do not. Nevertheless, I think the RECORD should show what I conceive to be the objections to the measure, and I think the RECORD should show what I think is a proper analysis of it. When I shall have completed my statement I shall be very glad to agree to a time to vote.

Mr. AUSTIN. Mr. President, I hope the Senator will not agree to that without realizing that I hope to use some time to discuss the report, and I should not like to have a time limit placed upon my discussion.

Mr. BARKLEY. I have not proposed to do that. I was feeling out the Senator from Oklahoma with respect to that matter, and evidently we cannot reach an agreement at this time.

Mr. THOMAS of Oklahoma. Let me assure the Senator from Kentucky that under the conditions there is no possibility of a filibuster, because one Senator cannot carry on a filibuster.

Mr. BARKLEY. No; not indefinitely.

Mr. THOMAS of Oklahoma. There will be no adjournment, in my opinion, so I cannot speak indefinitely.

Mr. BARKLEY. The Senator realizes the legislative situation.

Mr. THOMAS of Oklahoma. Yes. I shall be glad to yield at any time for any matter that is important to be taken up.

Mr. BARKLEY. I understand that, but it is important that we make progress with what we have to do yet before any Senator can get away, if he ever does get away. I thought we might be able to arrange an agreement, but I see we cannot do so. I am perfectly willing to suspend now and let the Senator conclude in the morning, if that is his wish.

Mr. THOMAS of Oklahoma. Then, I assume I shall have the floor when the Senate convenes tomorrow.

CONTRACT ASSIGNMENT ACT OF 1940

Mr. BARKLEY. Mr. President, yesterday on the call of the calendar there was passed, Calendar No. 2293, House bill 10464, which provided for the assignment of contracts with the Government. My attention has been called to the fact that inasmuch as certain language of the bill containing the amendments is in quotations, it is necessary to correct it.

I ask unanimous consent that the vote by which the bill was ordered to a third reading and passed be reconsidered in order that I may make a technical correction.

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

Mr. AUSTIN. Mr. President, will the Senator state the correction which he wishes to make?

Mr. BARKLEY. On page 2, line 4, I move to strike out "this act" and insert "the Contract Assignment Act of 1940", and on page 3, line 4, to strike out "this act" and insert "the Contract Assignment Act of 1940".

I wish also to add a new section:

This act may be cited as the Contract Assignment Act of 1940.

Mr. AUSTIN. Would the amendments suggested change the bill?

Mr. BARKLEY. No. They would simply show that the reference is to this act, and not to a previous act, which the bill amends.

Mr. AUSTIN. I have no objection.

The PRESIDING OFFICER (Mr. REED in the chair). Without objection, the amendments proposed by the Senator from Kentucky are agreed to.

Mr. BARKLEY. Of course, the amendments just agreed to would not interfere with the amendment which I offered yesterday at the end of the bill.

The PRESIDING OFFICER. The question is on the engrossment of the additional amendments and the third reading of the bill.

The additional amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time, and passed.

ROLAND HANSON AND DR. E. A. JULIEN—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1160) for the relief of Roland Hanson, a minor, and Doctor E. A. Julien, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House numbered 1, and agree to the same with an amendment, as follows: In lieu of the figures "$2,000" insert "$1,250"; and the House agree to the same.

That the Senate recede from its disagreement to the amendments of the House numbered 2, 3 and 4, and agree to the same.

ALLEN J. ELLENDER,
H. H. SCHWARTZ,
ALEXANDER WILEY,
Managers on the part of the Senate.
AMBROSE J. KENNEDY,
ROBERT RAMSPECK,
J. PARNELL THOMAS,
Managers on the part of the House.

The report was agreed to.

AMENDMENT OF COMMODITY EXCHANGE ACT—CONFERENCE REPORT

Mr. BILBO (for Mr. THOMAS of Oklahoma) submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4088) to amend the Commodity Exchange Act, as amended, to extend its provisions to fats and oils, cottonseed, cottonseed meal, and peanuts, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 1.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 4, and 5, and agree to the same.

ELMER THOMAS,
G. W. NORRIS,
W. J. BULOW,
Managers on the part of the Senate.
H. P. FULMER,
HARRY P. BEAM,
STEPHEN PACE,
CLIFFORD R. HOPE,
J. ROLAND KINZER,
Managers on the part of the House.

The report was agreed to.

FRANCO-AMERICAN CONSTRUCTION CO.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3437) for the relief of the Franco-American Construction Co., which was, on page 1, line 6, to strike out "$4,258.60" and insert "$9,323.75."

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

The motion was agreed to.

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 MESSAGE REFERRED

The PRESIDING OFFICER (Mr. REED in the chair) laid before the Senate a message from the President of the United States submitting the nomination of Harvey M. Johnson, of Nebraska, to be judge of the Circuit Court of Appeals for the Eighth Circuit, to fill an existing vacancy, which was referred to the Committee on the Judiciary.

EXECUTIVE REPORTS OF COMMITTEES

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of several postmasters.

Mr. PITTMAN, from the Committee on Foreign Relations, reported favorably the nominations of sundry Foreign Service officers of class 8 and secretaries in the Diplomatic Service, to be also consuls of the United States.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will state the nominations on the calendar.

POSTMASTERS—NOMINATION PASSED OVER

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask that the nominations of postmasters be confirmed en bloc.

Mr. BURKE. Mr. President, the Senator from Tennessee requests that the nominations of postmasters be confirmed en bloc. With respect to the nomination of Frank S. Perkins to be postmaster at Fremont, Nebr., I desire to make a brief statement before the nomination is confirmed.

I am not opposing the confirmation on the ground that the nominee is personally obnoxious to me, because he is not. He is a very good friend of mine. However, I wish to make a statement with respect to the nomination.

Mr. McKELLAR. Mr. President, may I ask the Senator whether or not the nomination was submitted to him?

Mr. BURKE. It was submitted to me, and on the card which I returned, I stated what I am now stating. I wanted the nomination to be reported and placed on the calendar. I have no objection on personal grounds, but the nominee who has been selected replaces a postmaster who was appointed by Woodrow Wilson. I had recommended the reappointment of the incumbent. I desire to make a statement on the subject which will require 15 or 20 minutes, and I desire to have a quorum present when I make the statement. I have no desire to suggest the absence of a quorum at this time.

Mr. McKELLAR. Mr. President, let us accept the statement of the Senator from Nebraska, and let the particular nomination be passed over. I ask unanimous consent that the nomination of Frank S. Perkins to be postmaster at Fremont, Nebr., be passed over, and that the remaining nominations of postmasters be confirmed en bloc.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee? The Chair hears none, and it is so ordered.

Mr. BURKE. Mr. President, before leaving that subject I should like to propound an inquiry to the Senator from Tennessee, and to the majority leader.

I take it that during the remaining days of the session it will not be possible to have anything like a quorum present when we reach the close of the day. I really desire to have a quorum present when I make the comparatively brief statement which I shall make. Would it be possible tomorrow, after the first quorum call, to have a brief executive session? I assure the Senate that I shall consume not more than 15 minutes. The matter is important, and I wish to present my views.

Mr. BARKLEY. Personally, I should not object to the suggestion. However, a conference report is pending, and it has been set aside from time to time for many other matters. Perhaps we can have an executive session a little earlier in the afternoon tomorrow.

Mr. BURKE. That is satisfactory. I should like to make my statement on an occasion when, without putting anyone to the inconvenience of having a quorum call, I may have a reasonable number of Senators present when I present my views, which are not at all based upon any personal obnoxiousness of the nominee. However, it seems to me that a vital principle is involved, and I should like to discuss the matter briefly.

Mr. McKELLAR. I have no objection. However, I can understand the situation of the Senator from Kentucky.

Mr. SCHWARTZ. Mr. President, I hope the Senator from Nebraska will not insist upon making his statement during the consideration of the conference report, because I desire to get through with it.

Mr. BURKE. I have not insisted upon it. I merely threw out the suggestion, which did not fall upon fertile ground. It will not sprout or grow. Sometime later we can work it out.

Mr. BARKLEY. Mr. President, I hope the Senator was not emphasizing the infertility of the ground upon which he threw the suggestion. [Laughter.]

The PRESIDING OFFICER. The clerk will state the next nomination on the calendar.

IN THE ARMY

The legislative clerk proceeded to read sundry nominations in the Army.

Mr. SHEPPARD. Mr. President, I ask unanimous consent that the Army nominations be confirmed en bloc, and that the President be notified.

The PRESIDING OFFICER. Without objection, the Army nominations are confirmed en bloc, and the President will be notified.

IN THE NAVY

The legislative clerk proceeded to read sundry nominations in the Navy.

Mr. BARKLEY. I ask that the nominations in the Navy be confirmed en bloc and that the President be notified.

The PRESIDING OFFICER. Without objection, the nominations in the Navy are confirmed en bloc, and the President will be notified.

That completes the calendar.

RECESS

Mr. BARKLEY. As in legislative session, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 36 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, October 2, 1940, at 12 o'clock meridian.

NOMINATION

Executive nomination received by the Senate October 1 (legislative day of September 18), 1940

JUDGE OF THE UNITED STATES CIRCUIT COURT OF APPEALS

Harvey M. Johnsen, of Nebraska, to be judge of the United States Circuit Court of Appeals for the Eighth Circuit, to fill an existing vacancy.

CONFIRMATIONS

Executive nominations confirmed by the Senate October 1 (legislative day of September 18), 1940

APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY

TO QUARTERMASTER CORPS

Lt. Col. James Veto McDowell
Maj. Harry Cullins
Maj. Duncan Philip Frissell

TO SIGNAL CORPS

First Lt. William Potter Turpin 3d

APPOINTMENTS IN THE REGULAR ARMY

TO BE ASSISTANTS TO THE CHIEF OF THE AIR CORPS WITH THE RANK OF BRIGADIER GENERAL

Herbert Arthur Dargue
Davenport Johnson
Carl Spaatz

TEMPORARY APPOINTMENTS IN THE ARMY OF THE UNITED STATES

TO BE MAJOR GENERALS

Lesley James McNair
William Bryden
Jay Leland Benedict
Richard Curtis Moore
Adna Romanza Chaffee
Edmund Leo Daley
Henry Conger Pratt
Frederic Harrison Smith
Philip Bradley Peyton
Joseph Michael Cummins
Karl Truesdell
Robert Charlwood Richardson, Jr.
Charles Fullington Thompson
Henry Tacitus Burgin
Jonathan Mayhew Wainwright
James Lawton Collins
Edwin Martin Watson
Joseph Warren Stilwell
Bruce Magruder
Lloyd Ralston Fredendall
James Eugene Chaney
Jacob Loucks Devers
Charles Lewis Scott
Thomas Alexander Terry
Jacob Earl Fickel
Barton Kyle Yount
James Henry Burns
Frederick LeRoy Martin
George Howard Brett

TO BE BRIGADIER GENERALS

John Hutchison Hester
Edward Postell King, Jr.
Wallace DeWitt
Albert Gallatin Love
Howard McCrum Snyder
George R. Allin
Morrison Clay Stayer
James Kerr Crain
William Vaulx Carter
Gerald Clark Brant
Innis Palmer Swift
Edmund Louis Gruber
Francis Bowditch Wilby
Ralph Talbot, Jr.
Arthur Willis Lane
Dawson Olmstead
Cortlandt Parker
Henry Black Clagett
Clyde Rush Abraham
René Edward DeRussy Hoyle
Rush Blodgett Lincoln
Henry Welles Baird
John Boursiquat Rose
Harry Keneth Rutherford
James Preston Marley
Charles Henry White
William Lloyd Sheep
Glen Edgar Edgerton
Clarence Lynn Sturdevant
Harvey Douglas Higley
Richard Donovan
Robert Clive Rodgers
John Francis Curry
Homer McLaughlin Groninger
Walter Reed Weaver
Richard Herbert Somers
Eugene Reybold
John Alden Crane
Marshall Magruder
John Piper Smith
Jacob Herman Rudolph
Frank Sheldon Clark
John Clifford Hodges Lee
George Smith Patton, Jr.
James Garesché Ord
Horace Hayes Fuller
Henry Dorsey Farandis Munnikhuysen
Robert Lawrence Eichelberger
Edwin Forrest Harding
William Hood Simpson
Rollin Larrabee Tilton
Raymond Eliot Lee
John Magruder
Richard Ferguson Cox
James Luke Frink
Fred Clute Wallace
Burton Oliver Lewis
Ernest Joseph Dawley
John Millikin
Durward Saunders Wilson
Frank Floyd Scowden
Walter Hale Frank
Frederick Elwood Uhl
Oscar Wolverton Griswold
Edgar Bergman Colladay
Russell Peter Hartle
Gladeon Marcus Barnes
Harvey Clark Allen
Oliver Loving Spiller
John Porter Lucas
Douglas Blakeshaw Netherwood
Lewis Hyde Brereton
Leonard Townsend Gerow
Levin Hicks Campbell, Jr.
Follett Bradley
Clarence Leonard Tinker
Martin Francis Scanlon
Henry William Harms
Millard Fillmore Harmon
Terry de la Mesa Allen
Oliver Patton Echols

PROMOTIONS IN THE NAVY

TO BE CAPTAIN

William K. Harrill

TO BE COMMANDERS

Herbert J. Meneratti
John E. Whelchel
Duncan Curry, Jr.
Arnold J. Isbell
Arthur DeL. Ayrault

TO BE LIEUTENANT COMMANDERS

James H. Carrington
Linwood S. Howeth
George J. King
Charles B. Hart
Edmund M. Ragsdale
Frank O'Beirne
William J. Whiteside
Douglas H. Fox
Samuel M. Tucker
Paul W. Watson
Allen R. Joyce
William R. Shaw
Stanley G. Nichols
Upton S. Brady, Jr.

TO BE LIEUTENANTS

Alfred R. Matter
George E. Pierce
Peris G. Bunce
John L. Chittenden
DeWitt C. McIver, Jr.
George S. James, Jr.
John P. Roach
Jack Roudebush
William C. Jonson, Jr.
Robert L. Strickler
Roland E. Stieler
David H. McDonald
Frank E. Wigelius
Lloyd H. McAlpine
William J. Widhelm
Otto A. Scherini
Howard E. Born
John G. Tennent 3d
Hinton A. Owens
Lloyd W. Parrish
John D. Shea
David Lambert
James R. Ogden
Merle F. Bowman
Charles K. Duncan
Waldemar F. A. Wendt
Norman W. Gambling
Frank R. Arnold
John A. Tyree, Jr.
Julian S. Hatcher, Jr.
Hayden L. Leon

TO BE LIEUTENANTS (JUNIOR GRADE)

Ralph Kissinger, Jr.
Paul E. Hartmann
Saverio Filippone
Francis E. Clark
Fred E. Wexel
Charles A. Burch
Charles L. Browning
Charles F. Putman
Talbot E. Harper
John P. M. Johnston
Richard B. Hughes
Henry D. Sipple
Donald "G" Baer
James S. O'Rourke
Ernest S. Friedrick
Eugene P. Rankin

TO BE COMMANDER

Walter F. Christmas

TO BE ASSISTANT PAYMASTER

Perry C. Conner

TO BE MEDICAL DIRECTOR

William J. C. Agnew

TO BE SURGEONS

Hubert J. VanPeenen
Harold L. Weaver
William R. Whiteford
Guy E. Stahr
Lester E. McDonald
Charles B. Stringfellow

TO BE PAYMASTER

Philip White

TO BE PASSED ASSISTANT PAYMASTERS

Frederick O. Vaughan
Carl F. Faires, Jr.

TO BE CHAPLAIN

Frank H. Lash

TO BE CHIEF ELECTRICIAN

Albert C. DeBlanc

TO BE CHIEF MACHINIST

Peter A. Dufly

TO BE LIEUTENANTS

Alvin W. Slayden
Frederic N. Howe
Theodore S. Lank
Harmon T. Utter
Malcolm E. Garrison
Charles E. Phillips

TO BE PASSED ASSISTANT SURGEON

James C. Flemming

POSTMASTERS

ALABAMA

Luther E. Brown, Andalusia.

ARIZONA

Virgil T. Denham, Snowflake.

INDIANA

Clarence A. Thompson, Columbus.

MARYLAND

Edward Lynch Gross, Brunswick.

MINNESOTA

Stuart P. Schaefer, Ely.
John R. Coan, Minneapolis.
A. Elton Jones, Twin Valley.

MISSOURI

James W. Brown, Jr., Willow Springs.

MONTANA

Jess B. Simkins, St. Ignatius.

SOUTH CAROLINA

Ernest F. Lewis, Seneca.

VIRGINIA

Retta V. Hart, Boykins.

WASHINGTON

Clyde E. Simon, Moxee City.

WISCONSIN

Edward G. Shaw, Blackcreek.
Joseph R. Coyle, Menasha.
Victor A. Patterson, Solon Springs.

WYOMING

Margaret L. Cooper, Medicine Bow.

HOUSE OF REPRESENTATIVES

TUESDAY, OCTOBER 1, 1940

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

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, in the midst of the teeming, pain-stricken multitudes of earth is the broken peace, the bleeding heart, and the bitter cup shuddering on the verge of despair. We most humbly pray Thee, as the wind, the earthquake, and the fire are storming by, let the still, small voice break the silence. We bless Thee for the Christ, whose very garment is charged with sympathy and healing. For His sinless life, for His majesty and dignity, for His gentleness with the weary, the aged, and the suffering; for His patience with dull and ignorant men, for His passion to save the lost, and for His undying words that fell from His guileless lips, O Father of mercies, accept our deepest praise and gratitude. As the world is on the high seas which threaten to sweep it to an awful destiny, we pray that this Congress, as master and servant, lord and steward, may be clothed with a passion for doing the works of God and man. O Thou Holy One, who feels, loves, and lives, be Thou our imperishable strength and support that the high hopes of good men everywhere may not die at the touch of this present world's cruel reality. God bless America, our President, our Speaker, the leaders, and the Congress; encompass us with Thy truth, justice, and brotherhood. In our Redeemer's name. 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 without amendment bills and a joint resolution of the House of the following titles:

H. R. 1999. An act to confer jurisdiction upon certain United States commissioners to try petty offenses committed on Federal reservations;

H. R. 2728. An act to add certain lands to the Cleveland National Forest in Orange County, Calif.;

H. R. 3009. An act for the relief of June Thompson, a minor;

H. R. 4066. An act for the relief of Josefina Alvarado;

H. R. 4615. An act for the relief of Sallie Barr;

H. R. 4656. An act to record the lawful admission to the United States for permanent residence of Esther Klein;

H. R. 4724. An act for the relief of Charles F. Martin, a minor;

H. R. 4815. An act for the relief of Henry J. Wise;

H. R. 5040. An act for the relief of Arthur Joseph Reiber, a minor;

H. R. 5314. An act for the relief of Paul J. Kohanik;

H. R. 5814. An act for the relief of David J. Williams, Jr., a minor;

H. R. 6215. An act for the relief of John E. Avery;

H. R. 6512. An act for the relief of F. W. Heaton;

H. R. 6820. An act for the relief of Mrs. Hama Torii Emerson;

H. R. 6888. An act for the relief of Esther Jacobs;

H. R. 7139. An act for the relief of Joe L. McQueen;

H. R. 7276. An act for the relief of Walter B. McDougall and Herbert Maier;

H. R. 7302. An act for the relief of Lillian Brown and Silas Young;

H. R. 7357. An act to amend section 4472 of the Revised Statutes (U. S. C., 1934 ed., title 46, sec. 465) to provide for the safe carriage of explosives or other dangerous or semidangerous articles or substances on board vessels; to make more effective the provisions of the International Convention for Safety of Life at Sea, 1929, relating to the carriage of dangerous goods, and for other purposes;

H. R. 7731. An act to provide for the burial and funeral expenses of deceased veterans of the Regular Establishment who were discharged for disability incurred in the service in line of duty, or in receipt of pension for service-connected disability;

H. R. 7815. An act for the relief of Boston & Maine Railroad;

H. R. 7910. An act for the relief of Betty Jane Bear Robe;

H. R. 8069. An act to re-form the lease for the Sellwood station of the Portland (Oreg.) post office;

H. R. 8163. An act for the relief of Antonio Sabatini;

H. R. 8301. An act for the relief of Allen B. Boyer;

H. R. 8369. An act authorizing a per capita payment of $10 each to the members of the Red Lake Band of Chippewa Indians from any funds on deposit in the Treasury of the United States to their credit;

H. R. 8744. An act for the relief of Ernest Lyle Greenwood and Phyllis Joy Greenwood;

H. R. 9073. An act to provide for the reimbursement of certain officers and men of the Coast and Geodetic Survey for the value of personal effects lost, damaged, or destroyed in a fire aboard the Coast and Geodetic Survey launch *Mikawe*, at Norfolk, Va., on October 27, 1939;

H. R. 9284. An act to provide for the issuance of a license to practice the healing art in the District of Columbia to Dr. A. L. Ridings;

H. R. 9561. An act granting the consent of Congress to the Minnesota Department of Highways and the counties of Benton and Stearns in Minnesota, to construct, maintain, and operate a free highway bridge across the Mississippi River at or near Sauk Rapids, Minn.;

H. R. 9656. An act to authorize the acceptance of donations of property for the Vicksburg National Military Park, in the State of Mississippi, and for other purposes;

H. R. 9670. An act to provide an 8-hour workday and payment for overtime for dispatchers and mechanics-in-charge in the motor-vehicle service of the Postal Service;

H. R. 9734. An act authorizing allocation of funds for the construction of Saco Divide unit, Milk River project, and for other purposes;

H. R. 9840. An act for the relief of Bela Karlovitz;

H. R. 9921. An act to authorize the maintenance and operation of fish hatcheries in connection with the Grand Coulee Dam project;

H. R. 9942. An act authorizing the Secretary of the Interior to issue to Henry W. Shurlds and W. H. White a patent to certain lands in the State of Mississippi;

H. R. 9943. An act authorizing the Secretary of the Interior to issue to Ruth Gainey Branscome a patent to certain lands in the State of Mississippi;

H. R. 9952. An act authorizing the Indiana State Toll Bridge Commission to construct, maintain, and operate a toll bridge across the Wabash River at or near Mount Vernon, Posey County, Ind.;

H. R. 9989. An act authorizing the Administrator of Veterans' Affairs to grant an easement in certain land to the city of Memphis, Tenn., for street-widening purposes;

H. R. 9991. An act to amend section 4021 of the Revised Statutes and to repeal section 4023 of the Revised Statutes relating to establishment of postal agencies;

H. R. 10155. An act for the relief of William M. Irvine;

H. R. 10246. An act to further amend the act of July 30, 1937, authorizing the conveyance of a portion of the Stony Point Light Station Reservation to the Palisades Interstate Park Commission;

H. R. 10267. An act to authorize the Administrator of Veterans' Affairs to grant an easement in a small strip of land at Veterans' Administration Facility, Los Angeles, Calif., to the county of Los Angeles, Calif., for sidewalk purposes;

H. R. 10337. An act to authorize the Secretary of the Treasury to order retired commissioned and warrant officers of the Coast Guard to active duty during time of national emergency, and for other purposes;

H. R. 10406. An act to authorize the appointment of graduates of the Naval Reserve Officers' Training Corps to the line of the Regular Navy, and for other purposes; and

H. J. Res. 603. Joint resolution to authorize the United States Maritime Commission to furnish to the State of Pennsylvania a vessel suitable for the use of the Pennsylvania State nautical school, and for other purposes.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills and a joint resolution of the House of the following titles:

H. R. 892. An act to extend to custodial-service employees employed by the Post Office Department certain benefits applicable to postal employees;

H. R. 1284. An act for the relief of Sophrania Holmes;

H. R. 1874. An act for the relief of Mrs. E. V. Maki;

H. R. 5053. An act for the relief of Verdie Barker and Fred Walter;

H. R. 5154. An act for the relief of Charles Kliewe;

H. R. 5336. An act for the relief of Peter Bavisotto;

H. R. 5937. An act to confer jurisdiction on the Court of Claims to hear and determine the claim of Lamborn & Co.;

H. R. 6091. An act for the relief of Samuel Roberts;

H. R. 6813. An act to accept the cession by the States of North Carolina and Tennessee of exclusive jurisdiction over the lands embraced within the Great Smoky Mountains National Park, and for other purposes;

H. R. 7738. An act to amend the act entitled "An act to authorize the Secretary of the Interior to lease or sell certain lands of the Agua Caliente or Palm Springs Reservation, Calif., for public-airport use, and for other purposes";

H. R. 8150. An act providing for the barring of claims against the United States;

H. R. 8846. An act to provide for the retirement of certain members of the Metropolitan Police Department of the District of Columbia, the United States Park Police force, the White House Police force, and the members of the Fire Department of the District of Columbia;

H. R. 9851. An act authorizing special arrangements in the transportation of mail within the Territory of Alaska;

H. R. 10061. An act to consolidate certain exceptions to section 3709 of the Revised Statutes and to improve the United States Code;

H. R. 10094. An act to require the registration of certain organizations carrying on activities within the United States, and for other purposes;

H. R. 10339. An act to authorize the President to requisition certain articles and materials for the use of the United States, and for other purposes; and

H. J. Res. 467. Joint resolution to exempt from the tax on admissions amounts paid for admission tickets sold by authority of the Committee on Inaugural Ceremonies on the occasion of the inauguration of the President-elect in January 1941.

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

S. 7. An act to revise the boundaries of the Saguaro National Monument;

S. 1146. An act for the relief of the leader of the Naval Academy Band;

S. 3133. An act for the relief of the Cherokee Indian Nation or Tribe, and for other purposes;

S. 3485. An act to amend section 226 of the act of March 4, 1909;

S. 3489. An act authorizing and directing the Comptroller General of the United States to allow credit in the accounts of Lt. Col. Frank H. Lusse, formerly of the Kentucky National Guard;

S. 3610. An act to provide for the alteration, reconstruction, or relocation of certain highway and railroad bridges by the Tennessee Valley Authority;

S. 3943. An act providing for judicial review in certain cases involving the disposition of the public lands;

S. 4083. An act to change the designation of the Organ Pipe Cactus National Monument, in the State of Arizona, and for other purposes;

S. 4085. An act for the relief of Max von der Porten and his wife, Charlotte von der Porten;

S. 4087. An act to legalize the construction by the Big Creek Bridge Co., Consolidated, of a bridge across the Tug Fork of the Big Sandy River at or near Nolan, W. Va.;

S. 4130. An act to provide for the establishment of the Coronado International Monument, in the State of Arizona;

S. 4135. An act to legalize the construction by the State Highway Board of Georgia of a free highway bridge across the Withlacoochee River, between Valdosta, Ga., and Madison, Fla., at Horns Ferry;

S. 4152. An act to authorize the Secretary of Agriculture to make analyses of fiber properties, spinning tests, and other tests of the quality of cotton samples submitted to him;

S. 4212. An act for the relief of certain Navajo Indians, and for other purposes;

S. 4227. An act for the relief of Herbert Zucker, Emma Zucker, Hanni Zucker, Dorrit Claire Zucker, and Martha Hirsch;

S. 4232. An act for the relief of the Eastern Cherokees;

S. 4233. An act for the relief of the Eastern and Western Cherokees;

S. 4236. An act for the relief of Ida Valeri;

S. 4270. An act to promote and strengthen the national defense by suspending enforcement of certain civil liabilities of certain persons serving in the Military and Naval Establishments, including the Coast Guard;

S. 4295. An act 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 sidetracks, and for other purposes;

S. 4299. An act to authorize the United States Maritime Commission to furnish suitable vessels for the benefit of certain State nautical schools, and for other purposes;

S. 4319. An act authorizing the transfer of land owned by the United States back to the Spring Park Club, of Richfield Springs, N. Y.;

S. 4338. An act to amend the act entitled "An act to establish a Civilian Conservation Corps, and for other purposes," approved June 28, 1937, as amended;

S. 4356. An act making provision for payment of employees of the United States Government, its Territories or possessions, or the District of Columbia, when ordered to active duty with the military or naval forces of the United States;

S. 4360. An act to confer jurisdiction upon the United States District Court for the Western District of Kentucky to hear, determine, and render judgment upon the claim of Theodore

R. Troendle, sole stockholder of the Dawson Springs Construction Co.;

S. 4362. An act to provide for the completion of certain local protection works at East Hartford, Conn.;

S. 4365. An act to create the grade of aviation cadet in the Air Corps, Regular Army, and to prescribe the pay and allowances therefor, and for other purposes;

S. 4370. An act authorizing the President to appoint an Under Secretary of War during national emergencies, fixing the compensation of the Under Secretary of War, and authorizing the Secretary of War to prescribe duties;

S. 4373. An act to amend the act of June 25, 1938, entitled "An act extending the classified civil service to include postmasters of the first, second, and third classes, and for other purposes";

S. 4374. An act to amend the Agricultural Adjustment Act of 1938;

S. J. Res. 225. Joint resolution relating to the conditions for payment with respect to sugarcane harvested from certain plantings in the mainland cane-sugar area;

S. Res. 295. 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; and

S. J. Res. 301. Joint resolution to authorize the acquisition of a suitable frame for the painting of the signing of the Constitution to be used in mounting said painting in the Capitol Building.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 6687. An act to authorize the levy of State, Territory, and District of Columbia taxes upon, with respect to, or measured by sales, purchases, or use of tangible personal property or upon sellers, purchasers, or users of such property measured by sales, purchases, or use thereof occurring in United States national parks, military and other reservations or sites over which the United States Government may have jurisdiction.

The message also announced that the Senate insists upon its amendments to the foregoing bill; requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GEORGE, Mr. BROWN, and Mr. LA FOLLETTE to be the conferees on the part of the Senate.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 9980. An act to revise and codify the nationality laws of the United States into a comprehensive nationality code.

The message also announced that the Senate insists upon its amendment to the foregoing bill; requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. SCHWELLENBACH, Mr. KING, and Mr. AUSTIN to be the conferees on the part of the Senate.

THE LATE COL. F. C. HARRINGTON

Mr. WOODRUM of Virginia. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

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

There was no objection.

Mr. WOODRUM of Virginia. Mr. Speaker, our hearts have been saddened with the news of the untimely passing of Lt. Col. F. C. Harrington, Work Projects Commissioner. Colonel Harrington, with the background of a long and distinguished service in the United States Army, was drafted by the Works Progress Administration in 1935, where he served as Chief Engineer until 1938, when he assumed the direction of W. P. A.

In my capacity as acting chairman of the Deficiency Subcommittee, as well as the W. P. A. Investigation Committee, I came in close and intimate touch with Colonel Harrington. I have observed him under stress and under fire. I am glad to pay tribute to him as being a sincere and conscientious public servant whose ambition was to make of the work-relief program what I am sure Congress meant it should be, namely, a helping hand to deserving citizens who, through no fault of their own, were in need of assistance. Colonel Harrington was diligent, conscientious, courteous, and sincere. I have no doubt the ardous and exacting duties of his office took a fatal toll from his otherwise vigorous strength. Virginia has lost an honored son, the United States Army a gallant officer, the Federal Government a capable servant, and the Work Projects program an efficient Commissioner.

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

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

There was no objection.

Mr. LUDLOW. Mr. Speaker, I desire to join the gentleman from Virginia [Mr. WOODRUM] in paying my humble tribute to a worthy American. A man of impeccable rectitude, a fine officer, and a splendid public official passed to the beyond when Col. Frank C. Harrington, Federal Work Projects Administrator, died at New London, Conn., last night. Our Subcommittee on Deficiencies, which had original jurisdiction over relief appropriations and which investigated the W. P. A. from top to bottom, went over the acts of Colonel Harrington with a fine-tooth comb, and while we did not always agree with him as to policies and performances we did agree that he was an honest man. Charged with the responsibility of distributing astronomical sums of the taxpayers' money, he was never swayed by favoritism and his spear knew no brother.

Born in Virginia, where Democrats thrive, I doubt whether he had any politics and I doubt whether he ever voted. He held himself to the rigid rule of duty and never deviated from it a hair's breadth. He was an Army man and exemplified Army traditions at their best, always ready to perform any duty that fate assigned to him and to give it the best that was in him. Over the desk in his office was the following quotation of George Washington, which was the ruling principle of his life:

> Do not suffer your good nature, when application is made, to say "Yes" when you ought to say "No"; remember that it is a public and not a private cause that is to be injured or benefited by your choice.

I sometimes feel that we are too sparing of our flowers for the living. Last March the gentleman from Missouri [Mr. CANNON] and I, during our committee hearing on the W. P. A., handed some flowers to Colonel Harrington, which we thought were deserved. I quote from page 548 of the hearing as follows:

> Mr. CANNON. Down to the present time, Colonel Harrington, from the beginning of the Works Progress Administration to date, what is the total amount of money expended?
>
> Colonel HARRINGTON. About seven and a half billion dollars.
>
> Mr. CANNON. That is a stupendous sum. In the expenditure of that sum, if no grounds for criticism arose, it would be nothing short of any ancient biblical miracle recorded in Holy Writ?
>
> Colonel HARRINGTON. There is no doubt of that, sir.
>
> Mr. CANNON. It was expected that there would be some mistakes made. Business always makes an allowance for that. The point is not that you made mistakes, which is only human, but that you are not making the same mistakes now. Are you still doing things which were subject to criticism after these criticisms have been justified?
>
> Colonel HARRINGTON. No, sir; we are not. The W. P. A. is about 4½ years old. It got started in the autumn of 1935, and this is the spring of 1940, and I think, when we put the record of W. P. A. up alongside Government departments with 150 years behind them, that we do not need to hang our heads in W. P. A. about the job that has been done.
>
> Mr. CANNON. It amounted to pioneering in an uncharted field without a compass and with no blueprints to go by?
>
> Colonel HARRINGTON. That is right.
>
> Mr. WOODRUM. Mr. Ludlow.
>
> Mr. LUDLOW. Mr. Chairman, I think the gentleman from Missouri [Mr. CANNON] has stolen some of my thunder.
>
> Mr. CANNON. Certain classes of people think along the same channels.
>
> Mr. LUDLOW. Colonel Harrington, I just want to start with an observation of my own, if I may, for what it is worth, which almost paraphrases what the gentleman of Missouri was just saying.
>
> Considering the vast volume of money handled and the size of personnel involved in administering the W. P. A., and making due allowance for the weaknesses of human nature, I think the wonder

is not that there has been some crookedness in the W. P. A., but that there has been as little crookedness as the records indicate. I should say that, judged by accepted moral standards, W. P. A. is 99 percent clean. While I do not agree with some of the W. P. A. policies, I want to say that Colonel Harrington has discharged a task of monumental magnitude and difficulty honestly, faithfully, and conscientiously, and I do not want anything I may say to be construed as any criticism of him.

Colonel HARRINGTON. Thank you very much, sir.

I am glad that I spoke those words to Colonel Harrington when he was living, and there is a solemn and saddening satisfaction in repeating them now that he is dead.

His was an engaging and lovable personality. In conferences at the White House I could not fail to observe the affection with which the President referred to him as "Pink," calling him by the nickname that was fastened upon him long ago at West Point and with which he was indissolubly associated in the minds of his friends.

Responsible as he was for the execution of a trust of inconceivable magnitude, he leaves as a heritage to his children a faithful and efficient record of service for his country which they may well be proud of to the last day of their lives.

EXTENSION OF REMARKS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by printing an address delivered by my colleague the gentleman from New York [Mr. BARTON].

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

There was no objection.

Mr. REED of New York and Mr. KNUTSON asked and were given permission to revise and extend their own remarks in the RECORD.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from Vermont [Mr. PLUMLEY] may be permitted to extend his own remarks in the RECORD.

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

There was no objection.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made on the subject of gold on May 9 of this year.

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

There was no objection.

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a short editorial.

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

There was no objection.

Mr. TALLE asked and was given permission to revise and extend his own remarks in the RECORD.

Mr. JOHNS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an address by Chester G. Meyers on safety for air travel.

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

There was no objection.

Mr. ELSTON asked and was given permission to revise and extend his own remarks in the RECORD.

PERMISSION TO ADDRESS THE HOUSE

Mr. LAMBERTSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to extend my remarks by including a letter which I shall read in the course of my remarks.

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

There was no objection.

Mr. LAMBERTSON. Mr. Speaker, as a member of the Deficiency Subcommittee I want to say that we appreciated the good work of Colonel Harrington. If it had not been for his support we would not have had the 18-month provision successfully continued or the elimination of the prevailing wage in relief, both of which were excellent amendments.

I now want to read a letter that I recently received:

OMAHA, NEBR., *September 29, 1940.*

Representative W. P. LAMBERTSON,
Washington, D. C.

MY DEAR REPRESENTATIVE: It may interest you to know that during my 40 years as traveling salesman I have gone through panics, depressions, and poor business, but never anything like it has been since the recent conscription bill was signed.

Since the passage of this bill—so strange in peacetimes—everything has been at a standstill, the almost complete slump in sales not only affecting the present but apparently apt to have much the same paralyzing effect on future business.

Naturally all men of the draft age are reluctant to invest, even to the point of being unwilling to buy for actual current needs. This applies not alone to the 21 to 35 age brackets but millions of others, who, uncertain of the future and their own status, do not feel sufficiently secure to act upon their ordinary initiative with normal regard for future activity.

And, after all, why should young men from 25 to 35, who either hold good jobs or in some kind of individual enterprise which is perfectly legitimate and a benefit to the community and this country, be forced to drop all such constructive endeavor in peacetime for a year's military training? Few, if any, American citizens, regardless of the alarming statements consistently being made to the contrary, actually fear or have reason to fear invasion of our shores. Therefore, such a drastic step as this conscription bill, in a free country like ours, in peacetime, is one which in its repercussions generally and its deadening influence on privately owned business, which surely needs to be stimulated rather than further handicapped, may occasion Mr. Roosevelt some unpleasantness.

I urge you to pass this along to Senators in the hope that the situation may be corrected or at least in some measure alleviated.

May God bless you.

Sincerely,

MARTIN J. BREMER,
5009 Sheridan Road, Chicago, Ill.

EXTENSION OF REMARKS

Mr. KEAN asked and was given permission to revise and extend his own remarks in the RECORD.

PERMISSION TO ADDRESS THE HOUSE

Mr. FISH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

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

There was no objection.

Mr. FISH. Mr. Speaker, the Roosevelt far eastern policy of bluff and bluster has driven Japan into the arms of Nazi Germany and Fascist Italy. This was a foregone conclusion when President Roosevelt determined on a policy of policing and quarantining the world from Washington. The issue is rapidly developing into whether we are to police Asia with American blood and treasure or while insisting on our rights to trade to keep out of war.

If the American foreign policy is to be determined by sentiment then President Roosevelt is right and we should have gone to war immediately when Abyssinia, China, and Czechoslovakia were invaded. If the policy laid down by George Washington and Thomas Jefferson of nonintervention and keeping out of foreign conflicts means anything there is still time to arbitrate our difficulties with Japan.

A perilous situation has developed as a result of the blunders of the New Deal diplomacy in taking such an aggressive and belligerent attitude toward Japan with nothing to back it up. No one in Japan really wants war with the United States but it is quite evident that this highly proud and militaristic nation has gotten tired of being threatened and slapped in the face by us.

All the American people are sympathetic with China, but I do not believe that 1 percent of the Members of Congress or of our people want war with Japan unless we are attacked or the right of Americans to trade is suppressed. It is time for us to remain calm and keep our powder dry and to build up our own national defense. We must not let our sympathies run away with our judgment and involve us in any Asiatic war 10,000 miles away that has no connection with the defense of the American Continent.

The New Deal dictatorial administration of confusion and hysteria with a chip on its shoulder persists in passing out moral judgments all over the world which is the open road to war. Our foreign policy in the Far East is filled with dynamite and any provocative action may ignite the fatal blast of war. The Congress is prepared to spend billions for defense but not one dollar to send an American soldier to Asia to fight other people's battles. President Roosevelt must not make any military or naval alliances or war commitments without the consent of Congress. If he does, I predict that we will be holding the bag and doing all the fighting in the Far East. [Applause.]

EXTENSION OF REMARKS

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

The SPEAKER. Without objection, it is so ordered.

There was no objection.

SECOND REVENUE BILL OF 1940

Mr. DOUGHTON. Mr. Speaker, I call up the conference report on the bill (H. R. 10413) to provide revenue, and for other purposes, and I ask unanimous consent that the statement may be read in lieu of the report.

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

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 10413) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 5, 34, and 37.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 4, 6, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23, 25, 28, 29, 30, 31, 32, and 33, and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TITLE I—CORPORATION INCOME TAX

"SEC. 101. Corporation income tax.

"(a) Tax on corporations in general: Section 13 (b) of the Internal Revenue Code, as amended by section 3 of the Revenue Act of 1940, is amended to read as follows:

"'(b) IMPOSITION OF TAX.—There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every corporation the normal-tax net income of which is more than $25,000 (except a corporation subject to the tax imposed by section 14, section 231 (a), Supplement G, or Supplement Q) whichever of the following taxes is the lesser:

"'(1) GENERAL RULE.—A tax of 22½ per centum of the normal-tax net income; or

"'(2) ALTERNATIVE TAX (CORPORATIONS WITH NORMAL-TAX NET INCOME SLIGHTLY MORE THAN $25,000).—A tax of $3,775, plus 35 per centum of the amount of the normal-tax net income in excess of $25,000.'

"(b) TAX ON FOREIGN CORPORATIONS.—Section 14 (c) (1) of the Internal Revenue Code, as amended by section 3 of the Revenue Act of 1940, is amended to read as follows:

"'(c) FOREIGN CORPORATIONS.—

"'(1) In the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein, the tax shall be an amount equal to 22½ per centum of the normal-tax net income, regardless of the amount thereof.'

"(c) TAX ON MUTUAL INVESTMENT COMPANIES.—Section 362 (b) of the Internal Revenue Code, as amended by section 3 of the Revenue Act of 1940, is amended to read as follows:

"'(b) IMPOSITION OF TAX.—There shall be levied, collected, and paid for each taxable year upon the Supplement Q net income of every mutual investment company a tax equal to 22½ per centum of the amount thereof.'

"(d) DEFENSE TAX FOR FIVE YEARS.—The first sentence of section 15 of the Internal Revenue Code, added to such Code by section 201 of the Revenue Act of 1940, is amended to read as follows: 'In the case of any taxpayer, the amount of tax under this chapter for any taxable year beginning after December 31, 1939, and before January 1, 1945, shall be the tax computed without regard to this section, increased by 10 per centum; except that in the case of a corporation the increase shall be limited to 10 per centum of the tax computed without regard to the amendments made by section 101 (a), (b), and (c) of the Second Revenue Act of 1940.'

"(e) TAXABLE YEARS TO WHICH APPLICABLE.—Amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1939.

"TITLE II—EXCESS PROFITS TAX

"SEC. 201. Excess Profits Tax of 1940.

"The Internal Revenue Code is amended by inserting after section 706 the following new subchapter which may be cited as the 'Excess Profits Tax Act of 1940':

"'SUBCHAPTER E—EXCESS PROFITS TAX

"'PART I

"'SEC. 710. Imposition of Tax.

"'(a) IMPOSITION.—There shall be levied, collected, and paid, for each taxable year beginning after December 31, 1939, on the adjusted excess profits net income, as defined in subsection (b), of every corporation (except a corporation exempt under section 727) a tax as follows:

"'(1) Upon adjusted excess profits net incomes of less than $20,000, 25 per centum of the adjusted excess profits net income.

"'$5,000 upon adjusted excess profits net incomes of $20,000; and upon adjusted excess profits net incomes in excess of $20,000, and not in excess of $50,000, 30 per centum in addition of such excess.

"'$14,000 upon adjusted excess profits net incomes of $50,000; and upon adjusted excess profits net incomes in excess of $50,000, and not in excess of $100,000, 35 per centum in addition of such excess.

"'$31,500 upon adjusted excess profits net incomes of $100,000; and upon adjusted excess profits net incomes in excess of $100,000, and not in excess of $250,000, 40 per centum in addition of such excess.

"'$91,500 upon adjusted excess profits net incomes of $250,000; and upon adjusted excess profits net incomes in excess of $250,000, and not in excess of $500,000, 45 per centum in addition of such excess.

"'$204,000 upon adjusted excess profits net incomes of $500,000; and upon adjusted excess profits net incomes in excess of $500,000, 50 per centum in addition of such excess.

"'(2) Application of rates in case of certain exchanges: If the taxpayer's highest bracket amount for the taxable year computed under section 752 (relating to certain exchanges) is less than $500,000, then in the application of paragraph (1) of this subsection to such taxpayer, in lieu of each amount, other than the percentages, specified in such paragraph, there shall be substituted an amount which bears the same ratio to the amount so specified as the highest bracket amount so computed bears to $500,000.

"'(b) DEFINITION OF ADJUSTED EXCESS PROFITS NET INCOME.—As used in this section, the term "adjusted excess profits net income" in the case of any taxable year means the excess profits net income (as defined in section 711) minus the sum of:

"'(1) SPECIFIC EXEMPTION.—A specific exemption of $5,000;

"'(2) EXCESS PROFITS CREDIT.—The amount of the excess profits credit allowed under section 712; and

"'(3) UNUSED EXCESS PROFITS CREDIT.—In the case of a taxpayer the normal-tax net income of which for the taxable year is not more than $25,000, the amount by which the excess profits credit for the preceding taxable year (if beginning after December 31, 1939) exceeds the excess profits net income for such preceding taxable year.

"'SEC. 711. Excess profits net income.

"'(a) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1939.—The excess profits net income for any taxable year beginning after December 31, 1939, shall be the normal-tax net income, as defined in section 13 (a) (2), for such year except that the following adjustments shall be made:

"'(1) EXCESS PROFITS CREDIT COMPUTED UNDER INCOME CREDIT.—If the excess profits credit is computed under section 713, the adjustments shall be as follows:

"'(A) Income Taxes.—The deduction for taxes shall be increased by an amount equal to the tax (not including the tax under section 102) under Chapter 1 for such taxable year;

"'(B) Long-term Gains and Losses.—There shall be excluded long-term capital gains and losses. There shall be excluded the excess of gains from the sale or exchange of property held for more than eighteen months which is of a character which is subject to the allowance for depreciation provided in section 23 (l) over the losses from the sale or exchange of such property;

"'(C) Income From Retirement or Discharge of Bonds, and So Forth.—There shall be excluded, in the case of any taxpayer, income derived from the retirement or discharge by the taxpayer of any bond, debenture, note, or certificate or other evidence of indebtedness, if the obligation of the taxpayer has been outstanding for more than eighteen months, including, in case the issuance was at a premium, the amount includible in income for such year solely because of such retirement or discharge;

"'(D) Refunds and Interest on Agricultural Adjustment Act Taxes.—There shall be excluded income attributable to refund of tax paid under the Agricultural Adjustment Act of 1933, as amended, and interest upon any such refund;

"'(E) Recoveries of Bad Debts.—There shall be excluded income attributable to the recovery of a bad debt if a deduction with reference to such debt was allowable from gross income for any taxable year beginning prior to January 1, 1940;

"'(F) Dividends Received.—The credit for dividends received shall apply, without limitation, to dividends on stock of domestic corporations.

"'(2) EXCESS PROFITS CREDIT COMPUTED UNDER INVESTED CAPITAL CREDIT.—If the excess profits credit is computed under section 714, the adjustments shall be as follows:

"'(A) Dividends Received.—The credit for dividends received shall apply, without limitation, to all dividends on stock of all corporations, except dividends (actual or constructive) on stock of foreign personal-holding companies;

"'(B) Interest.—The deduction for interest shall be reduced by an amount equal to 50 per centum of so much of such interest as represents interest on the indebtedness included in the daily amounts of borrowed capital (determined under section 719 (a));

"'(C) Income Taxes.—The deduction for taxes shall be increased by an amount equal to the tax (not including the tax under section 102) under Chapter 1 for such taxable year;

"'(D) Long-term Gains and Losses.—There shall be excluded long-term capital gains and losses. There shall be excluded the excess of gains from the sale or exchange of property held for more than eighteen months which is of a character which is subject to the allowance for depreciation provided in section 23 (l) over the losses from the sale or exchange of such property;

"'(E) Income From Retirement or Discharge of Bonds, and So Forth.—There shall be excluded, in the case of any taxpayer, income derived from the retirement or discharge by the taxpayer of any bond, debenture, note, or certificate or other evidence of indebtedness, if the obligation of the taxpayer has been outstanding for more than eighteen months, including, in the case the issuance was at a premium, the amount includible in income for such year solely because of such retirement or discharge;

"'(F) Refunds and Interest on Agricultural Adjustment Act Taxes.—There shall be excluded income attributable to refund of tax paid under the Agricultural Adjustment Act of 1933, as amended, and interest upon any such refund;

"'(G) Interest on Certain Government Obligations.—The normal-tax net income shall be increased by an amount equal to the amount of the interest on obligations held during the taxable year which are described in section 22 (b) (4) any part of the interest from which is excludible from gross income or allowable as a credit against net income, if the taxpayer has so elected under section 720 (d); and

"'(H) Recoveries of Bad Debts.—There shall be excluded income attributable to the recovery of a bad debt if a deduction with reference to such debt was allowable from gross income for any taxable year beginning prior to January 1, 1940.

"'(3) TAXABLE YEAR LESS THAN TWELVE MONTHS.—If the taxable year is a period of less than twelve months the excess profits net income shall be placed on an annual basis by multiplying the amount thereof by the number of days in the twelve months ending with the close of the taxable year and dividing by the number of days in the taxable year. The tax shall be such part of the tax computed on such annual basis as the number of days in the taxable year is of the number of days in the twelve months ending with the close of the taxable year.

"'(b) TAXABLE YEARS IN BASE PERIOD.—

"'(1) GENERAL RULE AND ADJUSTMENTS.—The excess profits net income for any taxable year subject to the Revenue Act of 1936 shall be the normal-tax net income, as defined in section 13 (a) of such Act; and for any other taxable year beginning after December 31, 1937, and before January 1, 1940, shall be the special-class net income, as defined in section 14 (a) of the applicable revenue law. In either case the following adjustments shall be made (for additional adjustments in case of certain reorganizations, see section 742 (e)):

"'(A) Income Taxes.—The deduction for taxes shall be increased by an amount equal to the tax (not including the tax under section 102) for such taxable year under Title I or Chapter 1, as the case may be, of the revenue law applicable to such year;

"'(B) Long-Term Gains and Losses.—There shall be excluded long-term capital gains and losses. There shall be excluded the excess of gains from the sale or exchange of property held for more than eighteen months which is of a character which is subject to the allowance for depreciation provided in section 23 (l) over the losses from the sale or exchange of such property;

"'(C) Income From Retirement or Discharge of Bonds, and So Forth.—There shall be excluded, in the case of any taxpayer, income derived from the retirement or discharge by the taxpayer of any bond, debenture, note, or certificate or other evidence of indebtedness, if the obligation of the taxpayer has been outstanding for more than eighteen months, including, in case the issuance was at a premium, the amount includible in income for such year solely because of such retirement or discharge;

"'(D) Deductions on Account of Retirement or Discharge of Bonds, and So Forth.—If during the taxable year the taxpayer retires or discharges any bond, debenture, note, or certificate or other evidence of indebtedness, if the obligation of the taxpayer has been outstanding for more than eighteen months, the following deductions for such taxable year shall not be allowed:

"'(i) The deduction allowable under section 23 (a) for expenses paid or incurred in connection with such retirement or discharge;

"'(ii) The deduction for losses allowable by reason of such retirement or discharge; and

"'(iii) In case the issuance was at a discount, the amount deductible for such year solely because of such retirement or discharge;

"'(E) Casualty, Demolition, and Similar Losses.—Deductions under section 23 (f) for losses arising from fires, storms, shipwreck, or other casualty, or from theft, or arising from the demolition, abandonment or loss of useful value of property not compensated for by insurance or otherwise shall not be allowed;

"'(F) Repayment of Processing Tax to Vendees.—The deduction under section 23 (a) for any taxable year for expenses shall be decreased by an amount which bears the same ratio to the amount deductible on account of any repayment or credit by the corporation to its vendee of any amount attributable to any tax under the Agricultural Adjustment Act of 1933 as amended as the excess of the aggregate of the amounts so deductible in the base period over the aggregate of the amounts attributable to taxes under such Act collected from its vendees which were includible in the corporation's gross income in the base period and which were not paid bears to the aggregate of the amounts so deductible in the base period;

"'(G) Payment of Judgments, and So Forth.—Deductions attributable to any claim, award, judgment, or decree against the taxpayer, or interest on any of the foregoing, shall not be allowed if in the light of the taxpayer's business it was abnormal for the taxpayer to incur a liability of such character or, if the taxpayer normally incurred such liability, the amount of such liability in the taxable year was grossly disproportionate to the amount of such liability in the four previous taxable years;

"'(H) All expenditures for intangible drilling and development costs paid or incurred in or for the drilling of wells or the preparation of wells for the production of oil or gas, or expenditures for development costs in the case of mines, which the taxpayer has deducted from gross income as an expense, shall not be allowed to the extent that in the light of the taxpayer's business it was abnormal for the taxpayer to incur a liability of such character or, if the taxpayer normally incurred such liability, to the extent that the amount of such liability in the taxable year was grossly disproportionate to the amount of such liability in the four previous taxable years; and

"'(I) Dividends Received.—The credit for dividends received shall apply, without limitation, to dividends on stock of domestic corporations.

"'(2) CAPITAL GAINS AND LOSSES.—For the purposes of this subsection the normal-tax net income and the special-class net income referred to in paragraph (1) shall be computed as if section 23 (g) (2), section 23 (k) (2), and section 117 were part of the revenue law applicable to the taxable year the excess profits net income of which is being computed, with the exception that the net short-term capital loss carry-over provided in subsection (e) of section 117 shall be applicable to net short-term capital losses for taxable years beginning after December 31, 1934. Such exception shall not apply for the purposes of computing the tax under this subchapter for any taxable year beginning before January 1, 1941.

"'SEC. 712. Excess profits credit—allowance.

"'(a) DOMESTIC CORPORATIONS.—In the case of a domestic corporation which was in existence before January 1, 1940, the excess profits credit for any taxable year shall, at the election of the taxpayer made in its return for such taxable year, be an amount computed under section 713 or section 714. (For election in case of certain reorganizations of corporations not qualified under the preceding sentence, see section 741.) In the case of all other domestic corporations the excess profits credit for any taxable year shall be an amount computed under section 714. In the case of a domestic corporation which for any taxable year does not file a return before the expiration of the time prescribed by law for filing such return, the excess profits credit for such taxable year shall be an amount computed under section 714.

"'(b) FOREIGN CORPORATIONS.—In the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein, the first taxable year of which under this subchapter begins on any date in 1940, which was in existence on the day forty-eight months prior to such date and which at any time during each of the taxable years in such forty-eight months was engaged in trade or business within the United States or had an office or place of business therein, the excess profits credit for any taxable year shall, at the election of the taxpayer in its return for such taxable year, be an amount computed under section 713 or section 714. In the case of all other such foreign corporations the excess profits credit for any taxable year shall be an amount computed under section 714. In the case of a foreign corporation which for any taxable year does not file a return before the expiration of the time prescribed by law for filing such return, the excess profits credit for such taxable year shall be an amount computed under section 714.

"'SEC. 713. Excess profits credit—based on income.

"'(a) AMOUNT OF EXCESS PROFITS CREDIT.—The excess profits credit for any taxable year, computed under this section, shall be—

"'(1) DOMESTIC CORPORATIONS.—In the case of a domestic corporation—

"'(A) 95 per centum of the average base period net income, as defined in subsection (b),

"'(B) Plus 8 per centum of the net capital addition as defined in subsection (c), or

"'(C) Minus 6 per centum of the net capital reduction as defined in subsection (c).

"'(2) FOREIGN CORPORATIONS.—In the case of a foreign corporation, 95 per centum of the average base period net income.

"'(b) AVERAGE BASE PERIOD NET INCOME.—For the purposes of this section the average base period net income of the taxpayer shall be determined as follows:

"'(1) By computing the aggregate of the excess profits net income for each of the taxable years of the taxpayer beginning after December 31, 1935, and before January 1, 1940, reduced, in the case of each

such taxable year in which the deductions plus the credit for dividends received exceeded the gross income, by the amount attributable to such excess under paragraph (4);

"'(2) By dividing the amount ascertained under paragraph (1) by the total number of months in all such taxable years; and

"'(3) By multiplying the amount ascertained under paragraph (2) by twelve.

"'(4) For the purposes of paragraph (1)—

"'(A) In determining whether, for any taxable year, the deductions plus the credit for dividends received exceeded the gross income, and in determining the amount of such excess, the adjustments provided in section 711 (b) (1) shall be made; and

"'(B) The amount attributable to any taxable year in which there is such an excess shall be the amount of such excess, except that such amount shall be zero if there is only one such year, or, if more than one, shall be zero for the year in which such excess is the greatest.

"'(5) For the purposes of paragraph (1), if the taxpayer was in existence during only part of the 48 months preceding the beginning of its first taxable year under this subchapter (hereinafter in this paragraph called "base period"), its excess profits net income—

"'(A) for each taxable year of twelve months (beginning with the beginning of such base period) during which it was not in existence, shall be an amount equal to 8 per centum of the excess of—

"'(i) the daily invested capital for the first day of the taxpayer's first taxable year beginning after December 31, 1939, over

"'(ii) an amount equal to the same percentage of such daily invested capital as is applicable under section 720 in reduction of the average invested capital of the preceding taxable year;

"'(B) for the taxable year of less than twelve months consisting of that part of the remainder of the base period during which it was not in existence, shall be the amount ascertained for a full year under subparagraph (A), multiplied by the number of days in such taxable year of less than twelve months and divided by the number of days in the twelve months ending with the close of such taxable year.

"'(6) In no case shall the average base period net income be less than zero.

"'(7) For computation of average base period net income in case of certain reorganizations, see section 742.

"'(C) Adjustments in excess profits credit on account of capital changes: For the purposes of section—

"'(1) The net capital addition for the taxable year shall be the excess, divided by the number of days in the taxable year, of the aggregate of the daily capital addition for each day of the taxable year over the aggregate of the daily capital reduction for each day of the taxable year.

"'(2) The net capital reduction for the taxable year shall be the excess, divided by the number of days in the taxable year, of the aggregate of the daily capital reduction for each day of the taxable year over the aggregate of the daily capital addition for each day of the taxable year.

"'(3) The daily capital addition for any day of the taxable year shall be the aggregate of the amounts of money and property paid in for stock, or as paid-in surplus, or as a contribution to capital, after the beginning of the taxpayer's first taxable year under this subchapter and prior to such day. In determining the amount of any property paid in, such property shall be included in an amount determined in the manner provided in section 718 (a) (2). A distribution by the taxpayer to its shareholders in its stock or rights to acquire its stock shall not be regarded as money or property paid in for stock, or as paid-in surplus, or as a contribution to capital. The amount ascertained under this paragraph shall be reduced by the excess, if any, of the excluded capital for such day over the excluded capital for the first day of the taxpayer's first taxable year under this subchapter. For the purposes of this paragraph the excluded capital for any day shall be an amount equal to the sum of the following:

"'(A) The aggregate of the adjusted basis (for determining loss upon sale or exchange) as of the beginning of such day, of obligations held by the taxpayer at the beginning of such day, which are described in section 22 (b) (4) (A), (B), or (C) any part of the interest from which is excludible from gross income or allowable as a credit against net income; and

"'(B) The aggregate of the adjusted basis (for determining loss upon sale or exchange) as of the beginning of such day, of stock of domestic corporations held by the taxpayer at the beginning of such day.

The daily capital addition shall in no case be less than zero. (For daily capital additions and reductions in case of certain reorganizations, see section 743.)

"'(4) The daily capital reduction for any day of the taxable year shall be the aggregate of the amounts of distributions to shareholders, not out of earnings and profits, after the beginning of the taxpayer's first taxable year under this subchapter and prior to such day.

"'SEC. 714. Excess profits credit—based on invested capital.

"'The excess profits credit, for any taxable year, computed under this section, shall be an amount equal to 8 per centum of the taxpayer's invested capital for the taxable year, determined under section 715.

"'SEC. 715. Definition of invested capital.

"'For the purposes of this subchapter the invested capital for any taxable year shall be the average invested capital for such year, determined under section 716, reduced by an amount computed under section 720 (relating to inadmissible assets). If the Commissioner finds that in any case the determination of invested capital, on a basis other than a daily basis, will produce an invested capital differing by not more than $1,000 from an invested capital determined on a daily basis, he may, under regulations prescribed by him with the approval of the Secretary, provide for such determination on such other basis. (For computation of invested capital in case of foreign corporations and corporations entitled to the benefits of section 251, see section 724.)

"'SEC. 716. Average invested capital.

"'The average invested capital for any taxable year shall be the aggregate of the daily invested capital for each day of such taxable year, divided by the number of days in such taxable year.

"'SEC. 717. Daily invested capital.

"'The daily invested capital for any day of the taxable year shall be the sum of the equity invested capital for such day plus the borrowed invested capital for such day determined under section 719.

"'SEC. 718. Equity Invested Capital.

"'(a) DEFINITION.—The equity invested capital for any day of any taxable year shall be determined as of the beginning of such day and shall be the sum of the following amounts, reduced as provided in subsection (b)—

"'(1) MONEY PAID IN.—Money previously paid in for stock, or as paid-in surplus, or as a contribution to capital;

"'(2) PROPERTY PAID IN.—Property (other than money) previously paid in (regardless of the time paid in) for stock, or as paid-in surplus, or as a contribution to capital. Such property shall be included in an amount equal to its basis (unadjusted) for determining loss upon sale or exchange. If the property was disposed of before such taxable year, such basis shall be determined in the same manner as if the property were still held at the beginning of such taxable year. If such unadjusted basis is a substituted basis it shall be adjusted, with respect to the period before the property was paid in, in the manner provided in section 113 (b) (2);

"'(3) DISTRIBUTIONS IN STOCK.—Distributions in stock—

"'(A) Made prior to such taxable year to the extent to which they are considered distributions of earnings and profits; and

"'(B) Previously made during such taxable year to the extent to which they are considered distributions of earnings and profits other than earnings and profits of such taxable year;

"'(4) Earnings and profits at beginning of year: The accumulated earnings and profits as of the beginning of such taxable year; and

"'(5) Increase on account of gain on tax-free liquidation: In the case of the previous receipt of property (other than property described in the last sentence of section 113 (a) (15)) by the taxpayer in complete liquidation of another corporation under section 112 (b) (6), or the corresponding provision of a prior revenue law, an amount, with respect to each such liquidation, equal to the amount by which the aggregate of the amount of the money so received and of the adjusted basis, at the time of receipt, of all property (other than money) so received, exceeds the sum of:

"'(A) The aggregate of the adjusted basis of each share of stock with respect to which such property was received; such adjusted basis of each share to be determined immediately prior to the receipt of any property in such liquidation with respect to such share, and

"'(B) The aggregate of the liabilities of such other corporation assumed by the taxpayer in connection with the receipt of such property, of the liabilities (not assumed by the taxpayer) to which such property so received was subject, and of any other consideration (other than the stock with respect to which such property was received) given by the taxpayer for such property so received.

"'(b) REDUCTION IN EQUITY INVESTED CAPITAL.—The amount by which the equity invested capital for any day shall be reduced as provided in subsection (a) shall be the sum of the following amounts—

"'(1) DISTRIBUTIONS IN PREVIOUS YEARS.—Distributions made prior to such taxable year which were not out of accumulated earnings and profits;

"'(2) DISTRIBUTIONS DURING THE YEAR.—Distributions previously made during such taxable year which are not out of the earnings and profits of such taxable year;

"'(3) EARNINGS AND PROFITS OF ANOTHER CORPORATION.—The earnings and profits of another corporation which previously at any time were included in accumulated earnings and profits by reason of a transaction described in section 112 (b) to (e), both inclusive, or in the corresponding provision of a prior revenue law, or by reason of the transfer by such other corporation to the taxpayer of property the basis of which in the hands of the taxpayer is or was determined with reference to its basis in the hands of such other corporation, or would have been so determined if the property had been other than money; and

"'(4) REDUCTION ON ACCOUNT OF LOSS ON TAX-FREE LIQUIDATION.—In the case of the previous receipt of property (other than property described in the last sentence of section 113 (a) (15)) by the taxpayer in complete liquidation of another corporation under section 112 (b) (6), or the corresponding provision of a prior revenue law, an amount, with respect to each such liquidation, equal to the amount by which the sum of—

"'(A) The aggregate of the adjusted basis of each share of stock with respect to which such property was received; such adjusted basis of each share to be determined immediately prior to the receipt of any property in such liquidation with respect to such share, and

"'(B) The aggregate of the liabilities of such other corporation assumed by the taxpayer in connection with the receipt of such property, of the liabilities (not assumed by the taxpayer) to which such property so received was subject, and of any other consideration (other than the stock with respect to which such property was received) given by the taxpayer for such property so received, exceeds the aggregate of the amount of the money so received and of the adjusted basis, at the time of receipt, of all property (other than money) so received. The amount of the reduction under this paragraph shall not exceed the accumulated earnings and profits as of the beginning of such taxable year.

"'(c) RULES FOR APPLICATION OF SUBSECTIONS (a) AND (b).—For the purposes of subsections (a) and (b)—

"'(1) DISTRIBUTIONS TO SHAREHOLDERS.—The term "distribution" means a distribution by a corporation to its shareholders, and the term "distribution in stock" means a distribution by a corporation in its stock or rights to acquire its stock. To the extent that a distribution in stock is not considered a distribution of earnings and profits it shall not be considered a distribution. A distribution in stock shall not be regarded as money or property paid in for stock, or as paid-in surplus, or as a contribution to capital.

"'(2) DISTRIBUTIONS IN FIRST SIXTY DAYS OF TAXABLE YEAR.—In the application of such subsections to any taxable year beginning after December 31, 1940, so much of the distributions (taken in the order of time) made during the first sixty days thereof as does not exceed the accumulated earnings and profits as of the beginning thereof (computed without regard to this paragraph) shall be considered to have been made on the last day of the preceding taxable year.

"'(3) COMPUTATION OF EARNINGS AND PROFITS OF TAXABLE YEAR.—For the purposes of subsections (a) (3) (B) and (b) (2) in determining whether a distribution is out of the earnings and profits of any taxable year, such earnings and profits shall be computed as of the close of such taxable year without diminution by reason of any distribution made during such taxable year or by reason of the tax under this subchapter for such year and the determination shall be made without regard to the amount of earnings and profits at the time the distribution was made.

"'(4) STOCK IN CASE OF MERGER OR CONSOLIDATION.—If a corporation owns stock in another corporation, and—

"'(A) such corporations are merged or consolidated in a statutory merger or consolidation, or

"'(B) such corporations are parties to a transaction which results in the elimination of such stock in a manner similar to that resulting from a statutory merger or consolidation,

then such stock shall not be considered as property paid in for stock of or as paid-in surplus of, or as a contribution to capital of, the corporation resulting from the transaction referred to in subparagraph (A) or (B).

"'(d) For special rules affecting computation of property paid in for stock in connection with certain exchanges and liquidations, see section 751 (a).

"'(e) For determination of equity invested capital in special cases, see section 723.

"'SEC. 719. Borrowed Invested Capital.

"'(a) BORROWED CAPITAL.—The borrowed capital for any day of any taxable year shall be determined as of the beginning of such day and shall be the sum of the following:

"'(1) The amount of the outstanding indebtedness (not including interest, and not including indebtedness described in section 751 (b) relating to certain exchanges) of the taxpayer which is evidenced by a bond, note, bill of exchange, debenture, certificate of indebtedness, mortgage, or deed of trust, plus,

"'(2) In the case of a taxpayer having a contract (made before the expiration of 30 days after the date of the enactment of the Second Revenue Act of 1940) with a foreign government to furnish articles, materials, or supplies to such foreign government, if such contract provides for advance payment and for repayment by the vendor of any part of such advance payment upon cancellation of the contract by such foreign government, the amount which would be required to be so repaid if cancellation occurred at the beginning of such day, but no amount shall be considered as borrowed capital under this paragraph which has been includible in gross income.

"'(b) BORROWED INVESTED CAPITAL.—The borrowed invested capital for any day of any taxable year shall be determined as of the beginning of such day and shall be an amount equal to 50 per centum of the borrowed capital for such day.

"'SEC. 720. Admissible and inadmissible assets.

"'(a) DEFINITIONS.—For the purposes of this subchapter—

"'(1) The term "inadmissible assets" means—

"'2 (A) Stock in corporations except stock in a foreign personal-holding company; and

"'(B) Except as provided in subsection (d), obligations described in section 22 (b) (4) any part of the interest from which is excludible from gross income or allowable as a credit against net income.

"'(2) The term "admissible assets" means all assets other than inadmissible assets.

"'RATIO OF INADMISSIBLES TO TOTAL ASSETS.—The amount by which the average invested capital for any taxable year shall be reduced as provided in section 715 shall be an amount which is the same percentage of such average invested capital as the percentage which the total of the inadmissible assets is of the total of admissible and inadmissible assets. For such purposes, the amount attributable to each asset held at any time during such taxable year shall be determined by ascertaining the adjusted basis thereof (or, in the case of money, the amount thereof) for each day of such taxable year so held and adding such daily amounts. The determination of such daily amounts shall be made under regulations prescribed by the Commissioner with the approval of the Secretary. The adjusted basis shall be the adjusted basis for determining loss upon sale or exchange as determined under section 113.

"'(c) COMPUTATION IF SHORT-TERM CAPITAL GAIN.—If during the taxable year there has been a short-term capital gain with respect to an inadmissible asset, then so much of the amount attributable to such inadmissible asset under subsection (b) as bears the same ratio thereto as such gain bears to the sum of such gain plus the dividends and interest on such asset for such year, shall, for the purpose of determining the ratio of inadmissible assets to the total of admissible and inadmissible assets, be added to the total of admissible assets and subtracted from the total of inadmissible assets.

"'(d) Treatment of Government obligations as admissible assets: If the excess profits credit for any taxable year is computed under section 714, the taxpayer may in its return for such year elect to increase its normal-tax net income for such taxable year elect to amount equal to the amount of the interest on all obligations held during the taxable year which are described in section 22 (b) (4) any part of the interest from which is excludible from gross income or allowable as a credit against net income. In such case, for the purposes of this section, the term "admissible assets" includes such obligations, and the term "inadmisible assets" does not include such obligations.

"'SEC. 721. Abnormalities in income in taxable period.

"'If there is includible in the gross income of the taxpayer for any taxable year an item of income of any one or more of the following classes:

"'(a) Arising out of a claim, award, judgment, or decree, or interest on any of the foregoing; or

"'(b) Constituting an amount payable under a contract the performance of which required more than 12 months; or

"'(c) Resulting from exploration, discovery, prospecting, research, or development of tangible property, patents, formulae, or processes, or any combination of the foregoing, extending over a period of more than 12 months; or

"'(d) Includible in gross income for the taxable year rather than for a different taxable year by reason of a change in the taxpayer's accounting period or method of accounting; or

"'(e) In the case of a lessor of real property, amounts included in gross income for the taxable year by reason of the termination of the lease; or

"'(f) Dividends on stock of foreign corporations, except foreign personal holding companies;

and, in the light of the taxpayer's business, it is abnormal for the taxpayer to derive income of such class, or, if the taxpayer normally derives income of such class, the item includible in the gross income of the taxable year is grossly disproportionate to the gross income of the same class in the four previous taxable years, then: (1) the amount of such item attributable to any previous taxable year or years shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary; (2) the amount of such item attributable to any future taxable year or years shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary and shall, for the purposes of this subchapter, be included in the gross income for the future year or years to which attributable; and (3) the tax under this subchapter for the taxable year (in which the whole of such item would, without regard to this section, be includible) shall not exceed the sum of:

"'(A) The tax under this subchapter for such taxable year computed without the inclusion in gross income of the portion of such item which is attributable to any other taxable year, and

"'(B) The aggregate of the increase in the tax under this subchapter which would have resulted for each previous taxable year to which any portion of such item is attributable, computed as if an amount equal to such portion had been included in gross income for such previous taxable year.

"'SEC. 722. Adjustment of abnormalities in income and capital by the Commissioner.

"'For the purposes of this subchapter, the Commissioner shall also have authority to make such adjustments as may be necessary to adjust abnormalities affecting income or capital, and his decision shall be subject to review by the United States Board of Tax Appeals.

"'SEC. 723. Equity invested capital in special cases.

"'Where the Commissioner determines that the equity invested capital as of the beginning of the taxpayer's first taxable year under this subchapter cannot be determined in accordance with section 718, the equity invested capital as of the beginning of such year shall be an amount equal to the sum of (a) the money plus (b) the aggregate of the adjusted basis of the assets of the taxpayer held by the taxpayer at such time, such sum being reduced by the indebtedness outstanding at such time. The amount of the money, assets, and indebtedness at such time shall be determined in accordance with rules and regulations prescribed by the Commissioner with the approval of the Secretary. In such case, the equity invested capital for each day after the beginning of the taxpayers' first taxable year under this subchapter shall be determined, in accordance with rules and regulations prescribed by the Commissioner with the approval of the Secretary, using as the basic figure the equity invested capital as so determined.

"'SEC. 724. Foreign Corporations and Corporations Entitled to Benefits of Section 251—Invested Capital.

"'Notwithstanding section 715, in the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein, and in the case of a corporation entitled to the benefits of section 251, the invested capital for any taxable year shall be determined in accordance with rules and regulations prescribed by the Commissioner with the approval of the Secretary, under which—

"'(a) GENERAL RULE.—The daily invested capital for any day of the taxable year shall be the aggregate of the adjusted basis of each United States asset held by the taxpayer on the beginning of such day. In the application of section 720 in reduction of the average invested capital (determined on the basis of such daily invested capital), the terms "admissible assets" and "inadmissible assets" shall include only United States assets; or

"'(b) EXCEPTION.—If the Commissioner determines that the United States assets of the taxpayer cannot satisfactorily be segregated from its other assets, the invested capital for the taxable year shall be an amount which is the same percentage of the aggregate of the adjusted basis of all assets held by the taxpayer as of the end of the last day of the taxable year which the net income for the taxable year from sources within the United States is of the total net income of the taxpayer for such year.

"'(c) DEFINITION OF UNITED STATES ASSET.—As used in this subsection, the term "United States asset" means an asset held by the taxpayer in the United States, determined in accordance with rules and regulations prescribed by the Commissioner with the approval of the Secretary.

"'SEC. 725. Personal service corporations.

"'(a) DEFINITION.—As used in this subchapter, the term "personal service corporation" means a corporation whose income is to be ascribed primarily to the activities of shareholders who are regularly engaged in the active conduct of the affairs of the corporation and are the owners at all times during the taxable year of at least 70 per centum in value of each class of stock of the corporation, and in which capital is not a material income-producing factor; but does not include any foreign corporation, nor any corporation 50 per centum or more of whose gross income consists of gains, profits, or income derived from trading as a principal. For the purposes of this subsection, an individual shall be considered as owning, at any time, the stock owned at such time by his spouse or minor child or by any guardian or trustee representing them.

"'(b) ELECTION AS TO TAXABILITY.—If a personal service corporation signifies, in its return under Chapter 1 for any taxable year, its desire not to be subject to the tax imposed under this subchapter for such taxable year, it shall be exempt from such tax for such year, and the provisions of Supplement S of Chapter 1 shall apply to the shareholders in such corporation who were such shareholders on the last day of such taxable year of the corporation.

"'SEC. 726. Corporations completing contracts under Merchant Marine Act, 1936.

"'(a) If the United States Maritime Commission certifies to the Commissioner that the taxpayer has completed within the taxable year any contracts or subcontracts which are subject to the provisions of section 505 (b) of the Merchant Marine Act of 1936, as amended, then the tax imposed by this subchapter for such taxable year shall be, in lieu of a tax computed under section 710, a tax computed under subsection (b) of this section, if, and only if, the tax computed under subsection (b) is less than the tax computed under section 710.

"'(b) The tax computed under this subsection shall be the excess of—

"'(1) A tentative tax computed under section 710 with the normal-tax net income increased by the amount of any payments made, or to be made, to the United States Maritime Commission with respect to such contracts or subcontracts; over

"'(2) The amount of such payments.

"'SEC. 727. Exempt corporations.

"'The following corporations shall be exempt from the tax imposed by this subchapter:

"'(a) Corporations exempt under section 101 from the tax imposed by Chapter 1.

"'(b) Foreign personal-holding companies, as defined in section 331.

"'(c) Mutual investment companies, as defined in section 361.

"'(d) Investment companies which under the Investment Company Act of 1940 are registered as diversified companies at all times during the taxable year. For the purposes of this subsection, if a company is so registered before July 1, 1941, it shall be considered as so registered at all times prior to the date of such registration.

"'(e) Personal-holding companies, as defined in section 501.

"'(f) Foreign corporations not engaged in trade or business within the United States and not having an office or place of business therein.

"'(g) Domestic corporations satisfying the following conditions:

"'(1) If 95 per centum or more of the gross income of such domestic corporation for the three-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 per centum or more of its gross income for such period or such part thereof was derived from the active conduct of a trade or business.

"'(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.

"'SEC. 728. Meaning of terms used.

"'The terms used in this subchapter shall have the same meaning as when used in Chapter 1.

"'SEC. 729. Laws applicable.

"'(a) GENERAL RULE.—All provisions of law (including penalties) applicable in respect of the taxes imposed by Chapter 1, shall, insofar as not inconsistent with this subchapter, be applicable in respect of the tax imposed by this subchapter.

"'(b) RETURNS.—Notwithstanding subsection (a), no return under section 52 (a) shall be required to be filed by any taxpayer under this subchapter for any taxable year for which its excess profits net income, computed with the adjustments provided in section 711 (a) (2) and placed on an annual basis as provided in section 711 (a) (3), is not greater than $5,000.

"'(c) FOREIGN TAXES PAID.—In the application of section 131 for the purposes of this subchapter the tax paid or accrued to any country shall be deemed to be the amount of such tax reduced by the amount of the credit allowed with respect to such tax against the tax imposed by Chapter 1.

"'(d) LIMITATIONS ON AMOUNT OF FOREIGN TAX CREDIT.—The amount of the credit taken under this section shall be subject to each of the following limitations:

"'(1) The amount of the credit in respect of the tax paid or accrued to any country shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's excess profits net income from sources within such country bears to its entire excess profits net income for the same taxable year; and

"'(2) The total amount of the credit shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's excess profits net income from sources without the United States bears to its entire excess profits net income for the same taxable year.

"'SEC. 730. Consolidated returns.

"'(a) PRIVILEGE TO FILE CONSOLIDATED RETURNS.—An affiliated group of corporations shall, subject to the provisions of this section, have the privilege of making a consolidated return for the taxable year in lieu of separate returns. The making of a consolidated return shall be upon the condition that all the corporations which have been members of the affiliated group at any time during the taxable year for which the return is made consent to all the regulations under subsection (b) prescribed prior to the last day prescribed by law for the filing of such return; and the making of a consolidated return shall be considered as such consent. In the case of a corporation which is a member of the affiliated group for a fractional part of the year the consolidated return shall include the income of such corporation for such part of the year as it is a member of the affiliated group.

"'(b) REGULATIONS.—The Commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary in order that the tax liability of any affiliated group of corporations making a consolidated return and of each corporation in the group, both during and after the period of affiliation, may be returned, determined, computed, assessed, collected, and adjusted, in such manner as clearly to reflect the excess profits tax liability and the various factors necessary for the determination of such liability, and in order to prevent avoidance of such tax liability.

"'(c) COMPUTATION AND PAYMENT OF TAX.—In any case in which a consolidated return is made the tax shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) prescribed prior to the last day prescribed by law for the filing of such return. Only one specific exemption of $5,000 provided in section 710 (b) (1) shall be allowed for the entire affiliated group of corporations.

"'(d) DEFINITION OF "AFFILIATED GROUP".—As used in this section, an "affiliated group" means one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation if—

"'(1) At least 95 per centum of each class of the stock of each of the includible corporations (except the common parent corporation) is owned directly by one or more of the other includible corporations; and

"'(2) The common parent corporation owns directly at least 95 per centum of each class of the stock of at least one of the other includible corporations.

As used in this subsection, the term "stock" does not include nonvoting stock which is limited and preferred as to dividends.

"'(e) Definition of "includible corporation": As used in this section, the term "includible corporation" means any corporation except—

"'(1) Corporations exempt from the tax imposed by this subchapter.

"'(2) Foreign corporations.

"'(3) Corporations organized under the China Trade Act, 1922.

"'(4) Corporations entitled to the benefits of section 251, by reason of receiving a large percentage of their income from possessions of the United States.

"'(5) Personal service corporations.

"'(6) Insurance companies subject to taxation under section 201, 204, or 207.

"'(f) Includible insurance companies: Despite the provisions of paragraph (6) of subsection (e), two or more domestic insurance companies each of which is subject to taxation under the same section of Chapter 1 shall be considered as includible corporations for the purpose of the application of subsection (d) to such insurance companies alone.

"'(g) Subsidiary formed to comply with foreign law: In the case of a domestic corporation owning or controlling, directly or indirectly, 100 per centum of the capital stock (exclusive of directors' qualifying shares) of a corporation organized under the laws of a contiguous foreign country and maintained solely for the purpose of complying with the laws of such country as to title and operation of property, such foreign corporation may, at the option of the domestic corporation, be treated for the purpose of this subchapter as a domestic corporation.

"'(h) Suspension of running of statute of limitations: If a notice under section 272 (a) in respect of a deficiency for any taxable year is mailed to a corporation, the suspension of the running of the statute of limitations, provided in section 277, shall apply in the case of corporations with which such corporation made a consolidated return for such taxable year.

"'SEC. 731. Corporations engaged in mining of strategic metals.

"'In the case of any domestic corporation engaged in the mining of tungsten, quicksilver, manganese, platinum, antimony, chromite, or tin, the portion of the adjusted excess profits net income attributable to such mining in the United States 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.

"'PART II—RULES IN CONNECTION WITH CERTAIN EXCHANGES

"*'Supplement A—Excess Profits Credit Based on Income*

"'SEC. 740 Definitions.

"'For the purposes of this Supplement—

"'(a) ACQUIRING CORPORATIONS.—The term "acquiring corporation" means—

"'(1) A corporation which has acquired—

"'(A) substantially all the properties of another corporation and the whole or a part of the consideration for the transfer of such properties is the transfer to such other corporation of all the stock of all classes (except qualifying shares) of the corporation which has acquired such properties, or

"'(B) substantially all the properties of another corporation and the sole consideration for the transfer of such properties is the transfer to such other corporation of voting stock of the corporation which has acquired such properties, or

"'(C) before October 1, 1940, properties of another corporation solely as paid-in surplus or a contribution to capital in respect of voting stock owned by such other corporation.

For the purposes of subparagraphs (B) and (C) in determining whether such voting stock or such paid-in surplus or contribution to capital, is the sole consideration, the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded. Subparagraph (B) or (C) shall apply only if the corporation transferring such properties is forthwith completely liquidated in pursuance of the plan under which the acquisition is made, and the transaction of which the acquisition is a part has the effect of a statutory merger or consolidation.

"'(2) A corporation which has acquired property from another corporation in a transaction with respect to which gain or loss was not recognized under section 112 (b) (6) of Chapter 1 or a corresponding provision of a prior revenue law;

"'(3) A corporation the result of a statutory merger of two or more corporations; or

"'(4) A corporation the result of a statutory consolidation of two or more corporations.

"'(b) COMPONENT CORPORATION.—The term "Component corporation" means—

"'(1) In the case of a transaction described in subsection (a) (1), the corporation which transferred the assets;

"'(2) In the case of a transaction described in subsection (a) (2), the corporation the property of which was acquired;

"'(3) In the case of a statutory merger, all corporations merged, except the corporation resulting from the merger; or

"'(4) In the case of a statutory consolidation, all corporations consolidated, except the corporation resulting from the consolidation.

"'(c) QUALIFIED COMPONENT CORPORATION.—The term "qualified component corporation" means a component corporation which was in existence on the date of the beginning of the taxpayer's base period.

"'(d) BASE PERIOD.—In the case of a taxpayer which is an acquiring corporation the base period shall be:

"'(1) If the tax is being computed for any taxable year beginning in 1940, the forty-eight months preceding the beginning of such taxable year; or

"'(2) If the tax is being computed for any taxable year beginning after December 31, 1940, the forty-eight months preceding what would have been its first taxable year beginning in 1940 if it had had a taxable year beginning in 1940 on the date on which the taxable year for which the tax is being computed began.

"'(e) BASE PERIOD YEARS.—In the case of a taxpayer which is an acquiring corporation its base period years shall be the four successive twelve-month periods beginning on the same date as the beginning of its base period.

"'(f) EXISTENCE OF ACQUIRING CORPORATION.—For the purposes of subsection (c) and section 741, if any component corporation was in existence on the date of the beginning of the taxpayer's base period (either actually or by reason of this subsection), its acquiring corporation shall be considered to have been in existence on such date.

"'(g) COMPONENT CORPORATIONS OF COMPONENT CORPORATIONS.—If a corporation is a component corporation of an acquiring corporation, under subsection (b) or under this subsection, it shall (except for the purposes of section 742 (d) (1) and (2) and section 743 (a)) also be a component corporation of the corporation of which such acquiring corporation is a component corporation.

"'SEC. 741. Election of income credit.

"'In addition to the corporations which under section 712 (a) may elect the excess profits credit computed under section 713 or the excess profits credit computed under section 714, a taxpayer which is an acquiring corporation which was in existence on the date of the beginning of its base period shall have such election.

"'SEC. 742. Average base period net income.

"'In the case of a taxpayer which is an acquiring corporation which was actually in existence on the date of the beginning of its base period, or which is entitled under section 741 to elect the excess profits credit computed under section 713, its average base period net income (for the purpose of the credit computed under section 713) shall be computed as follows, in lieu of the method provided in section 713:

"'(a) By ascertaining with respect to each of its base period years—

"'(1) The amount of its excess profits net income for each of its taxable years beginning after December 31, 1935, and ending with or within such base period year; or, in the case of each such taxable year in which the deductions plus the credit for dividends received exceeded the gross income, the amount of such excess;

"'(2) With respect to each of its qualified component corporations, the amount of its excess profits net income for each of its taxable years beginning after December 31, 1935, and ending with or within such base period year of the taxpayer; or, in the case of each such taxable year in which the deductions plus the credit for dividends received exceeded the gross income, the amount of such excess;

"'(3) (A) The aggregate of the amounts of excess profits net income ascertained under paragraphs (1) and (2); (B) the aggregate of the excesses ascertained under paragraphs (1) and (2); and (C) the difference between the aggregates found under clause (A) and clause (B). If the aggregate ascertained under clause (A) is greater than the aggregate found under clause (B), the difference shall for the purposes of subsection (b) be designated a "plus amount", and if the aggregate ascertained under clause (B) is greater than the aggregate found under clause (A), the difference shall for the purposes of subsection (b) be designated a "minus amount".

"'(b) By adding the plus amounts ascertained under subsection (a) (3) for each year of the base period; and by subtracting from such sum, if for two or more years of the base period there was a minus amount, the sum of such minus amounts, excluding the greatest.

"'(c) By dividing the amount ascertained under subsection (b) by four.

"'(d) In no case shall the average base period net income be less than zero. In the case of a taxpayer which becomes an acquiring corporation in any taxable year beginning after December 31, 1939, if, on September 11, 1940, and at all times until the taxpayer became an acquiring corporation—

"'(1) the taxpayer owned not less than 75 per centum of each class of stock of each of the qualified component corporations involved in the transaction in which the taxpayer became an acquiring corporation; or

"'(2) one of the qualified component corporations involved in the transaction owned not less than 75 per centum of each class of stock of the taxpayer, and of each of the other qualified component corporations involved in the transaction,

the average base period net income of the taxpayer shall not be less than (A) the average base period net income of that one of its qualified component corporations involved in the transaction the average base period net income of which is greatest, or (B) the average base period net income of the taxpayer computed without regard to the base period net income of any of its qualified component corporations involved in the transaction.

"'(e) For the purposes of subsection (a) (1) and (2) of this section—

"'(1) There shall be excluded, in the various computations, any dividends paid by the taxpayer or any of its qualified component corporations during any of the taxable years of the payor which are included in the computation of the taxpayer's average base period net income. If the payor corporation is a corporation described in subsection (f) (1) or (2) of this section, the dividends to be excluded under this paragraph shall be only such as are paid after such payor corporation first became an acquiring corporation; and

"'(2) In determining whether, for any taxable year, the deductions plus the credit for dividends received exceeded the gross income, and in determining the amount of such excess, the adjustments provided in section 711 (b) (1) shall be made.

"'(f) (1) In the case of a taxpayer which is an acquiring corporation and which was not actually in existence on the date of the beginning of its base period, there shall be excluded from the various computations under subsection (a) (1) of this section the portion of its excess profits net income, or of the excess over gross income therein referred to, which is attributable to any period before it first became an acquiring corporation.

"'(2) In the case of a component corporation which became a qualified component corporation only by reason of section 740 (f), there shall be excluded from the various computations under subsection (a) (2) of this section the portion of its excess profits net income, or of the excess over gross income therein referred to, which is attributable to any period before it first became an acquiring corporation.

"'(3) In the case of a qualified component corporation which was actually in existence on the date of the beginning of the taxpayer's base period, there shall be excluded from the various computations under subsection (a) (2) of this section the portion of its excess profits net income, or of the excess over gross income therein referred to, which is attributable to the period before such date.

"'(4) If during the taxable year for which tax is computed under this subchapter the taxpayer acquires assets in a transaction which constitutes it an acquiring corporation, the amount includible under subsection (a) (2), attributable to such transaction, shall be limited to an amount which bears the same ratio to the amount computed without regard to this paragraph as the number of days in the taxable year after such transaction bears to the total number of days in such taxable year.

"'SEC. 743. Net capital changes.

"'(a) For the purposes of section 713 (c), upon the date of the transaction which constitutes a corporation an acquiring corporation, there shall be added to its daily capital addition or reduction for such day, the net capital addition or reduction, as the case may be, of each of the component corporations involved in such transaction, but no other capital addition or reduction shall be considered as having been made by reason of such transaction.

"'(b) For the purposes of this section—

"'(1) In computing the net capital addition of each such component corporation there shall be disregarded property paid in to such corporation by the taxpayer or by any of its component corporations.

"'(2) In computing the net capital reduction of each such component corporation there shall be disregarded distributions made to the taxpayer or to any of such component corporations.

"'SEC. 744. Foreign corporations.

"The term "corporation" as used in this Supplement does not include a foreign corporation.

"'*Supplement B—Highest Bracket Amount and Invested Capital*

"'SEC. 750. Definitions

"'As used in this Supplement—

"'(a) EXCHANGE.—The term "exchange" means an exchange, to which section 112 (b) (4) or (5) or so much of section 112 (c), (d), or (e) as refers to section 112 (b) (4) or (5), or to which a corresponding provision of a prior revenue law, is or was applicable, by one corporation of its property wholly or in part for stock or securities of another corporation, or a transfer of property by one corporation to another corporation after December 31, 1917, the basis of which in the hands of such other corporation is or was determined under section 113 (a) (8) (B), or would have been so determined had such section been in effect.

"'(b) TRANSFEROR UPON AN EXCHANGE.—The term "transferor upon an exchange" means a corporation which upon an exchange transfers property to another corporation in exchange, wholly or in part, for stock or securities of such other corporation, or transfers property to another corporation after December 31, 1917, the basis of which in the hands of such other corporation is or was determined under section 113 (a) (B), or would have been so determined had such section been in effect.

"'(c) TRANSFEREE UPON AN EXCHANGE.—The term "transferee upon an exchange" means a corporation which upon an exchange acquires property from another corporation in exchange, wholly or in part, for its stock or securities, or which acquires property from another corporation after December 31, 1917, the basis of which in its hands is or was determined under section 113 (a) (8) (B), or would have been so determined had such section been in effect.

"'(d) Control: The term "control" means the ownership of stock possessing at least 90 per centum of the total combined voting power of all classes of stock entitled to vote and at least 90 per centum of the total value of shares of all classes of stock of the corporation.

"'(e) Highest Bracket Amount: The term "highest bracket amount" means $500,000 or the highest bracket amount computed under section 752, whichever is the smaller.

"'SEC. 751. Determination of property paid in for stock and of borrowed capital in connection with certain exchanges.

"'(a) PROPERTY PAID IN FOR STOCK.—In the application of section 718 (a) to a transferee upon an exchange in determining the amount paid in for stock of the transferee, or as paid-in surplus or as a contribution to capital of the transferee, in connection with such exchange, only an amount shall be deemed to have been so paid in equal to the excess of the basis in the hands of the transferee of the property of the transferor received by the transferee upon the exchange over the sum of—

"'(1) Any liability of the transferor assumed upon such exchange and any liability subject to which the property was received upon such exchange, plus

"'(2) The aggregate of the amount of money and the fair market value of any other property transferred to the transferor not permitted to be received by such transferor without the recognition of gain.

"'(b) BORROWED CAPITAL.—In the application of section 719 (a) to a transferee upon an exchange, the term "Borrowed capital" shall not include indebtedness originally evidenced by securities issued by the transferee upon such exchange as consideration for the property of the transferor received by the transferee upon such exchange if (1) such securities were property permitted to be received by the person to whom such securities were issued without the recognition of gain and (2) the indebtedness originally evidenced by such securities did not arise out of indebtedness of the transferor (other than indebtedness which in the transferor's hands was subject to the limitations of this subsection) assumed by the transferee in connection with such exchange.

"'SEC. 752. Computation of highest bracket amount in connection with exchanges.

"'(a) SPECIAL APPLICATION OF DAILY INVESTED CAPITAL OF TRANSFEROR UPON EXCHANGE.—For the purposes of this section, the daily invested capital of a transferor upon an exchange for the day after the exchange shall be the daily invested capital determined under section 717 reduced by an amount equal to the amount by which the equity invested capital of the transferee upon such exchange was increased by reason of the receipt of property from such transferor upon such exchange.

"'(b) HIGHEST BRACKET AMOUNT OF TRANSFEROR.—

"'(1) TAXABLE YEAR OF EXCHANGE.—In the case of a transferor upon an exchange after the beginning of its first taxable year under this subchapter, its highest bracket amount for the taxable year in which the exchange takes place shall be the sum of—

"'(A) Its highest bracket amount immediately preceding the exchange multiplied by the number of days in the taxable year up to and including the day of the exchange, plus

"'(B) Its highest bracket amount for the taxable year after the exchange, multiplied by the number of days in the taxable year remaining after the day of the exchange,

divided by the number of days in the taxable year.

"'(2) TAXABLE YEARS AFTER EXCHANGE INVOLVING CONTROL.—In the case of a transferor upon an exchange after the beginning of its first taxable year under this subchapter, if immediately after the exchange the transferor or its shareholders, or both, are in control of the transferee, the transferor's highest bracket amount for any taxable year after the taxable year in which the exchange takes place shall be an amount which is a percentage of its highest bracket amount immediately preceding the exchange equal to the percentage which its daily invested capital for the day after the exchange is of its daily invested capital for the day of the exchange.

"'(3) TAXABLE YEARS AFTER EXCHANGE NOT INVOLVING CONTROL.—In the case of a transferor upon an exchange (other than a transferor described in paragraph (4) of this subsection) after the beginning of its first taxable year under this subchapter, if immediately after the exchange no transferor or its shareholders, or both, upon the exchange are in control of the transferee, and if the shareholders of the transferee immediately preceding the exchange are not in control of the transferee immediately after the exchange, the transferor's highest bracket amount for any taxable year after the exchange shall be the excess, if any, of the sum of the transferor's highest bracket amount immediately preceding the exchange and the transferee's highest bracket amount immediately preceding the exchange, over $500,000.

"'(4) TAXABLE YEARS AFTER CERTAIN EXCHANGES UNDER SECTION 112 (b) (5).—In the case of an exchange after the beginning of the first taxable year under this subchapter of any transferor or transferee upon such exchange, involving two or more transferors, or one or more transferors and one or more other persons, if immediately after the exchange no one of such transferors, or shareholders, or both, and no one or more of such other persons are in control of the transferee and if such exchange is an exchange described in section 112 (b) (5) or so much of section 112 (c) or 112 (e) as refers to section 112 (b) (5), the highest bracket amount of any such transferor for any taxable year after the exchange shall be an amount equal to its highest bracket amount immediately preceding the exchange—

"'(A) Minus an amount which bears the same ratio to its highest bracket amount immediately preceding the exchange as the excess of its daily invested capital for the day of the exchange over its daily invested capital for the day after the exchange bears to its daily invested capital for the day of the exchange, and

"'(B) Plus an amount which bears the same ratio to the excess over $500,000 of the sum of the amounts computed under subparagraph (A) with respect to each transferor, as the amount computed under subparagraph (A) with respect to such transferor bears to the sum of the amounts computed under such subparagraph with respect to each transferor.

"'(c) Highest bracket amount of transferee.

"'(1) Taxable year of exchange involving control: In the case of a transferee upon an exchange after the beginning of the first taxable year under this subchapter of a transferor upon such exchange the transferee's highest bracket amount for the taxable year in which the exchange takes place shall be the sum of—

"'(A) Its highest bracket amount immediately preceding the exchange multiplied by the number of days in the taxable year up to and including the day of the exchange, plus

"'(B) Its highest bracket amount for the taxable year after the exchange multiplied by the number of days in the taxable year remaining after the day of the exchange.

divided by the number of days in the taxable year. For the purposes of this paragraph and subsection (d) 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.

"'(2) TAXABLE YEARS AFTER EXCHANGE INVOLVING CONTROL.—In the case of a transferee upon an exchange after the beginning of the first taxable year under this subchapter of a transferor upon such exchange, if immediately after the exchange any transferor upon such exchange or its shareholders, or both, are in control of the transferee, the transferee's highest bracket amount for any taxable year afer the exchange shall be an amount which is a percentage of such transferor's highest bracket amount immediately preceding the exchange equal to the percentage which the excess of the transferee's daily invested capital for the day after the exchange over its daily invested capital for the day of the exchange is of such transferor's daily invested capital for the day of the exchange.

"'(3) TAXABLE YEARS AFTER EXCHANGE NOT INVOLVING CONTROL.—In the case of a transferee upon an exchange (other than a transferee described in paragraph (4) of this subsection) after the beginning of the first taxable year under this subchapter of a transferor upon such exchange, if immediately after the exchange no transferor or its shareholders, or both, are in control of the transferee, and if the shareholders of the transferee immediately preceding the exchange are not in control of the transferee immediately after the exchange, the transferee's highest bracket amount for any taxable year after the exchange shall be an amount equal to (A) the sum of the transferor's highest bracket amount immediately preceding the exchange and the transferee's highest bracket amount immediately preceding the exchange, or (B) $500,000, whichever is the smaller.

"'(4) TAXABLE YEARS AFTER CERTAIN EXCHANGES UNDER SECTION 112 (B) (5).—In the case of an exchange described in subsection (b) (4) of this section, the highest bracket amount of the transferee upon such exchange for any taxable year after the exchange shall be an amount equal (A) to the sum of the amounts computed under subparagraph (A) of such subsection with respect to each transferor or (B) $500,000, whichever is the smaller.

"'(5) TAXABLE YEARS AFTER LIQUIDATION IN CASE OF CORPORATION RECEIVING PROPERTY UNDER SECTION 112 (b) (6).—Upon the receipt by a corporation during any taxable year under this subchapter of property in complete liquidation of another corporation, gain or loss upon which is not recognized by reason of section 112 (b) (6), the highest bracket amount of the corporation receiving such property for any taxable year after the liquidation is completed shall be an amount equal to its highest bracket amount immediately preceding the completion of the liquidation increased, but in no case to an amount above $500,000, by an amount equal to the highest bracket amount of such other corporation immediately preceding the completion of such liquidation, if previously and after the beginning of the first taxable year under this subchapter of the corporation receiving such property such corporation was a transfer or upon an exchange with respect to which such other corporation was a transferee.

"'(d) HIGHEST BRACKET AMOUNT IN CASE OF TWO OR MORE EXCHANGES IN SAME TAXABLE YEAR.—

"'(1) If a transferor upon an exchange is in the same taxable year involved in more than one exchange (either as transferor or transferee), its highest bracket amount for such taxable year shall be the amount determined under subsection (b) (1) with respect to the last exchange in such taxable year. Its highest bracket amount immediately preceding any exchange in such taxable year subsequent to the first exchange therein shall be the amount computed under subsection (b) (1) with respect to the immediately preceding exchange as if the taxable year closed on the day of such subsequent exchange.

"'(2) If a transferee upon an exchange is in the same taxable year involved in more than one exchange (either as transferee or transferor), its highest bracket amount for such taxable year shall be the amount determined under subsection (c) (1) with respect to the last exchange in such taxable year. Its highest bracket amount immediately preceding any exchange in such taxable year subsequent to the first exchange therein shall be the amount computed under subsection (c) (1) with respect to the immediately preceding exchange as if the taxable year closed on the day of such subsequent exchange.

"'(3) If a transferor or transferee upon an exchange is in the same taxable year involved in more than one exchange (either as transferor or transferee), its highest bracket amount for any taxable year after the taxable year in which such exchanges took place shall be the amount computed under subsection (b) (2), (3), or (4), or (c) (2), (3), (4), or (5), as the case may be, with respect to the last such exchange.'"

And the Senate agree to the same.

Amendment numbered 7:

That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: June 10; and the Senate agree to the same.

Amendment numbered 8:

That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: June 10; and the Senate agree to the same.

Amendment numbered 9:

That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: June 10; and the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(i) PROTECTION OF THE UNITED STATES.—If the taxpayer has been or will be reimbursed by the United States for all or a part of the cost of any emergency facility pursuant to any contract with the United States, either—

"(1) directly, by a provision therein dealing expressly with such reimbursement, or

"(2) indirectly, because the price paid by the United States (insofar as return of cost of the facility is used as a factor in the fixing of such price) is recognized by the contract as including a return of cost greater than the normal exhaustion, wear and tear,

no amortization deduction with respect to such emergency facility shall be allowed for any month after the end of the month in which such contract is made, unless, before the expiration of ninety days after the making of such contract or one hundred and twenty days after the date of the enactment of the Second Revenue Act of 1940, whichever of such periods expires the later, the Advisory Commission to the Council of National Defense, and either the Secretary of War or the Secretary of the Navy certify to the Commissioner that such contract adequately protects the United States with reference to the future use and disposition of such emergency facility. A certificate by the Advisory Commission to the Council of National Defense and either the Secretary of War or the Secretary of the Navy, made to the Commissioner before the expiration of ninety days after the making of a contract or one hundred and twenty days after the date of the enactment of the Second Revenue Act of 1940, whichever of such periods expires the later, to the effect that, under such contract, reimbursement for all or a part of the cost of any emergency facility is not provided for within the meaning of clause (1) or clause (2), shall be conclusive for the purposes of this subsection.

"The terms and conditions of contracts with reference to reimbursement of the cost of emergency facilities and the protecting of the United States with reference to the future use and disposition of such emergency facilities shall be made available to the public."

And the Senate agree to the same.

Amendment numbered 21:

That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(l) EFFECT ON EARNINGS AND PROFITS OF GAIN OR LOSS AND OF RECEIPT OF TAX-FREE DISTRIBUTIONS.—The gain or loss realized from the sale or other disposition (after February 28, 1913) of property by a corporation—

"(1) for the purpose of the computation of earnings and profits of the corporation, shall be determined, except as provided in paragraph (2), by using as the adjusted basis the adjusted basis (under the law applicable to the year in which the sale or other disposition was made) for determining gain, except that no regard shall be had to the value of the property as of March 1, 1913; but

"(2) for the purpose of the computation of earnings and profits of the corporation for any period beginning after February 28, 1913, shall be determined by using as the adjusted basis the adjusted basis (under the law applicable to the year in which the sale or other disposition was made) for determining gain.

Gain or loss so realized shall increase or decrease the earnings and profits to, but not beyond, the extent to which such a realized gain or loss was recognized in computing net income under the law applicable to the year in which such sale or disposition was made. Where in determining the adjusted basis used in computing such realized gain or loss the adjustment to the basis differs from the adjustment proper for the purpose of determining earnings or profits, then the latter adjustment shall be used in determining the increase or decrease above provided."

And on page 95, lines 8 and 9, of the House bill, strike out "(for any period beginning after February 28, 1913)".

And the Senate agree to the same.

Amendment numbered 22:

That the House recede from its disagreement to the amendment of the Senate numbered 22, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(m) EARNINGS AND PROFITS—INCREASE IN VALUE ACCRUED BEFORE MARCH 1, 1913.—

"(1) If any increase or decrease in the earnings or profits for any period beginning after February 28, 1913, with respect to any matter would be different had the adjusted basis of the property involved been determined without regard to its March 1, 1913, value, then, except as provided in paragraph (2), an increase (properly reflecting such difference) shall be made in that part of the earnings and profits consisting of increase in value of property accrued before March 1, 1913.

"(2) If the application of subsection (1) to a sale or other disposition after February 28, 1913, results in a loss which is to be applied in decrease of earnings and profits for any period beginning after February 28, 1913, then, notwithstanding subsection (1) and in lieu of the rule provided in paragraph (1) of this subsection, the amount of such loss so to be applied shall be reduced by the amount, if any, by which the adjusted basis of the property used in determining the loss, exceeds the adjusted basis computed without regard to the value of the property on March 1, 1913, and if such amount so applied in reduction of the decrease exceeds such loss, the excess over such loss shall increase that part of the earnings and profits consisting of increase in value of property accrued before March 1, 1913."

And the Senate agree to the same.

Amendment numbered 24:

That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(c) Under prior acts: For the purposes of the Revenue Act of 1938 or any prior Revenue Act the amendments made to the Internal Revenue Code by subsection (a) of this section shall be effective as if they were a part of each such Revenue Act on the date of its enactment. Nothing in this subsection shall affect the tax liability of any taxpayer for any year which, on September 20, 1940, was pending before, or was theretofore determined by, the Board of Tax Appeals, or any court of the United States."

And the Senate agree to the same.

Amendment numbered 26:

That the House recede from its disagreement to the amendment of the Senate numbered 26, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 725; and the Senate agree to the same.

Amendment numbered 27:

That the House recede from its disagreement to the amendment of the Senate numbered 27, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "725"; and the Senate agree to the same.

Amendment numbered 35:

That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TITLE VI—NATIONAL SERVICE LIFE INSURANCE AND PROVISIONS AFFECTING THE RAILROAD RETIREMENT BOARD

"PART I—NATIONAL SERVICE LIFE INSURANCE

"SEC. 601. When used in this part—

"(a) The term "person" means (1) a commissioned officer; (2) a warrant officer; (3) enlisted personnel (including persons selected for training and service under the Selective Training and Service Act of 1940); (4) a member of the Army Nurse Corps (female); and (5) a member of the Navy Nurse Corps (female);

"(b) The term "Administrator" means the Administrator of Veterans' Affairs;

"(c) The term 'active service' means active service in the land or naval forces (including the Coast Guard) of the United States and service in the land or naval forces of the United States under the Selective Training and Service Act of 1940, but the service of any person ordered to active duty in any such force for a period of thirty days or less, shall not be deemed to be active service in such force during such period;

"(d) The term 'insurance' means National Service Life Insurance;

"(e) The term 'child' includes an adopted child.

"SEC. 602. (a) Every person who is commissioned and hereafter ordered into, or who is hereafter examined, accepted, and enrolled in, the active service and while in such active service shall, upon application in writing (made within one hundred and twenty days after entrance into such active service) and payment of premiums as hereinafter provided and without further medical examination, be granted insurance on the five-year level premium term plan by the United States against the death of such persons occurring while such insurance is in force.

"(b) Any person who is released from active service within one hundred and twenty days after such enrollment shall be granted such insurance upon application therefor in writing (made within one hundred and twenty days after a subsequent enrollment or entrance into active service and before discharge or resignation therefrom), and upon payment of premiums and evidence satisfactory to the Administrator showing such person to be in good health at the time of such application.

"(c) Any person upon reenlistment or reentrance into or reemployment in active service and before discharge or resignation therefrom and any person in the active service upon discharge to accept a commission and before resignation therefrom, shall be granted such insurance upon application therefor in writing (made within one hundred and twenty days following such reenlistment, reentrance, reemployment, or discharge to accept a commission), and upon payment of premiums and evidence satisfactory to the Administrator showing such person to be in good health at the time of such application.

"(d) Any person who has been commissioned, or examined, accepted, and enrolled, in the active service and is in such active service on the date of enactment of this Act shall be granted such insurance upon application therefor in writing (made within one hundred and twenty days after the date of enactment of this Act and before discharge or resignation from such active service), and upon payment of premiums and evidence satisfactory to the Administrator showing such person to be in good health at the time of such application.

"(e) The premium rates for such insurance shall be the net rates based upon the American Experience Table of Mortality and interest at the rate of 3 per centum per annum. All cash, loan, paid up, and extended values, and all other calculations in connection with such insurance, shall be based upon said American Experience Table of Mortality and interest at the rate of 3 per centum per annum.

"(f) Such insurance shall be issued upon the five year level premium term plan, with the privilege of conversion as of the date when any premium becomes or has become due, or exchange as of the date of the original policy, upon payment of the difference in reserve, at any time after such policy has been in effect for one year and within the five year term period, to policies of insurance upon the following plans: Ordinary life, twenty payment life, thirty payment life. All five year level premium term policies shall cease and terminate at the expiration of the five year term period. Provisions for cash, loan, paid up, and extended values, dividends from gains and savings, refund of unearned premiums, and such other provisions as may be found to be reasonable and practicable, may be provided for in the policy of insurance or from time to time by regulations promulgated by the Administrator.

"(g) The insurance shall be payable only to a widow, widower, child (including a stepchild or an illegitimate child if designated as beneficiary by the insured), parent (including person in loco parentis if designated as beneficiary by the insured), brother or sister of the insured. The insured shall have the right to designate the beneficiary or beneficiaries of the insurance, but only within the classes herein provided, and shall, subject to regulations, at all times have the right to change the beneficiary or beneficiaries of such insurance without the consent of such beneficiary or beneficiaries but only within the classes herein provided.

"(h) Such insurance shall be payable in the following manner:

"(1) If the beneficiary to whom payment is first made is under thirty years of age at the time of maturity, in two hundred and forty equal monthly installments.

"(2) If the beneficiary to whom payment is first made is thirty or more years of age at the time of maturity, in equal monthly installments for one hundred and twenty months certain, with such payments continuing during the remaining lifetime of such beneficiary.

"(3) Any installments certain of insurance remaining unpaid at the death of any beneficiary shall be paid in equal monthly installments in an amount equal to the monthly installments paid to the first beneficiary, to the person or persons then in being within the classes hereinafter specified and in the order named, unless designated by the insured in a different order—

"(A) to the widow or widower of the insured, if living;

"(B) if no widow or widower, to the child or children of the insured, if living, in equal shares;

"(C) if no widow, widower, or child, to the parent or parents of the insured, if living, in equal shares;

"(D) if no widow, widower, child, or parent, to the brothers and sisters of the insured, if living, in equal shares.

"(i) If no beneficiary is designated by the insured or if the designated beneficiary does not survive the insured, the beneficiary shall be determined in accordance with the order specified in subsection (h) (3) of this section and the insurance shall be payable in equal monthly installments in accordance with subsection (h) (1) or (2), as the case may be. The right of any beneficiary to payment of any installments shall be conditioned upon his or her being alive to receive such payments. No person shall have a vested right to any installment or installments of any such insurance and any installments not paid to a beneficiary during such beneficiary's lifetime shall be paid to the beneficiary or beneficiaries within the permitted class next entitled to priority, as provided in subsection (h).

"(j) No installments of such insurance shall be paid to the heirs or legal representatives as such of the insured or of any beneficiary, and in the event that no person within the permitted class survives to receive the insurance or any part thereof no payment of the unpaid installments shall be made.

"(k) When the amount of an individual monthly payment is less than $5, such amount may, in the discretion of the Administrator, be allowed to accumulate without interest and be disbursed annually.

"(l) Any payments of insurance made to a person represented by the insured to be within the permitted class of beneficiaries shall be deemed to have been properly made and to satisfy fully the obligation of the United States under such insurance policy to the extent of such payments.

"(m) The Administrator shall, by regulations, prescribe the time and method of payment of the premiums on such insurance, but payments of premiums in advance shall not be required for periods of more than one month each, and may at the election of the insured be deducted from his active service pay or be otherwise made.

"(n) Upon application by the insured and under such regulations as the Administrator may promulgate, payment of premiums on such insurance may be waived during continuous total disability of the insured which commenced subsequent to the effective date of such insurance and which has existed for six consecutive months or more prior to the attainment by the insured of the age of sixty years, effective as of the due date of the monthly premium becoming payable on or after the first day of the seventh consecutive month of such disability: *Provided*, That application for waiver is made while the insurance is currently kept in force by the payment of premiums, and the insured furnishes proof satisfactory to the Administrator showing that he is and has been continuously totally disabled for six or more months prior to attaining sixty years of age. Any waiver granted by the Administrator under this subsection shall not become effective prior to the date of application therefor; except that, in the discretion of the Administrator, it may be made effective at any time within a period of not more than six months prior to such date but in no event prior to the first day of the seventh month of such continuous disability. Any premiums tendered to cover a period during which such waiver is effective shall be refunded. The Administrator shall provide by regulations for reexaminations of beneficiaries under this subsection and, in the event that it is found that an insured is no longer totally disabled, the waiver of premiums shall cease as of the date of such finding and the policy of insurance may be continued by payment of premiums as provided in said policy. Premium rates shall be calculated without charge for the cost of the waiver of premiums herein provided and no deduction from benefits otherwise payable shall be made on account thereof.

"(o) The Administrator shall promptly determine and publish the terms and conditions of such insurance. Pending the promulgation of the terms and conditions of the five year level premium term policy and the printing of such policy, the Administrator may issue a certificate in lieu thereof as evidence that insurance has been granted and the rights and liabilities of the applicant and of the United States shall be those specified by the terms and conditions of the policy when published.

"(p) Such insurance may be made effective, as specified in the application, not later than the first day of the calendar month following the date of application therefor, but the United States shall not be liable thereunder for death occurring prior to such effective date.

"(q) Such insurance shall be issued in any multiple of $500 and the amount of such insurance with respect to any one person shall be not less than $1,000 or more than $10,000.

"SEC. 603. No person may carry a combined amount of National Service Life Insurance and United States Government life insurance in excess of $10,000 at any one time.

"SEC. 604. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this part, to be known as the National Service Life Insurance appropriation, for the payment of liabilities under National Service Life Insurance. Payments from this appropriation shall be made upon and in accordance with awards by the Administrator.

"SEC. 605. (a) There is hereby created in the Treasury a permanent trust fund to be known as the National Service Life Insurance Fund. All premiums paid on account of National Service Life Insurance shall be deposited and covered into the Treasury to the credit of such fund, which, together with interest earned thereon, shall be available for the payment of liabilities under such insurance, including payment of dividends and refunds of unearned premiums. Payments from this fund shall be made upon and in accordance with awards by the Administrator.

"(b) The Administrator is authorized to set aside out of such fund such reserve amounts as may be required under accepted actuarial principles, to meet all liabilities under such insurance; and the Secretary of the Treasury is hereby authorized to invest and reinvest such fund, or any part thereof, in interest-bearing obligations of the United States or in obligations guaranteed as to principal and interest by the United States, and to sell such obligations for the purposes of such fund.

"SEC. 606. The United States shall bear the cost of administration in connection with this part, including expenses for medical examinations, printing and binding, and for such other expenditures as are necessary in the discretion of the Administrator. The appropriations made for the Veterans' Administration for the fiscal year 1941 for administrative expenses shall be available for the payment of such costs of administration under this part.

"SEC. 607. (a) The United States shall bear the excess mortality cost and the cost of waiver of premiums on account of total disability traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator.

"(b) Whenever benefits under such insurance become payable because of the death of the insured as the result of disease or injury traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator, the liability for payment of such benefits shall be borne by the United States in an amount which, when added to the reserve of the policy at the time of death of the insured, will equal the then value of such benefits under such policy. The Administrator is authorized and directed to transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund such sums as may be necessary to carry out the provisions of this section.

"(c) Whenever the premiums under such insurance are waived as provided in section 602 (n) because of the total disability of the insured as the result of disease or injury traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator, the premiums so waived shall be paid by the United States and the Administrator is authorized and directed to transfer from time to time an amount equal to the amount of such premiums from the National Service Life Insurance appropriation to the National Service Life Insurance Fund.

"SEC. 608. The Administrator, subject to the general direction of the President, shall administer, execute and enforce the provisions of this part, shall have power to make such rules and regulations, not inconsistent with the provisions of this part, as are necessary or appropriate to carry out its purposes, and shall decide all questions arising hereunder. All officers and employees of the Veterans' Administration shall perform such duties in connection with the administration of this part as may be assigned to them by the Administrator. All official acts performed by such officers or employees designated therefor by the Administrator shall have the same force and effect as though performed by the Administrator in person. Except in the event of suit as provided in section 617 hereof, all decisions rendered by the Administrator under the provisions of this part, or regulations issued pursuant thereto, shall be final and conclusive on all questions of law and fact, and no other official or court of the United States shall have jurisdiction to review by motion or otherwise any such decision.

"SEC. 609. (a) There shall be no recovery of payments made under this part from any person who, in the judgment of the Administrator, is without fault on his part and where, in the judgment of the said Administrator, such recovery would defeat the purpose of benefits otherwise authorized herein or would be against equity and good conscience. No disbursing officer or certifying officer shall be held liable for any amount paid to any person where the recovery of such amount is waived under this section.

"(b) Where, under the provisions of this section, the recovery of a payment made from the National Service Life Insurance Fund is waived, the National Service Life Insurance Fund shall be reimbursed for the amount of such payment from the current appropriation for National Service Life Insurance.

"SEC. 610. No State law providing for presumption of death shall be applicable to claims for National Service Life Insurance. If evidence satisfactory to the Administrator is produced establishing the fact of the continued and unexplained absence of any individual from his home and family for a period of seven years, during which period no evidence of his existence has been received, the death of such individual as of the date of the expiration of such period may, for the purposes of this part, be considered as sufficiently proved.

"SEC. 611. No United States Government life insurance shall be granted hereafter to any person under the provisions of section 300 of the World War Veterans' Act, 1924, as amended: *Provided*, That this section shall not be construed to prohibit the issue of United States Government life insurance policies in cases in which acceptable applications accompanied by proper and valid remittances or authorizations for the payment of premiums have, prior to the date of enactment of this act, been received by the Veterans' Administration or which have, prior to said date, been placed in the mails properly directed to said Veterans' Administration, or been delivered to an authorized representative of the War Department, the Navy Department, or the Coast Guard, and which are forwarded to the Veterans' Administration not later than one hundred and twenty days subsequent to said date.

"SEC. 612. Any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the land or naval forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to insurance under this part. No insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States; but the cash surrender value, if any, of such insurance on the date of such death shall be paid to the designated beneficiary, if living, or otherwise to the beneficiary or beneficiaries within the permitted class in accordance with the order specified in section 602 (h) (3).

"SEC. 613. Whoever in any claim for insurance issued under the provisions of this part makes any sworn statement of a material fact knowing it to be false, shall be guilty of perjury and shall, upon conviction thereof, be punished by a fine of not more than $5,000, or by imprisonment for not more than two years, or by both such fine and imprisonment.

"SEC. 614. Whoever, with intent to defraud the United States or any beneficiary of such insurance, shall obtain or receive any money or check for National Service Life Insurance without being entitled to the same, shall, upon conviction thereof, be punished by a fine of not more than $2,000, or by imprisonment for not more than one year, or by both such fine and imprisonment.

"SEC. 615. Any person who shall knowingly make or cause to be made, or conspire, combine, aid, or assist in, agree to, arrange for, or in any wise procure the making or presentation of a false or fraudulent affidavit, declaration, certificate, statement, voucher, or paper, or writing purporting to be such, concerning any application for insurance or reinstatement thereof, waiver of premiums or claim for benefits under National Service Life Insurance for himself or any other person, shall, upon conviction thereof, be punished by a fine of not more than $1,000, or imprisonment for not more than one year, or by both such fine and imprisonment.

"SEC. 616. The provisions of Public Law Numbered 262, Seventy-fourth Congress, approved August 12, 1935 (49 Stat. 607), and titles II and III of Public Law Numbered 844, Seventy-fourth Congress, approved June 29, 1936 (49 Stat. 2031), insofar as they are applicable, shall apply to the provisions of this part.

"SEC. 617. In the event of a disagreement as to claim arising under this part, suit may be brought in the same manner and subject to the same conditions and limitations as are applicable to United States Government (converted) life insurance under the provisions of sections 19 and 500 of the World War Veterans' Act, 1924, as amended: *Provided,* That in any such suit the decision of the Administrator as to waiver or non-waiver of premiums under section 602 (n) shall be conclusive and binding on the court.

"SEC. 618. This part may be cited as the 'National Service Life Insurance Act of 1940'.

"PART II—CREDITING MILITARY SERVICE FOR ANNUITY PURPOSES UNDER THE RAILROAD RETIREMENT ACTS

"SEC. 625. The Act entitled 'An Act to amend an Act entitled "An Act to establish a retirement system for employees of carriers subject to the Interstate Commerce Act, and for other purposes", approved August 29, 1935,' approved June 24, 1937 (50 Stat. 307), is hereby amended by inserting after section 3 the following new section:

"'MILITARY SERVICE

"'SEC. 3A. (a) For the purposes of determining eligibility for an annuity and computing an annuity, including a minimum annuity, there shall also be included in an individual's years of service, within the limitations hereinafter provided in this section, voluntary or involuntary military service of an individual prior to January 1, 1937, within or without the United States during any war service period: *Provided, however,* That such military service shall be included only subject to and in accordance with the provisions of subsection (b) of section 3, in the same manner as though military service were service rendered as an employee: *Provided further,* That an individual who entered military service prior to a war service period shall not be regarded as having been in military service in a war service period with respect to any part of the period for which he entered such military service.

"'(b) For the purpose of this section and section 202, as amended, an individual shall be deemed to have been in "military service" when commissioned or enrolled in the active service of the land or naval forces of the United States and until resignation or discharge therefrom; and the service of any individual in any reserve component of the land or naval forces of the United States who was ordered to active duty in any such force for a period of thirty days or less shall be deemed to have been active service in such force during such period.

"'(c) For the purpose of this section and section 202, as amended, a "war service period" shall mean (1) any war period, or (2) with respect to any particular individual, any period during which such individual (i) having been in military service at the end of a war period, was required to continue in military service, or (ii) was required by any Act of Congress, any regulation promulgated, order issued, or proclamation made, in pursuance of such Act, to enter and continue in military service.

"'(d) For the purpose of this section and section 202, as amended, a "war period" shall be deemed to have begun on whichever of the following dates is the earliest: (1) the date on which the Congress of the United States declared war; or (2) the date as of which the Congress of the United States declared that a state of war has existed; or (3) the date on which war was declared by one or more foreign states against the United States; or (4) the date on which any part of the United States or any territory under its jurisdiction was invaded or attacked by any armed force of one or more foreign states; or (5) the date on which the United States engaged in armed hostilities for the purpose of preserving the Union or of maintaining in any State of the Union a republican form of government.

"'(e) For the purpose of this section and section 202, as amended, a "war period" shall be deemed to have ended on the date on which hostilities ceased.

"'(f) Military service shall not be included in the years of service of an individual unless, in the calendar year in which his military service in a war service period began, or in the calendar year next preceding such calendar year, he rendered service for compensation to an employer, or to a person service to which is otherwise creditable under this Act, or lost time as an employee for which he received remuneration, or was serving as an employee representative.

"'(g) A calendar month in which an individual was in military service which may be included in the individual's years of service or service period, as the case may be, shall be counted as a month of service: *Provided, however,* That no calendar month shall be counted as more than one month of service.

"'(h) In determining the monthly compensation for computing an annuity, military service and any remuneration therefor shall be disregarded.

"'(i) In the event military service is or has been used as the basis or as a partial basis for a pension, disability compensation, or any other gratuitous benefits payable on a periodic basis under any other Act of Congress, any annuity under this Act or the Railroad Retirement Act of 1935, which is based in part on such military service and is with respect to a calendar month for all or part of which such pension or other benefit is also payable, shall be reduced with respect to that month by the proportion which the number of years of service by which such military service increases the years of service, or the service period, as the case may be, bears to the total years of service, or by the aggregate amount of such pension or other benefit with respect to that month, whichever would result in the smaller reduction.

"'(j) Any department or agency of the United States maintaining records of military service, at the request of the Board, shall certify to the Board, with respect to any individual, the number of months of military service which such department or agency finds the individual to have had during any period or periods with respect to which the Board's request is made, the date and manner of entry into such military service, and the conditions under which such service was continued. Any department or agency of the United States which is authorized to make awards of pensions, disability compensation, or any other gratuitous benefits or allowances payable, on a periodic basis or otherwise, under any other Act of Congress on the basis of military service, at the request of the Board, shall certify to the Board, with respect to any individual, the calendar months for all or part of which any such pension, compensation, benefit, or allowance is payable to, or with respect to, the individual, the amounts of any such pension, compensation, benefit, or allowance, and the military service on which such pension, compensation, benefit, or allowance is based. Any certification made pursuant to the provisions of this subsection shall be conclusive on the Board: *Provided,* That if evidence inconsistent with any such certification is submitted, and the claim is in the course of adjudication or is otherwise open for such evidence, the Board shall refer such evidence to the department or agency which made the original certification and such department or agency shall make such recertification as in its judgment the evidence warrants. Such recertification, and any subsequent recertification, shall be conclusive, made in the same manner, and subject to the same conditions as an original certification.

"'(k) In the event that an individual was, on or before the date of enactment of the Second Revenue Act of 1940, denied an annuity but could have been granted an annuity under the provisions of this Act or the Railroad Retirement Act of 1935 had military service been included in his years of service or service period, as the case may be, no annuity shall be payable with respect to such individual, or with respect to his death, by reason of the provisions of this section unless such individual files a new application with the Board. In determining the earliest date upon which an annuity can begin to accrue for such an individual in accordance with the provisions of section 2, the filing date of the application shall be the date on which such new application is filed.

"'(l) An individual who, on or before the date of enactment of the Second Revenue Act of 1940, was awarded an annuity under the provisions of this Act or the Railroad Retirement Act of 1935, but whose annuity would have been increased if his military service had been included in his years of service or service period, as the case may be, may, notwithstanding the previous award of an annuity, make application (in such manner and form as may be prescribed by the Board) for an increase in such annuity based on his military service. Upon the filing of such application, if the Board finds that the military service thus claimed is creditable and would result in an increase in the annuity, the Board, notwithstanding the previous award, shall recertify the annuity on an increased basis in the same manner as though this section had been in effect at the time of the original certification: *Provided, however,* That if the annuity previously awarded is a joint and survivor annuity, the increased annuity shall be a joint and survivor annuity of the same type except that if on the date the increase begins to accrue the individual has no spouse for whom the election of the joint and survivor annuity was made, the increase on a single life basis shall be added to the individual's annuity: *And provided further,* That such increase in the annuity shall not begin to accrue more than sixty days before the filing date of the application for an increase in the annuity based on military service, and in the event the annuity is a joint and survivor annuity, the actuarial value of the increase in annuity shall be computed as of the effective date of the increase.

"'(m) In addition to the amount authorized to be appropriated in subsection (a) of section 15 of this Act, there is hereby authorized to be appropriated to the Railroad Retirement Account for each fiscal year, beginning with the fiscal year ending June 30, 1941, an amount sufficient to meet the additional expenditures necessary to be made during each such fiscal year by reason of crediting under the Railroad Retirement Acts military service prior to January 1, 1937. The Railroad Retirement Board, as promptly as practicable after the date of enactment of the Second Revenue Act of 1940, and thereafter annually, shall submit to the Bureau of the Budget estimates of such military service appropriations to be made to the account in addition to the annual estimates by the Board, in accordance with subsection (a) of section 15 of this Act, of the appropriations to be made to the account to provide for the payment of

annuities, pensions and death benefits not based on military service. Each such estimate shall take into account the excess or the deficiency, if any, in such military service appropriation for the preceding fiscal year.'

"SEC. 626. Section 202 of such act of June 24, 1937, is hereby amended by inserting immediately after the second proviso of such section the following new proviso: '*And provided further*, That for the purposes of determining eligibility for an annuity and computing an annuity there shall also be included in an individual's service period, subject to and in accordance with subsections (a) to (l), inclusive, of section 3A of this act, voluntary or involuntary military service of an individual prior to January 1, 1937, within or without the United States during any war service period, if, in the calendar year in which his military service in a war service period began, or in the calendar year next preceding such calendar year, he was in the compensated service of a carrier, or of a person service to which is otherwise creditable, or was serving as a representative; but such military service shall be included only subject to and in accordance with the provisions of the Railroad Retirement Act of 1935, in the same manner as though military service were service rendered as an employee:' ".

And the Senate agree to the same.

Amendment numbered 36:

That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

TITLE VII—CREDIT AGAINST, FEDERAL UNEMPLOYMENT TAXES

"SEC. 701. CREDIT AGAINST FEDERAL UNEMPLOYMENT TAXES.

"(a) ALLOWANCE OF CREDIT.—Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, or against the tax imposed by the Federal Unemployment Tax Act for the calendar year 1939, any taxpayer shall be allowed credit for the amount of contributions paid by him into an unemployment fund under a State law—

"(1) Before the sixtieth day after the date of the enactment of this act;

"(2) On or after such sixtieth day (except in the case of the tax for the calendar year 1939) with respect to wages paid after the fortieth day after such date of enactment;

"(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

The amount of such credit, in the case of contributions with respect to the calendar year 1939 paid after the last day upon which the taxpayer was required under section 1604 of the Federal Unemployment Tax Act to file a return for such year, shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The provisions of the Social Security Act in force prior to February 11, 1939 (except the provision limiting the credit to amounts paid before the date of filing returns) shall, with respect to the tax for the calendar year 1936, 1937, or 1938, apply to allowance of credit under this section, and the provisions of the Federal Unemployment Tax Act (except section 1601 (a) (3)) shall, with respect to the tax for the calendar year 1939, apply to allowance of credit under this section. The terms used in this subsection shall, with respect to the tax for the calendar year 1936, 1937, or 1938, have the same meaning as when used in title IX of the Social Security Act prior to February 11, 1939, and shall, with respect to the tax for the calendar year 1939, have the same meaning as when used in the Federal Unemployment Tax Act. The total credit allowable against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, or against the tax imposed by section 1600 of the Federal Unemployment Tax Act for the calendar year 1939, shall not exceed 90 per cent of such tax.

"(b) Refund: Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund."

And the Senate agree to the same.

R. L. DOUGHTON,
THOMAS H. CULLEN,
JOHN W. MCCORMACK,
JERE COOPER,
ALLEN T. TREADWAY,
FRANK CROWTHER,
HAROLD KNUTSON,
Managers on the part of the House.

PAT HARRISON,
WILLIAM H. KING,
WALTER F. GEORGE,
ARTHUR CAPPER,
JOHN G. TOWNSEND, JR.,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 10413) to provide revenue, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: This amendment strikes out title I (excess-profits tax) of the House bill and substitutes title I (corporation income tax) and title II (excess-profits tax); and the House recedes with an amendment.

Title I of this amendment being new and title II being in effect title I of the House bill with amendments, the action on this amendment will be discussed section by section.

Title I—Corporation Income Tax

House bill: There is no comparable provision in the House bill. Section 710 of the excess-profits tax as passed by the House did, however, provide, as part of the excess-profits tax in the case of corporations which elected to compute their excess-profits credit on the average earnings plan, for the payment of an additional amount equal to 4⅒ percent of the normal tax net income.

Senate amendment: The Senate amendment increased by 3⅒ percent the corporate income tax of all corporations (except nonresident foreign corporations taxable under section 231 (a)). Such increase applied to the entire rate schedule contained in sections 13 and 14, that is, whether or not the corporation's normal tax net income was in excess of $25,000. The permanent corporate tax rate applicable to corporations not entitled to the special treatment provided for small corporations was therefore 22⅒ percent. It was provided, however, that in computing the 10-percent increase in tax imposed by section 15 of the Internal Revenue Code, added to such code by section 201 of the first Revenue Act of 1940, the corporate tax prior to the 3⅒ percent increase contained in the Senate amendment was to be used as the basis for such computation. Thus, the general effective rate applicable to corporations with normal-tax net incomes in excess of $31,964.30, so long as the defense-tax provisions of section 15 were in force, would be 24 percent.

Conference agreement: Under the conference agreement, there is no increase of the chapter 1 tax of corporations whose normal-tax net income is not in excess of $25,000, if such corporations are entitled to the treatment provided by section 14 of the Internal Revenue Code. In the case of corporations whose normal-tax net income is slightly in excess of $25,000 and which are taxable as provided in section 13, the full 3⅒ percent increase is not applicable in fact until the normal-tax net income reaches $38,565.89. Like the Senate amendment the bill as agreed to in conference provides that the additional 10 percent imposed by the First Revenue Act of 1940 is to be figured on the basis of the permanent rates prior to their increase by the bill. Therefore, in the case of corporations whose normal-tax net income is slightly in excess of $25,000, the 10 percent increase may be computed on the basis of the tax (at the unincreased rates) under the general rule, even though the corporation may still be subject to the alternative tax under the bill. The applicable rates under the conference agreement are illustrated by the following table:

	Permanent rate			Temporary additional rate (defense tax)	Total normal tax rate
	Existing law	Additional rate under the conference bill	Total		
Corporations with normal-tax net incomes not in excess of $31,964.30:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
First $5,000	13.50	0	13.50	1.35	14.85
Next $15,000	15.00	0	15.00	1.50	16.50
Next $5,000	17.00	0	17.00	1.70	18.70
Next $6,964.30	33.00	2	35.00	3.30	[1] 38.30
Corporations with normal-tax net incomes in excess of $31,964.30, but not in excess of $38,565.89:					
First $5,000	13.50	0	13.50	1.9	15.4
Next $15,000	15.00	0	15.00	1.9	16.9
Next $5,000	17.00	0	17.00	1.9	18.9
Next $13,565.89	33.00	2	35.00	1.9	[1] 36.9
Corporations with normal-tax net incomes in excess of $38,565.89 [2]	19.00	3.1	22.10	1.9	24.00

[1] This is the "notch provision." The specified rate, coupled with the low rates applicable to the first $25,000, does not produce an effective rate as high as that applicable to large corporations until the normal-tax net income reaches $31,964.30, in the case of existing law, and $38,565.89, under the bill.

[2] In this group would also fall mutual investment companies and foreign corporations not taxable under section 231 (a) regardless of the amount of their income.

Title II (Title I of House Bill)—Excess-Profits Tax

Section 710. Imposition of Tax

House bill: Under the House bill, the excess-profits tax imposed upon corporations which elected to compute their excess-profits credit on the income plan consisted of 4⅒ percent of the corporation's normal-tax net income plus a graduated tax of from 25 to 50 percent of the corporation's adjusted excess-profits net income. The excess-profits tax imposed upon corporations which elected to compute their excess-profits credit on the invested capital method

consisted solely of a graduated tax of from 20 to 45 percent of the corporation's adjusted excess-profits net income. The term "adjusted excess-profits net income," which constituted the measure of the graduated tax, was defined as the excess-profits net income less a specific exemption of $5,000 and the amount of the taxpayer's excess-profits credit for the taxable year.

In the case of any corporations which had been through certain types of tax-free exchanges, adjustments were to be made in the dollar amounts constituting the dividing lines between the various brackets. If, for example, a corporation, in a tax-free transaction, split up into two corporations, the rate schedule was adjusted so that the sum of the amounts of income of both corporations subject to each bracket would not exceed the amount of income which would have been taxed in such bracket had the original corporation remained intact. The amount in each bracket was divided between the two corporations on the basis of the relationship of its invested capital immediately after the exchange to the invested capital of the original corporation immediately preceding the exchange. To accomplish this result, since section 759 required a similar adjustment to be made in the case of the preferential rate amount, which in the case of corporations which had not been through a prior tax-free exchange was always $500,000, the ratio of the taxpayer's preferential rate amount to $500,000 was, as a matter of convenience, applied in the adjustment of the dollar amounts in the rate schedule provided by section 710.

Senate amendment: The additional 4 1/10 percent of the normal-tax net income of corporations electing the excess-profits tax based on average earnings was eliminated. The 5-percent differential in rate between corporations computing their excess-profits credit on the invested-capital plan and corporations computing their excess-profits credit on the income plan was also eliminated and the 25 to 50 percent graduated rate schedule applicable under the House bill to corporations electing the income credit was made applicable to all corporations. However, such rate schedule was further modified so as to make the dividing line between the brackets depend upon specified dollar amounts of adjusted excess-profits net income only if such specified dollar amounts are greater than alternative amounts representing specified percentages of the excess-profits credit. The rate schedule contained in the Senate amendment is as follows:

"Twenty-five percent of so much of the adjusted excess-profits net income as does not exceed the greater of $20,000 or 20 percent of the excess-profits credit;

"Thirty percent of so much of the adjusted excess-profits net income as exceeds the greater of $20,000 or 20 percent of the excess-profits credit and does not exceed the greater of $50,000 or 40 percent of such credit;

"Thirty-five percent of so much of the adjusted excess-profits net income as exceeds the greater of $50,000 or 40 percent of the excess-profits credit and does not exceed the greater of $100,000 or 60 percent of such credit;

"Forty percent of so much of the adjusted excess-profits net income as exceeds the greater of $100,000 or 60 percent of the excess-profits credit and does not exceed the greater of $250,000 or 80 percent of such credit;

"Forty percent of so much of the adjusted excess-profits net income as exceeds the greater of $250,000 or 80 percent of the excess-profits credit and does not exceed the greater of $500,000 or 100 percent of such credit; and

"Fifty percent of so much of the adjusted excess-profits net income as exceeds the greater of $500,000 or 100 percent of the excess-profits credit."

The adjustment in the rate schedule required in the case of taxpayers which had been through certain types of tax-free transactions was eliminated.

The definition of "adjusted excess-profits net income" contained in the House bill was retained except that the specific exemption allowable in computing such adjusted excess-profits net income was increased from $5,000 to $10,000.

Conference agreement: Under the conference agreement, the excess-profits tax of all corporations, whether computing their excess-profits credit on the income or invested-capital plan, is based solely on the following rate schedule:

	Rate of tax percent—
Amount of adjusted excess-profits net income:	
First $20,000	25
Next $30,000	30
Next $50,000	35
Next $150,000	40
Next $250,000	45
Over $500,000	50

This was the graduated schedule applicable to corporations computing their excess profit on the income plan under the House bill and was the schedule applicable to all corporations under the amendment as reported by the Senate Finance Committee.

The adjustment in the above rate schedule which was required, under the House bill, in the case of taxpayers which had been through certain types of tax-free transactions has been restored, with clerical changes.

The specific exemption allowable in computing the adjusted excess-profits net income has been restored to $5,000. An additional credit is also allowed, in computing such adjusted excess-profits net income, to corporations whose normal-tax net income for the taxable year is not in excess of $25,000, such additional credit to consist of the amount if any, by which the excess profits credit for the preceding taxable year exceeded the excess-profits net income for such year. It is understood that the Treasury and members of the staff of the Joint Committee on Internal Revenue Taxation will study the operation of this limited carry-over, with a view to its possible extension or modification, and will report to the appropriate committees on the subject as soon as possible.

Section 711. Excess-Profits Net Income

House bill: Under the House bill the excess-profits net income was defined to be the normal-tax net income with certain adjustments.

Senate amendment: In addition to certain technical amendments, the Senate amendment made the following changes in and additions to the adjustments contained in the House bill:

(1) The additional deduction on account of corporate income taxes was modified so as to exclude the section 102 tax imposed on corporations improperly accumulating surplus. Under both the House and Senate bills, however, the normal corporate income tax (after the allowance of the foreign tax credit) for the taxable year for which the excess-profits net income is being computed is allowable as an additional deduction.

(2) The treatment of gains and losses on depreciable assets held for more than 18 months as long-term capital gains and losses and their consequent exclusion from the computation was eliminated. In lieu thereof a provision was inserted providing that only the excess of gains arising from the sale or exchange of such assets over any losses arising therefrom should be excluded from the computation. The effect of this provision is to allow losses from the sale or exchange of depreciable assets held for more than 18 months to be deducted from ordinary income to the extent such losses exceed the gains from similar transactions.

(3) The adjustment on account of income derived from the retirement or discharge of bonds, etc., was rewritten to make certain that amounts which would be otherwise includible upon such retirement or discharge on account of any premium received upon issuance should be left out of the computation, and that the adjustment should apply although the indebtedness retired or discharged is indebtedness which has been assumed by the taxpayer and although it is evidenced, so far as the taxpayer is concerned, only by a contract with the person whose liabilities have been assumed.

(4) A corresponding adjustment was added requiring that certain deductions otherwise allowable on account of the retirement or discharge of bonds, etc., should be excluded from the computation.

(5) A new adjustment was added, applicable only to taxable years after the base period, requiring the exclusion of income attributable to refunds of Agricultural Adjustment Act taxes and interest upon such refunds.

(6) It was also provided that, if the excess-profits credit is computed under the invested-capital plan, the normal-tax net income should be increased by an amount equal to the interest on United States obligations and the obligations of Federal instrumentalities not specifically exempted from excess-profits taxes and, in addition thereto, the interest on all other Federal, State, or local obligations, if the taxpayer elects, under section 720 (d) (added by the Senate amendment), to treat all such other obligations as admissible assets for the taxable year.

(7) Losses arising from the demolition, abandonment, and loss of useful value of property are excluded from the computation of excess-profits net income for taxable years in the base period.

(8) An additional adjustment was provided, applicable only to taxable years in the base period, to the effect that deductions attributable to any claim, award, judgment, or decree against the taxpayer, or interest thereon, would not be required to be taken into account if, in the light of the taxpayer's business, it is abnormal for the taxpayer to incur a liability of such character or, if the taxpayer normally incurs liabilities of such character, the amount of the particular liabilities of such character in the taxable year is grossly disproportionate to the average amount of liabilities of such character in each of the four previous taxable years.

(9) Income attributable to the recovery of a bad debt, if a deduction from gross income was allowed with reference to such debt was allowed from gross income for a taxable year beginning prior to January 1, 1940, is excluded in the case of taxable years after the base period.

(10) A new adjustment, applicable to both the taxable years in the base period and taxable years after the base period in the case of corporations computing their excess-profits credit under the income plan, was added requiring the exclusion of any deductions in connection with exploration, discovery, prospecting, research, or development of tangible property, patents, formulae, or processes, or any combination of the foregoing.

(11) Corporations computing their excess-profits credit under the income plan are given the same dividends received credit, both for taxable years in the base period and for taxable years after the base period, as is given to corporations computing their excess-profits credit on the invested capital plan; i. e., the full amount of all dividends received, except dividends on stock of a foreign personal holding company.

(12) Amounts received pursuant to an award of the Mixed Claims Commission, United States and Germany, are excluded from income for taxable years after the base period in the case of corporations computing their excess-profits credit under the income plan.

(13) In case of taxable years in the base period, the deduction under section 23 (k) for bad debts is decreased by an amount representing unrecovered loans made by a parent corporation to

its subsidiary, insofar as such deduction includes an amount representing such unrecovered loans.

In addition to applying section 117 of the Internal Revenue Code (relative to capital gains and losses) to taxable years in the base period, which was done in the House bill, the Senate amendment applies section 23 (g) and (k) to such taxable years in order that long-term losses due to securities (stocks and bonds) having become worthless would be disallowed in computing excess-profits net income for taxable years in which such losses were not treated as capital losses under the income-tax law applicable to such years.

Conference agreement: With the exceptions and modifications described below, the Senate provision is adopted:

(1) The adjustment relative to income realized upon the retirement or discharge of bonds, etc., has been further redrafted so as to make certain that the excluded income on account of the issuance of the bonds at a premium relates only to premium unamortized on the date of retirement or discharge. There is not to be excluded from income the accrued amortization of bond premium for that portion of the taxable year preceding such retirement or discharge.

(2) The adjustment requiring that certain deductions otherwise allowable on account of the retirement or discharge of bonds, etc., should be excluded from the computation has been eliminated for taxable years after the base period. As retained relative to taxable years in the base period, it has been redrafted so as to make certain that the excluded deduction on account of the issuance of bonds, etc., at a discount relates only to discount unamortized on the date of the retirement or discharge. The ordinary deduction for amortization of bond discount accrued for that portion of the taxable year preceding the retirement or discharge is not to be excluded from the computation.

(3) The adjustment relative to interest on Federal, State, and local obligations has been revised as follows: The distinction between certain United States obligations and obligations of Federal instrumentalities, on the one hand, and all other Federal, State, or local obligations, on the other, has been eliminated, and the treatment of all such obligations has been made optional with the taxpayer. Instead of requiring the taxpayer to elect to treat such obligations as admissible assets and having the taxation of the interest derived therefrom follow as a consequence, however, the conference agreement provides that the taxpayer's election shall be with respect to the inclusion of the interest in income and that, if such an election is made, the obligations from which such interest was derived shall be treated as admissible assets for the taxable year. See discussion under section 720. A taxpayer must elect as to all such interests and may not elect as to only a portion thereof.

(4) The adjustment requiring the exclusion of any deduction in connection with exploration, etc., has been eliminated as to taxable years after the base period. As retained relative to taxable years in the base period the adjustment has been limited to deductions allowed in respect of expenditures for intangible drilling and development costs paid or incurred in or for the drilling of wells or the preparation of wells for the production of oil or gas, or for development costs in the case of mines. Such deductions are excluded only if and to the extent that in the light of the taxpayer's business it is abnormal for the taxpayer to incur a liability of such character or, if the taxpayer normally incurs such liability, only to the extent that the amount of such liability in the taxable year in question was grossly disproportionate to the amount of such liability in the 4 previous taxable years.

(5) Corporations computing their excess-profits credit on the income plan are allowed a dividends-received credit of 100 percent of the dividends received from a domestic corporation, but, unlike corporations on the invested-capital plan, are given no credit for dividends received from a foreign corporation. Such dividends, however, if their receipt constitutes an abnormality, are entitled to the treatment provided by section 721.

(6) The specific adjustment excluding from income awards of the Mixed Claims Commission has been eliminated, since it is already covered by the general provisions of section 721. Such income would be abnormal in kind, and, to the extent it constituted compensation for past losses, would be attributable to the years such losses occurred. Most of these awards of the Mixed Claims Commission were paid many years ago. However, a number of awards to American nationals were rendered by the Commission only recently and have not yet been paid. The conferees were unanimous that such awards when paid, to the extent they do not include current interest, should not and would not be subject to the excess-profits tax. Section 711 (a) (1) (I) of Senate amendment has been omitted from the bill as agreed to in conference by reason of the fact that the conferees are convinced (and have the assurances of the Treasury) that section 721 of the bill accomplishes the same result, since the very nature of the award makes any resulting income abnormal, and none of the amounts paid pursuant to such awards will be attributable to any taxable year beginning after December 31, 1939, within the meaning of such section. Insofar as such amounts are properly includible in the normal tax net income of the recipients, they will, of course, be subject to the normal tax in the year in which they are accrued or (in the case of recipients upon the cash receipts basis) are actually received.

(7) The adjustment in the base period on account of bad debts representing unrecovered loans made by a parent corporation to a subsidiary has been eliminated.

Section 712. Allowance of Excess-Profits Credit

House bill: Under the House bill a domestic corporation was permitted to choose between the income credit and the invested capital credit only if it had been in existence during the entire 48 months prior to the beginning of its first taxable year which began in 1940. Foreign corporations subject to excess-profits tax were required to compute their excess-profits credit on the income plan if they were in existence during the entire 48 months prior to the beginning of their first excess-profits tax taxable year beginning in 1940 and were engaged in trade or business within the United States or had an office or place of business therein at any time during each of the taxable years in the 48 months prior to such date. All other domestic and foreign corporations subject to excess-profits tax were required to compute their excess-profits credit on the invested-capital plan.

Senate amendment: Under the Senate amendment all domestic corporations which have been in existence prior to January 1, 1940, and all foreign corporations which, under the House bill, were required to compute their excess-profits credit on the income plan, are permitted to choose between the income and the invested-capital plan. All other corporations, including corporations which for any taxable year do not file returns, must compute their excess-profits credit on the invested-capital plan.

Conference agreement: The Senate provision is adopted.

Section 713. Excess-Profits Credit Based on Income

House bill: Under the House bill all taxable years in the base period, including taxable years for which there were deficits, were taken into account in computing the average base period net income, except that the loss for 1 deficit year (the largest, if the taxpayer had more than 1) was not to be applied in reduction of the aggregate income for other years. In ascertaining the average, however, the period covered by such taxable year was taken into account; i. e., the aggregate for the other years was divided by the total number of years in the base period, not by such total number less one.

Senate amendment: In lieu of the treatment relative to deficits contained in the House bill, the Senate amendment provides that a taxpayer may entirely exclude one base period taxable year in computing its average earnings. Not only may the excess-profits net income or the deficit for such year be excluded from the computation, but the period embraced by such taxable year is excluded in ascertaining the average base period net income for the base period. Thus, if the base period includes 4 calendar years and the taxpayer chooses to drop one of such years out of the computation, the aggregate income for the remaining 3 years is divided by three, and not by four, in ascertaining the base-period average.

Since under the Senate amendment all domestic corporations which have been in existence prior to January 1, 1940, are permitted to choose between the income and the invested capital plan, even though they may not have been in existence during the entire base period, the Senate amendment also provides for a constructive excess-profits net income in the case of corporations electing the income plan for such portion of the base period as the corporation was not in existence. Such excess-profits net income is to be computed in the same manner as the House bill provided in the case of corporations electing the invested-capital plan; i. e., 8 percent of the invested capital for the day following the close of the base period, reduced by the same ratio of inadmissibles as is applicable to the last year of the base period.

The adjustment on account of capital additions and reductions was amended so as to treat 100 percent of the stock of another corporation owned by the taxpayer as excluded capital. This conforms with the change made in the dividends received credit of corporations computing their excess-profits credit on the income plan.

Conference agreement: The Senate provision permitting the complete exclusion of 1 year in the computation of average base-period net income has been eliminated, and the House provision relative to the treatment of deficit years has been restored. In addition, it is provided that, in computing the income credit, the amount thereof, prior to adjustment on account of capital additions or capital reductions, shall be 95 percent of the average base period net income instead of 100 percent of such average base-period net income. This 5-percent reduction of the average base period net income is in lieu of the House provision which included an additional 4⅒ percent of the normal-tax net income in the excess profits tax of corporations electing the income plan and provided a 5-percent differential in the graduated rate schedule applicable to such corporations.

In view of the conference agreement on sections 711 and 712, the Senate provision relative to a constructive excess profits net income in the case of corporations in existence during part, but not all, of the base period has been retained, and the treatment of corporate stock as excluded capital has been limited to the stock of domestic corporations.

Section 714. Excess-Profits Credit Based on Invested Capital

House bill: Under the House bill the invested capital credit for any taxable year reflected, in part, the base period experience of the taxpayer. In general, the excess-profits credit consisted of an amount representing the base period rate of return (but not less than 7 percent or more than 10 percent on the first $500,000 and not less than 5 percent or more than 10 percent on the remainder) on so much of the corporation's invested capital for the taxable year as did not exceed its invested capital at the close of the base period,

plus 10 percent of so much of the remaining invested capital as did not bring the total invested capital beyond $500,000, and 8 percent of the remainder.

Senate amendment: Under the Senate amendment the base period experience of a corporation electing the invested capital credit is eliminated from consideration. The excess-profits credit of any such corporation is 8 percent of the taxpayer's invested capital for the taxable year, without regard to its earnings record in the base period.

Conference agreement: The conference agreement adopts the Senate provision.

Sections 715–718. Invested Capital

The only change, other than clerical and technical changes, made by the Senate amendment in these sections of the House bill was the insertion of a new sentence in section 715 authorizing the Commissioner of Internal Revenue, pursuant to regulations, to permit, in the computation of invested capital, the use of averages or ratios on a monthly, annual, or other appropriate basis, where in his opinion the circumstances do not require daily computation.

Under the conference agreement, the authorization to compute invested capital on some basis other than a daily basis is limited to cases where such other method will not cause the invested capital to vary by more than $1,000 from the invested capital computed on a daily basis. The conference agreement also makes further technical changes in order to eliminate duplications in the computation of equity invested capital. Provisions have been inserted governing the extent to which the equity invested capital of a parent corporation is to be increased or decreased following a liquidation under section 112 (b) (6). This provision enables the provisions of section 718 (b) (3) to be expanded so as to cover all situations in which, under the doctrine of *Commissioner* v. *Sansome* (60 F. (2d) 931), the earnings and profits of one corporation become the earnings and profits of another. A proper application of the provisions of section 718 prevents, it is believed, improper duplications in the case of the merger or consolidation of two or more corporations, one of which owns stock in the other; for the sake of clarity, however, subsection (c) (4) has been inserted dealing with the merger or consolidation of two or more corporations, one of which owns stock in the other. In case the corporation whose stock is owned by the other, is merged into the other, no corresponding provision is necessary, since the property transferred in the merger represented by such stock is not within any provision of section 718 (a).

Section 719. Borrowed Invested Capital

House bill: Under the House bill borrowed capital (i. e., indebtedness evidenced by a bond, note, bill of exchange, debenture, certificate of indebtedness, mortgage, or deed of trust) was included in invested capital under a graduated limitation at varying percentages (100, 66⅔, 33⅓), these percentages depending upon the size of the corporation.

Senate amendment: Under the Senate amendment all borrowed capital is included in invested capital at 50 percent, regardless of the size of the corporation. Borrowed capital is defined to mean, in addition to the types of indebtedness described in the House bill, certain amounts received as advance payment in connection with a contract with a foreign government to furnish articles, materials, or supplies, to the extent such amounts would be repayable, pursuant to the terms of the contract, if cancelation by such foreign government occurred at the beginning of the day for which the borrowed capital is being ascertained. Such contract must have been made before the expiration of 30 days after the date of enactment of the bill.

Conference agreement: The Senate provision has been adopted except that the clause relative to amounts repayable to a foreign government has been redrafted so as to make certain that the amounts included as borrowed capital thereunder do not include amounts treated as income and therefore reflected in equity invested capital through the accumulated earnings and profits account.

Section 720. Admissible and Inadmissible Assets

House bill: Under the House bill, in addition to corporate stock, all Federal, State, and local obligations were treated as inadmissible assets for the taxable year, and the interest derived therefrom was not included in normal-tax net income, upon the basis of which the excess-profits net income was computed.

Senate amendment: Under the Senate amendment all United States obligations and obligations of Federal instrumentalities, the interest from which is not exempt from excess-profits taxation, are treated as admissible assets and the interest derived therefrom is subject to tax. In addition, the taxpayer may elect to treat all other Federal, State, and local obligations as admissible assets for the taxable year. If such an election is made, the normal tax net income is increased by the amount of interest derived from such obligations. The taxpayer is required to make a single election relative to all such obligations and may not elect as to only a portion thereof.

Conference agreement: Under the conference agreement the distinction between certain United States obligations and obligations of Federal instrumentalities, on the one hand, and of other Federal, State, and local obligations, on the other, is eliminated. The taxpayer's election, instead of being an election to treat the obligations in question as admissible assets, is an election to include the interest derived therefrom in normal tax net income. It is provided that, if such an election is made, the obligations from which such included interest is derived are treated as admissible assets for the taxable year.

Section 721. Abnormalities in Income in Taxable Period

House bill: There were no comparable provisions in the House bill.

Senate amendment: Section 721 (a) of the Senate amendment was designed to provide relief in the case of—

(1) Income arising out of a claim, award, judgment, or decree, or out of interest on any of the foregoing;

(2) Income received with respect to a contract whose performance required more than 1 year;

(3) Income resulting from the exploration, discovery, prospecting, research, or development of tangible property, patents, formulas, or processes, or any combination thereof, by the taxpayer or any of its predecessors, providing that such exploration, etc., extended over a period of more than 1 year;

(4) Income which is required to be included for the taxable year as a result of a change in the taxpayer's accounting period or method of accounting;

(5) Income received by the lessor of real property on the termination of the lease as a result of improvements on the property during the lease.

Any of the above types of income which is abnormal in kind, or which, in the light of the taxpayer's experience in the 4 previous taxable years, is abnormal in amount, is entitled to the following treatment:

The amount thereof attributable to any previous taxable year or years is to be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary. In the case of income from exploration, etc., the Commissioner is required to allocate in equal amounts so much of such income as is not attributed to the taxable year to each of the preceding years (not exceeding 5) during which the exploration, etc., was conducted. The excess-profits tax for the taxable year shall not exceed the excess-profits tax for such taxable year computed without including such income in gross income, plus the aggregate of the additional excess-profits taxes which would have been payable in each of the preceding taxable years (including the current taxable year) to which a portion of such income is attributed if such portion had been included in income in such year.

Section 721 (b) provides a 2-year carry-over of the unused excess-profits credit for any taxable year beginning after December 31, 1939, in the case of corporations 80 percent or more of whose gross income is derived from mining or processing minerals or from processing or otherwise preparing for market any seasonal fruit or vegetable, or any fish or other marine life. The unused excess-profits credit for any taxable year is the amount by which the excess-profits credit for such taxable year exceeds the excess-profits net income for such taxable year.

Conference agreement: The conference agreement retains section 721 with the following modifications:

(1) The item relative to income resulting from explorations, etc., has been rewritten. The exploration, etc., from which the income is derived must be the taxpayer's own exploration. Income resulting from activities of such a character carried on by a predecessor corporation is not entitled to the treatment provided in section 721.

(2) The item relative to income arising from the termination of a lease has been broadened so as to include all income arising from such source and not merely income occasioned by improvements on the property during the term of the lease.

(3) A new category of potentially abnormal income has been added, consisting of dividends on stock of foreign corporations, except foreign personal holding companies. This is part of the conference agreement relative to the dividends received credit of corporations computing their excess-profits credit on the income plan. See section 710.

(4) The fixed rule of allocation applicable to income resulting from exploration, etc., has been eliminated.

(5) A new provision is inserted making certain that income attributed to any future year or years will be included in excess-profits net income for such future year or years and subjected to excess-profits tax.

(6) Subsections (b) and (c), providing for a special 2-year carry-over of the unused excess-profits credit in the case of certain businesses, are eliminated.

Section 722 (Sec. 721½ of the Senate amendment). Adjustment of Abnormalities in Income and Capital

Section 721½ of the Senate amendment provides that the Commissioner shall have authority to make any adjustments which abnormally affect income or capital, and that his decision shall be subject to review by the Board of Tax Appeals.

Conference agreement: Under the conference agreement section 721½ is renumbered section 722 and given the heading "Adjustment of Abnormalities of Income and Capital." It grants the Commissioner authority to adjust any items which abnormally affect income or capital, and provides that the Commissioner's decision shall be subject to review by the Board of Tax Appeals. It is understood that the Treasury and members of the staff of the Joint Committee on Internal Revenue Taxation will give further study to the entire problem covered by this section and will report to the appropriate committees on the subject as soon as possible.

Sections 723 and 724 (Secs. 722 and 723 of the Senate Amendment and Secs. 721 and 722 of the House Bill). Equity Invested Capital in Special Cases—Foreign Corporations, Invested Capital

In addition to changes in section numbers, a clerical change was made by the Senate amendment because of the changes made in

section 714. The Senate provision is adopted with a further change in section number.

Section 724 (Sec. 723 of the House bill). Personal Service Corporations

House bill: The House bill allowed a personal service corporation an election to have its income taxed in the hands of its shareholders in lieu of paying an excess-profits tax. A personal service corporation was defined to mean a corporation whose income is attributable primarily to the activities of shareholders who are regularly engaged in the active conduct of the affairs of the corporation and are owners at all times during the taxable year of at least 80 percent in value of the stock of the corporation, and in which capital (whether invested or borrowed) is not a material income-producing factor. Foreign corporations and any corporation 50 percent or more of whose gross income consisted of gains, profits, or income derived from trading as a principal were excluded. For the purposes of the stock-ownership test, an individual was considered as owning stock owned by his spouse or minor child.

Senate amendment: The Senate amendment contains, in effect, three alternative definitions of a personal service corporation. The first is that contained in the House bill. The second defines a personal service corporation as a corporation (in which capital is not an income-producing factor) at least 80 percent in value of whose stock is owned at all times during the taxable year by shareholders who are regularly engaged in the active conduct of the corporation's affairs. This definition differs from the House definition in that it does not require the corporation's income to be ascribed primarily to the activities of such shareholders. The third alternative contained in the Senate amendment defines a personal service corporation as a corporation (in which capital is not an income-producing factor) the income of which is to be ascribed primarily to the activities of shareholders who are actively engaged in the conduct of the corporation's affairs and all of the stock which is owned at all times during the taxable year by or for not more than 20 individuals. The effect of this alternative is to include corporations which have so-called silent partners who own more than 20 percent of its stock. As to both alternatives added by the Senate amendment, it is provided that an individual shall be considered as owning stock owned not only by his spouse or minor child, but by any guardian or trustee representing them.

Conference agreement: Under the conference agreement a personal service corporation is defined to mean a corporation whose income is attributable primarily to the activities of shareholders who are regularly engaged in the active conduct of the affairs of the corporation and are owners at all times during the taxable year of at least 70 percent in value of each class of stock of the corporation, and in which capital (whether invested or borrowed) is not a material income-producing factor. Foreign corporations and any corporation 50 percent or more of whose gross income consisted of gains, profits, or income derived from trading as a principal are excluded. For the purposes of the stock-ownership test, an individual is considered as owning stock owned by his spouse or minor child or by any guardian or trustee representing them.

Section 726 (Sec. 725 of the Senate Amendment and Sec. 724 of the House Bill). Corporations Completing Contracts Under Merchant Marine Act, 1936

In addition to changing the section number, only a clarifying change was made in this section by the Senate amendment. The Senate provision is adopted, with a further change in section number.

Section 727 (Sec. 726 of the Senate Amendment and Sec. 725 of the House Bill). Exempt Corporations

The Senate amendment made no change in this section as contained in the House bill except to change the section number and to advance from Decemebr 1, 1940, to July 1, 1941, the date before which an investment company must register as a diversified company under the Investment Company Act of 1940 in order to qualify for exemption for the taxable years 1940 and 1941. The Senate provision is adopted with a further change in section number.

Section 728 (Sec. 727 of the Senate Amendment and Sec. 726 of the House Bill). Meaning of Terms Used

The Senate amendment and the conference agreement merely change the section number.

Section 729 (Sec. 728 of the Senate Amendment and Sec. 727 of the House Bill). Laws Applicable

House bill: Section 727 (b) of the House bill provided that no return need be filed by a corporation whose excess-profits net income (placed on an annual basis in the case of a taxable period of less than 1 year) was not greater than $5,000, the amount of the specific exemption contained in the House bill.

Senate amendment: The Senate amendment provides that no return need be filed unless the corporation's excess-profits net income (placed on an annual basis in the case of a taxable period of less than 1 year) is in excess of $10,000, the amount of the specific exemption provided by the Senate amendment.

Conference agreement: In view of the conference action restoring the specific exemption to $5,000, the House provision is adopted with a further change in section number.

Section 730 (Sec. 729 of the Senate Amendment). Consolidated Returns

This section was not in the House bill. As added by the Senate amendment it permits consolidated returns to be filed by affiliated groups of corporations under certain circumstances, among which is the requirement that all the corporations which have been members of the affiliated group at any time during the taxable year for which the return is made must consent to regulations prescribed by the Commissioner, with the approval of the Secretary, prior to the last day prescribed by law for the filing of such return. The making of a consolidated return shall be considered as such consent.

The term "affiliated group" is defined to mean one or more chains of corporations connected through stock ownership with a common parent corporation if—

(1) At least 95 percent of each class of the stock of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations; and

(2) The common parent corporation owns directly at least 95 percent of each class of the stock of at least one of the other corporations.

Foreign corporations (except certain 100-percent owned foreign subsidiaries of domestic corporations), China Trade Act corporations, and certain corporations deriving income from United States possessions are not to be deemed to be affiliated with any other corporation within the meaning of this provision.

Under the conference agreement—

(1) The class of corporations excluded from membership in an affiliated group is expanded to include certain other corporations in addition to those specified in the Senate amendment. As thus expanded, the class of corporations excluded from the affiliated group includes all those corporations which, by reason of the fact that they are themselves exempt from the excess-profits tax, or are taxable on a basis different from that used in the case of corporations generally (as in the case of foreign corporations), or are otherwise allowed special treatment (as in the case of China Trade Act corporations, personal service corporations, and corporations doing business in possessions of the United States), cannot appropriately be associated for tax purposes with corporations not accorded such special treatment. While insurance companies in general are not includible in an affiliated group, an insurance company may be affiliated with other insurance companies of the same taxable character. For example, an insurance company taxable under section 201 may file a consolidated return with another insurance company taxable under the same section, assuming both companies meet the stock ownership test. An insurance company taxable under section 201 may not, however, file a consolidated return with another insurance company taxable under section 204 or section 207. The conference agreement preserves the exception relative to certain 100-percent owned foreign subsidiaries of domestic corporations contained in the Senate amendment.

(2) The definition of the term "affiliated group" has been revised so as to speak in terms of includible corporations (all corporations not excluded from membership in an affiliated group being termed includible corporations) and to provide that the type of stock to which the 95-percent ownership test applies shall not include nonvoting stock which is limited and preferred as to dividends.

The term "affiliated group" is defined to mean one or more chains of includible corporations connected through stock ownership with a common parent corporation which is itself an includible corporation if—

(a) At least 95 per centum of the stock of each of the includible corporations (except the common parent corporation) is owned directly by one or more of the other includible corporations; and

(b) The common parent corporation owns directly at least 95 per centum of the stock of at least one of the other includible corporations.

In view of the above definition consolidated returns may not be filed by subsidiary corporations as an affiliated group unless the parent corporation through which such subsidiaries are connected is a member of the group. For instance, there will not be recognized as an affiliated group two industrial corporations the common parent of which is an insurance company or a personal holding company. In addition, no corporation which is connected by stock ownership with an affiliated group of includible corporations only through a nonincludible corporation may be included in a consolidated return. If a common parent which is an includible corporation owns 95 percent of the stock of a nonincludible corporation and 95 percent of the stock of an includible corporation, it, and the other includible corporations may, of course, file a consolidated return.

Under section 141 of the Internal Revenue Code and corresponding sections of prior revenue acts, the Commissioner has prescribed by regulations the requirement that all corporations falling within the affiliated group at any time during the taxable year shall join in the consolidated return. The section provides that all the members of the group shall consent to such regulations as a condition to the privilege of filing such return. It is contemplated that the Commissioner will prescribe like requirements for the purposes of the consolidated returns authorized by this section and the section provides that such regulations shall be consented to by all of the includible corporations.

Section 731. Income From Mining Strategic Metals (Sec. 730 of Senate Amendment)

This section is new in the Senate amendment, no comparable provision having been contained in the House bill. It exempts from excess-profits tax income derived from mining, reduction or beneficiation of tungsten, quicksilver, manganese, platinum, antimony, chromite, and tin, or the ores and material containing such metals. These materials have been declared to be strategic mate-

rials by the War Department. The exemption provided in section 730 is intended to encourage their domestic production.

Under the conference agreement, this section is changed to section 731 and it is given a new caption. It exempts from excess-profits tax that portion of the adjusted excess-profits net income of a domestic corporation which is attributable to mining within the United States of tungsten, quicksilver, manganese, platinum, antimony, chromite, or tin. The tax on the remaining portion of the adjusted excess-profits net income is an amount which bears the same ratio to the tax computed on all the adjusted excess-profits net income as such remaining portion bears to the entire adjusted excess-profits net income.

Supplement A. Exchanges: Excess-profits credit based on income

Except for technical changes and the changes indicated below, supplement A of the Senate amendment is the same as supplement A of the House bill.

House bill: Supplement A of the House bill contained provisions whereby, in computing the excess-profits credit of a taxpayer on the average earnings plan, the base-period experience of corporations, the assets of which had previously been acquired by the taxpayer in certain types of transactions, could be taken into account. This provision was intended not only to enable the base-period experience of the enterprise to be more truly reflected but to enable the income credit to be available in certain cases even though the taxpayer had not been in existence during the entire base period. The types of transactions in which the assets of another corporation must have been acquired to entitle the acquiring corporation to these benefits were as follows:

(1) Whereby all the assets of another corporation were acquired in whole or in part for all the stock of the acquiring corporation.

(2) Complete liquidations of subsidiaries under section 112 (b) (6).

(3) Statutory mergers or consolidations.

Senate amendment: Aside from certain technical changes the Senate amendment changed this provision of the House bill only in the following respects:

In addition to the types of transactions covered by the House bill, the Senate amendment added the type of exchange described in section 112 (g) (1) (C) of the Internal Revenue Code, that is, the acquisition by one corporation, in exchange solely for all or a part of its voting stock, of substantially all the properties of another corporation, the assumption by the acquiring corporation of a liability of the other or the fact that property acquired is subject to a liability being disregarded in the determination of whether the exchange is solely for voting stock. There were also added transfers before October 1, 1940, by one corporation of property to another corporation solely as paid-in surplus or a contribution to capital in respect of voting stock of the transferee corporation owned by the transferor corporation, assumptions of liabilities being disregarded as in the case of section 112 (g) (1) (C) reorganizations. Neither of these types of transactions are includible unless the transferor corporation is forthwith completely liquidated in pursuance of the plan under which the acquisition is made, and the transaction of which the acquisition is a part has in all respects the effect of a statutory merger or consolidation.

The Senate amendment also provides that in the case of a taxpayer which became an acquiring corporation in a taxable year after December 31, 1939, if, on September 11, 1940, and at all times thereafter until the taxpayer became an acquiring corporation, either the taxpayer or one of the transferor corporations involved in the transaction in which the taxpayer became an acquiring corporation owned not less than 75 percent of each class of stock of each of the other corporations involved in the transaction, then the average base period net income of the taxpayer should not be less than either (1) its average base period net income would have been if the transaction had not taken place or (2) the average base period net income of that transferor corporation whose average base period net income is the greatest.

A change, corresponding to that made in section 713, was made in section 742, authorizing the omission of one taxable year in the computation of average base period net income.

Conference agreement: The Senate provisions are adopted, except to the extent they authorize the complete exclusion of one taxable year in computing average base-period net income. (See sec. 713.) The conference agreement also makes a clarifying change, whereby section 743 (c) is stricken out and section 740 (g) inserted in lieu thereof. Section 740 (g) provides that the term "component corporation" includes a component corporation of a component corporation, except as used in section 742 (d) (1) and (2) and section 743 (a).

Supplement B. Exchanges: Highest bracket amount and invested capital

House bill: In the computation of the invested capital credit under the House bill, a number of variable factors were employed depending upon the size of the corporation. The preferential treatment accorded small corporations made it necessary to include provisions to prevent a large corporation from receiving small corporation treatment through breaking itself up into a number of small corporations by means of tax-free transactions. Supplement B of the House bill provided the necessary rules for adjusting the various factors employed in the computation of the invested capital credit following certain tax-free transactions.

Senate amendment: The Senate amendment eliminates most of Supplement B as no longer necessary in view of the change made in section 714, relative to the computation of the invested capital credit. Section 751, relative to the determination of property paid in for stock and of borrowed capital in connection with certain exchanges, was retained, however, with a clerical amendment. Section 759, relative to the determination of the preferential rate amount (renumbered sec. 752 and entitled "Highest Bracket Amount"), was also retained, with technical amendments.

The definitions of "exchange", "transfer or upon exchange", "transferee upon exchange", and "preferential rate amount" (renamed "highest bracket amount"), contained in section 750 of the House bill, were also retained but the term "exchange" was clarified so as to make it clear that only transactions occurring after December 31, 1917, are embraced in the definition. Broadly speaking, the tax-free exchange provisions did not appear in the income-tax law until after such date.

Conference agreement: The conference agreement adopts the Senate provisions.

Amendments Nos. 2, 3, and 4: These are changes in title and section numbers. The House recedes.

Amendment No. 5: Section 124 (d) as added to the Internal Revenue Code by the House bill provided for making certain adjustments on account of changes in prior amortization or depreciation deductions occasioned by the provisions of subsection (d) (1), (2), (3), and (4), which adjustments were to be made without regard to the statute of limitations, closing agreements, or any other final determination of tax liability. This amendment expands such provision so as to cover the recomputation required by subsection (i), added by amendment No. 11. Because of the changes made in subsection (i) in conference, this amendment is no longer necessary, and the Senate recedes.

Amendment No. 6: This is a clarifying amendment expanding the definition of the term "emergency facility" to include any facility which meets the required conditions, as well as land, buildings, machinery, or equipment, in terms of which the definition in the Houes bill was phrased. This is to make certain that the cost of dry docks, channels, airports, and similar facilities may be amortized. The House recedes.

Amendments Nos. 7, 8, and 9: These amendments substitute January 1, 1940, for July 10, 1940, the date contained in the House bill, as the date (1) after which the construction, reconstruction, erection, or installation of any facility must have been completed or its acquisition have taken place in order that the cost thereof may be subject to amortization, (2) with which the period of national emergency begins during which the facility must have been necessary in the interest of national defense, and (3) in terms of which the portion of the adjusted basis subject to amortization is defined. The House recedes with an amendment fixing June 10, 1940, as such date.

Amendment No. 10: Under the House bill, the certificate entitling the taxpayer to amortization must have been issued before whichever of the following dates was the later: (1) The beginning of the construction, etc., of the facility, or the date of its acquisition, or (2) the sixtieth day after the enactment of the bill. The Senate amendment changed the day specified in (2) to the one hundred and twentieth day after the enactment of the bill. The House recedes.

Amendment No. 11: This amendment substitutes for section 124 (i), (j) and (k) of the House bill a new subsection (i). In general, subsections (i), (j) and (k) of the House bill prohibited the destruction, demolition, etc., of any emergency facility without the consent of the Secretary of War or the Secretary of the Navy, and provided penalties for violations thereof. The substitue provision inserted by the Senate amendment provides that, if the taxpayer has been or will be paid or substantially reimbursed by the Government for all or a part of the cost of any emergency facility pursuant to any Government contract for the construction or acquisition of such facilities, or the purchase of supplies, or otherwise, amortization of the cost of such facility (including any amortization previously taken) will be disallowed unless within 30 days after making of such contract, or 60 days after the date of the enactment of the bill, whichever of such periods expires the later, the Advisory Commission to the Council of National Defense and either the Secretary of War or the Secretary of the Navy have certified to the Commissioner Internal Revenue that the contract contains provisions adequately protecting the public interest with respect to the future use and disposition of the facilities. The terms and conditions of such contracts with reference to payment or reimbursement of the cost of such facilities and the protecting of the Government's interest therein shall be made available to the public.

The House recedes with an amendment: Under the conference agreement, reimbursement by the United States must have been either (1) directly, by provision of any contract with the United States dealing expressly with such reimbursement, or (2) indirectly, because the price paid by the United States (insofar as return of cost of the facility is used as a factor in the fixing of such price) is recognized by the contract as including a return of cost greater than the normal exhaustion, wear and tear. In the event of such reimbursement and in the absence of the required certificate, amortization with respect to the facility in question is disallowed, but only for the period following the end of the month in which the contract is made. The time within which the certification that the Government's interest is adequately protected is required to be made has been increased to 90 days after the making of the contract or 120 days after the date of enactment of the bill. It is further provided that a certificate made by the Advisory Commission and either the Secretary of War or the Secretary of the Navy to the Commissioner of Internal Revenue, within 90 days after any contract is made or 120

days after the enactment of the bill, to the effect that, under such contract, reimbursement is not provided for within the meaning of the above provisions, shall be conclusive of such fact for the purposes of this provision.

Under the conference agreement the provision with respect to publicity has been retained.

Amendments Nos. 12, 13, 14, and 15: These are clerical amendments. The House recedes.

Amendments Nos. 16 and 17: The effect of these amendments is to add to the class of contracts or subcontracts relative to which the profit-limiting provisions of the Vinson-Trammell Act are suspended, any contracts or subcontracts which were entered into before the beginning of the contractor's or subcontractor's first taxable year which began in the year 1940 and which are not completed until after the last taxable year to which the excess-profits tax is applicable. The House recedes.

Amendment No. 18: This amendment adds a new section suspending the profit-limiting provisions of the Merchant Marine Act of 1936 as to any subcontract which would otherwise be subject to such act, if such subcontract was entered into by a corporate contractor with a corporate subcontractor in any taxable year of the subcontractor subject to the excess-profits tax, and if the principal contractor and the subcontractor were not affiliated at the time such subcontract was entered into or at any time thereafter up to and including the date of its completion. The definition of "affiliated" is substantially the same as that contained in section 2704 (b) (1) of the Internal Revenue Code, i. e., two or more corporations shall be deemed to be affiliated (1) if one corporation owns at least 95 percent of the stock of the other or others, or (2) if at least 95 percent of the stock of two or more corporations is owned by the same interests. For the purposes of such rule the term "stock" is not to include nonvoting stock which is limited and preferred as to dividends. The House recedes.

Amendments Nos. 19 and 20: These are changes in title and certain numbers. The House recedes.

Amendments Nos. 21, 22, 23, and 24:

The House bill provided rules applicable to taxable years beginning after December 31, 1938, for determining the effect on earnings and profits of the sale or other disposition (after February 28, 1913) of property by a corporation or the receipt by it of tax-free distributions. It also provided that such rules should not affect the extent to which accumulated earnings and profits are increased by reason of increase in value of property accrued before March 1, 1913, but realized on or after such date. In order to effect a uniform rule for all prior taxable years, it provided that the stated rules shall be applied for the purpose of the Revenue Act of 1938 or any prior revenue act as if such rules were a part of each such act when it was enacted. The rules apply not only for the purpose of determining when a distribution is a taxable dividend but also for the purpose of determining accumulated earnings and profits in computing equity invested capital for excess-profits-tax purposes.

The Senate amendments rearrange the provisions of the House bill, define earnings and profits, provide a method for determining that part of the earnings and profits consisting of the increase in value of property accrued before March 1, 1913, and, as to prior acts, provide that the rules for determining earnings and profits shall not affect the tax liability of any taxpayer for a particular year now pending before, or heretofore determined by, the Board of Tax Appeals, or any court of the United States.

The House recedes on amendment No. 23 and with amendments Nos. 21, 22, and 24, which substitute for the Senate provisions two subsections providing as follows:

Subsection (l) provides that the gain or loss realized from the sale or other disposition (after February 28, 1913) of property by a corporation is to be determined for two purposes: (1) The computation of earnings and profits of the corporation as a whole, primarily for invested-capital purposes and (2) the computation of earnings and profits of the corporation for any period beginning after February 28, 1913, for the purpose of determining the character of dividend distributions. In (1) there is used the adjusted basis (under the law applicable to the year in which the sale or other disposition is made) for determining gain, but disregarding value as of March 1, 1913. In (2) there is used such adjusted basis for determining gain, giving effect to the value as of March 1, 1913, whenever applicable. The term "adjusted basis" means adjusted basis specified by the law, for example, see section 113 (b) of the Internal Revenue Code, but is subject to the limitations of the third sentence of subsection (l) relative to adjustments proper in determining earnings and profits. The proper adjustments may differ under subsection (l) (1) and (2). Where the operation of subsection (l) results in a loss to be applied in decrease of earnings and profits, such loss may be subject to an adjustment required by subsection (m) (2).

The provisions in the House and Senate bills, that gain or loss so realized shall increase or decrease the earnings and profits to, but not beyond, the extent recognized in computing net income under the law applicable to the year in which such sale or disposition was made, are retained. As used in this subsection the term "recognized" relates to a realized gain or loss which is recognized pursuant to the provisions of law, for example, see section 112 of the Internal Revenue Code. It does not relate to losses disallowed or not taken into account.

The provision in the House bill and Senate amendment, for cases in which the adjustment, prescribed in section 113, to the basis indicated in paragraph (1) or (2), as the case may be, of subsection (l), differs from the adjustment to such basis proper for the purpose of determining earnings or profits, and the provisions with respect to tax-free distributions, are also retained.

Subsection (m) provides rules for determining, for the purposes of section 115 (b) of the code, that part of the earnings and profits which is represented by increase in value of property accrued prior to March 1, 1913, but realized on or after such date.

Paragraph (1) of subsection (m) sets forth the general rule with respect to computing the increase to be made in that part of the earnings and profits consisting of increase in value of property accrued before March 1, 1913. Illustrations of the application of this paragraph are set forth in examples (1) and (4) of the Senate Finance Committee Report No. 2114, pages 25 and 26.

Paragraph (2) of subsection (m) is an exception to the general rule in paragraph (1) of subsection (m) and also operates as a limitation on the application of subsection (l). It provides that, if the application of subsection (l) to a sale or other disposition after February 28, 1913, results in a loss which is to be applied in decrease of earnings and profits for any period beginning after February 28, 1913, then, notwithstanding subsection (l) and in lieu of the rule provided in paragraph (1) of subsection (m), the amount of such loss so to be applied shall be reduced by the amount, if any, by which the adjusted basis of the property used in determining the loss, exceeds the adjusted basis computed without regard to the value of the property on March 1, 1913. If the amount so applied in reduction of the loss exceeds such loss, the excess over such loss shall increase that part of the earnings and profits consisting of increase in value of property accrued before March 1, 1913. The following examples will show the application of subsection (m) (2):

Example (1). Nondepreciable property was acquired prior to March 1, 1913, at a cost of $8, its value as of March 1, 1913, was $12, and it was sold in 1939 for $10. Under subsection (l) (2) the adjusted basis would be $12 and there would be a loss of $2. Assuming that such loss is recognized under section 112 of the Internal Revenue Code, the application of subsection (l) (2) would result in a loss from the sale in 1939 to be applied in decrease of earnings and profits for that year. Subsection (m) (2), however, applies and the loss of $2 is reduced by the amount by which the adjusted basis of $12 exceeds the cost of $8, namely $4. The amount of the loss is, accordingly, reduced from $2 to 0 and there is no decrease in earnings and profits for the year 1939 as the result of the sale. The amount applied in reduction of the decrease, namely $4, exceeds $2. Accordingly, as a result of the sale the excess of $2 increases that part of the earnings and profits consisting of increase in value of property accrued before March 1, 1913.

Example (2). Nondepreciable property was acquired prior to March 1, 1913, at a cost of $10, its value as of March 1, 1913, was $12, and it was sold in 1939 for $8. Under subsection (l) (2) the adjusted basis would be $12 and there would be a loss of $4. Assuming that such loss is recognized under section 112 of the Internal Revenue Code, the application of subsection (l) (2) would result in a loss from the sale in 1939 to be applied in decrease of earnings and profits for that year. Subsection (m) (2), however, applies and the loss of $4 is reduced by the amount by which the adjusted basis of $12 exceeds the cost of $10, namely $2. The amount of the loss is, accordingly, reduced from $4 to $2 and the decrease in earnings and profits for the year 1939 as the result of the sale is $2 instead of $4. The amount applied in reduction of the decrease, namely $2, does not exceed $4. Accordingly, as the result of the sale there is no increase in that part of the earnings and profits consisting of increase in value of property accrued before March 1, 1913.

The House bill and Senate amendment provided that, in order to effect a uniform rule for all prior years, the stated rules are made applicable to prior acts, but the Senate amendment added a provision providing that such rules should not affect the tax liability of any taxpayer for any year now pending before, or heretofore determined by, the Board of Tax Appeals, or any court of the United States. The tax liability may be that of the corporation the earnings or profits of which are being determined, or the tax liability of a shareholder of such corporation, or of some other taxpayer. These tax liabilities are left to be determined according to such decisions as the Board or courts may make under existing law. As to all matters except such tax liabilities, such stated rules are applicable, and res judicata will not be applicable. The House recedes with an amendment providing that the exception added by the Senate amendment relative to pending or decided cases shall apply only if the tax liability in question was pending before the Board of Tax Appeals or any court of the United States on September 20, 1940, or was determined prior to such date by the Board of Tax Appeals or any court of the United States.

Amendments Nos. 25 to 33, both inclusive: These amendments are changes in section numbers and cross-references. The House recedes on amendments Nos. 25, 28, 29, 30, 31, 32, and 33, and with amendments making further changes in cross-references on amendments Nos. 26 and 27.

Amendment No. 34: This amendment adds at the end of supplement A of subchapter C of chapter 1 of the Internal Revenue Code a new section providing a special rule for the taxation of certain compensation received from the United States for patent infringement. The Senate recedes.

Amendment No. 35: This amendment was inserted by the Senate to carry out the recommendations contained in the President's message of September 14, 1940. Due to the time element, the amendment was written in broad language so that the entire subject matter of such message would be before the conferees for such action as

they deemed appropriate to take. As the amendment passed the Senate, it conferred authority on the President (1) to establish a system of allotments and allowances for the dependents of persons serving in the land or naval forces of the United States, (2) to provide a system of insurance for such persons, (3) to provide unemployment allowances for them upon termination of their service, and (4) to preserve and modify their benefit rights under the Social Security Act and the Railroad Retirement Acts. There was no comparable provision in the House bill. The House recedes with an amendment which is divided into two parts.

Part I establishes a new system of insurance, called National Service Life Insurance, for persons in the active service of the land or naval forces (including the Coast Guard) of the United States. Such insurance (1) will be payable only in the event of death; (2) will carry premium rates based upon the American Experience Table of Mortality and interest at the rate of 3 per centum; (3) will be first issued as five-year level premium term insurance with the privilege of converting it into ordinary life, 20-payment life, or 30-payment life; (4) will contain provision for waiver of premiums, in the discretion of the Administrator, in the event of the continuous total disability of the insured for six months; (5) will provide that the United States will bear the excess mortality cost and the cost of waiver of premiums on account of total disability, when death or disability is traceable to the extra hazard of military or naval service; (6) will be payable in 240 equal monthly installments if the beneficiary is under 30 years of age, and in 120 equal monthly installments if the beneficiary is 30 years of age or over with payments continuing during the remaining lifetime of such beneficiary; and (7) will provide that unpaid installments remaining at the death of the beneficiary will be paid at the same rate and, unless designated in a different order by the insured, to the persons specified and in the order enumerated in section 602 (h) (3) of the amendment.

Persons in the active service may not take out United States Government life insurance after the date of enactment of this Act, but will be limited to National Service Life Insurance as provided in this part. The rights of World War Veterans under existing law with respect to United States Government life insurance is, however, not changed. No person may carry more than $10,000 of National Service Life Insurance nor a combined amount of National Service Life Insurance and United States Government life insurance in excess of $10,000 at any one time. The decision of the Administrator is made final and conclusive on all questions of law and fact, and there is specific provision that such decision shall not be reviewable by any other official or court of the United States, except in the event of suit as provided in section 817. The right to waiver of premiums is the only item which would involve any considerable amount of controversy between the insured or his beneficiaries and the Government, and as the waiver of premiums is an entirely gratuitous feature, it is not believed that suit against the United States to secure such gratuity should be authorized. For this reason section 817 authorizing a suit pursuant to section 19 of the World War Veterans Act specifically makes the decisions of the Administrator as to waiver or nonwaiver of premiums binding on the court.

Part II of the amendment prevents loss of annuity credit under the Railroad Retirement Acts, which occurred by reason of the interruption of service in the railroad industry by military service during periods prior to January 1, 1937, when a Federal Conscription Act was in effect or during periods of war or during periods when members of the National Guard or of other Reserve forces of the United States may have been required by any act of Congress, or by a call of the President pursuant to such act, to serve in the armed forces of the United States. In some cases individuals have failed to qualify for annuities because the time they spent in military service during the last World War or in other war periods could not be included in their years of service, and in other cases, although the individuals have qualified for annuities, such annuities were in amounts less than would be the case could such periods of military service have been taken into consideration. To prevent such losses to individuals whose railroad service has been interrupted by military service in such periods as above described, part II of the amendment provides for the inclusion of such military service, both for eligibility for an annuity and for computing the amount of the annuity. It provides methods for adjudicating again claims which have been adjudicated in the past but in which military service was not considered; and for the adjudication of claims in the future in which military service prior to January 1, 1937, may be a factor. Inasmuch as the additional costs resulting from the payment of benefits under the Railroad Retirement Acts on the basis of military service is not properly chargeable to the railroad industry, provision is made in the amendment for the payment of these costs by specific Government appropriations.

The managers on the part of the House desire to state that they agree with the managers on the part of the Senate that all of the proposals contained in Senate amendment numbered 35 should be given prompt and careful consideration. Inherent in those proposals, however, are broad and important problems of public policy which need intensive study and investigation before intelligent decisions may be reached with respect thereto. It is hoped that a comprehensive study of the subject matter contained in the President's message of September 14, 1940, be made as soon as practicable to the end that the proposals contained therein may be enacted into law with all reasonable dispatch.

Amendment No. 36: This amendment is intended to permit credit against the Federal unemployment tax for the calendar year 1936, 1937, 1938, or 1939, on employers of eight or more employees, for contributions paid by the employer before the sixtieth day after the date of enactment of this act into an unemployment fund under a State law. If the employer has paid the Federal tax without the benefit of the credit, a refund based on the credit would be permitted. With certain limited exceptions, the time has expired under existing law for paying contributions upon which credit against the tax for such years may be based. The House recedes with an amendment allowing the same extension of time as is provided in the Senate amendment, permitting credit against the tax for the same years, and providing for refunds based on the credit. However, in the case of the tax for 1939 and subsequent years, the provisions of existing law contained in section 1601 (a) (3) of the Federal Unemployment Tax Act limit the amount of credit, on account of contributions paid after the due date of the Federal return of the tax against which credit is taken but before July 1 next following such due date, to 90 percent of the amount which would have been allowable as credit on account of such contributions if they had been paid on or before the due date. The conference agreement retains that limitation on the credit against the tax for 1939 with respect to contributions paid before the sixtieth day after the date of enactment of this act. No similar limitation is provided with respect to the tax for prior years. In addition to certain clarifying changes from the Senate amendment, the conference agreement permits credit for contributions paid, without regard to the date of payment, if the assets of the taxpayer are at any time during the 59-day period following the date of enactment of this act, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

Amendment No. 37: This amendment adds a new title, entitled "War-Profits Tax", imposing increased income and excess-profits taxes in the event of war. The Senate recedes.

R. L. DOUGHTON,
THOMAS H. CULLEN,
JOHN W. MCCORMACK,
JERE COOPER,
ALLEN T. TREADWAY,
FRANK CROWTHER,
HAROLD KNUTSON,
Managers on the part of the House.

Mr. DOUGHTON (interrupting the reading of the statement). Mr. Speaker, I ask unanimous consent to dispense with further reading of the statement.

The SPEAKER. Is there objection?

Mr. RICH. Mr. Speaker, reserving the right to object, I would like to ask the gentleman this question: Since we have only a short time to consider this conference report, it seems to me that the chairman of the Ways and Means Committee should have someone explain the tax proposal, because when this tax bill first came before the House it was called an excess profits tax bill. Now we have changed it to "the corporation income-tax bill."

Mr. DOUGHTON. The gentleman is in error on that. It is not changed.

Mr. RICH. It is called "the corporation income-tax bill."

Mr. DOUGHTON. Well, that is included, but it is not changed. The excess-profits tax is still in the bill.

Mr. RICH. I said you had changed it from "excess-profits tax" to "corporation income tax."

Mr. DOUGHTON. Well, it is both. The gentleman has been inquiring where we would get the money, and we can get considerable money there. Surely the gentleman would be favorable to that.

Mr. RICH. I would like to know how much money you are going to get by this bill, but I would like to know what difference and changes you have made in the regular excess profits tax schedule from what we had previous to the enactment of this conference report, if we do enact this report, which I think will be the case. Then we should have somebody explain to us what changes have been made in the excess-profits tax and the normal corporate taxes, because we are going to pass this bill in the next hour, and I think the Members of the House ought to know at least something about the bill, for they legislate and the people pay. Certainly they should know a little of what it is all about.

Mr. DOUGHTON. With all due respect for the distinguished statesman from Pennsylvania, I think he is a little premature, because that is what we had in mind—to explain the bill and to answer any questions. I will say to the gentleman from Pennsylvania that after I make a general statement I shall yield to the gentleman from Tennessee [Mr. COOPER], chairman of the subcommittee on taxation, who is perhaps

more familiar with the details of the bill than anyone else, and under whose leadership the bill was largely prepared. We shall endeavor as far as we can to make a general explanation and answer any questions that may be in the mind of the gentleman from Pennsylvania or any other Member.

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

There was no objection.

The SPEAKER. The gentleman from North Carolina [Mr. DOUGHTON] is recognized.

Mr. DOUGHTON. Mr. Speaker, after 7 days in conference, the conferees of the House and Senate have reached an agreement on the matters in disagreement between the House and Senate on the excess profits tax bill (H. R. 10413).

In all my experience since I have been a Member of Congress, and especially since I have been a member of the Committee on Ways and Means, I have never known any tax bill that is as complex and involved as an excess profits tax bill. This one is no exception to the rule.

All tax legislation must, of necessity, be complex. Our corporate system is so involved that we must make our taxes agree as far as we possibly can or comport with our corporate system. We cannot make the corporate system comport with or agree with our tax laws. The whole question of excess-profits taxation is within itself a complex subject. Anyone who has not had experience in the writing of an excess profits tax law cannot even imagine the headaches connected with an honest effort to bring out a well-balanced, fair, and equitable excess profits tax bill. But under the circumstances, as you all know, I think it was the considered judgment of the Members of Congress, as well as the American people, that we should have an excess profits tax law at this time.

Of course, the need of haste in the preparation of this bill perhaps prevented the committees of the two bodies of Congress from giving as complete and full consideration as we ordinarily would in the preparation of a tax bill, but I will say with respect to the matter of haste that your committee did not permit the necessity for haste to interfere with making a very thorough and painstaking study of the subject. When the bill was originally brought before the House by our committee, the House did us the honor of passing the bill almost unanimously. We appreciated that very much, because we felt it was a tribute to the work of the Committee on Ways and Means. In fact, this House has always been very generous in its consideration of the work of our committee. We hope that in the future we will not do anything that will in any way cause the Members of the House to have less confidence in our committee than they have manifested in the past.

At the time the bill was before the House we gave the House assurance that we had made careful study of the matter and up to that time had brought out the best bill that in our considered judgment was reasonably possible.

When the bill went to the Senate, of course, as is always the case and properly so, it was referred to the Senate Committee on Finance. Hearings were held and careful study was given the subject. The Senate added quite a number of amendments to our bill, many of them merely clerical in character and making typographical changes, amendments that did not effect any fundamental change in the bill as it left the House.

As agreed upon by the conferees the fundamental principles of the House bill are retained in the conference agreement. There are, of course, some modifications. The Senate had more time than we. They, too, conducted hearings, they called additional witnesses and had the advantage, of course, of the study the House committee had given the question. I think that had we had additional time some of the amendments adopted by the Senate probably would have been included in the bill as it was presented to the House.

My good friend, the gentleman from Pennsylvania [Mr. RICH], mentioned the increase in the corporation tax. The Senate added an amendment increasing the normal corporation tax by 3.1 percent. In the conference this provision was changed so as to apply only to those corporations earning more than $25,000 net income per annum. We did this because of the urgent need for additional revenue. The excess-profits tax and the increase in the normal-profits tax are separate but we thought that in consideration of the great need for additional revenue, we could very well afford to agree to that amendment with the proviso excepting, as I have stated, small corporations. We always try to look out for the small corporations, for they have more difficulty in the management of their business than do the large ones. They have more difficulty in securing credit, they do not have large purchasing power, and in other ways small corporations are at some disadvantage as contrasted with the large ones. So we gave them the benefit of the exemption from the increase in the normal corporation tax. As I just stated, need for additional revenue was the reason we agreed to this increase, and I think in this we acted properly. I was in full accord with it myself.

You will recall that we recently passed a billion-dollar tax bill known as the tax bill of 1940 which is estimated to increase the revenues of the Federal Government by about $1,000,000,000. In my judgment, after getting the very best estimate I can, if business continues, as we have every right to suppose it will, I believe this bill we are now considering will in a full year's operation produce revenue of $1,000,000,000—at least from $800,000,000 to $1,000,000,000; and this in itself will be quite an item in the revenues of the Government.

In a conference, of course, each body has to respect the views of the other, and there must be concessions by each body. Where there are material or considerable differences, concessions on the part of each body are absolutely necessary. I feel that the concessions by the conferees on the part of the House and Senate were about equal. As I stated, we have retained the fundamental principles of the bill; and I believe the conferees have brought out a bill that under all the circumstances under which it was considered and has been reported is as fair and reasonable a tax bill and will come as near producing the results we desire as would be reasonably possible in the time available to us. Had we had months and months we might have brought out a better bill, but it would take years of study. After all, no tax bill has ever been perfect, and we do not claim that for this one; but I do believe that the future administration of this law and subsequent events will disclose that this conference report under all the circumstances is as fair and equitable as could be brought back.

If the gentleman from Pennsylvania or any other Member desires to ask me any questions I shall be pleased to try to answer them, but right here let me say that so far as explaining the details of the bill is concerned I prefer that it be done by the gentleman from Tennessee [Mr. COOPER], who has made a more thorough study and done more work on the bill than probably any other member of the committee. His labors in this connection have been arduous in the extreme, and when I complete my remarks I shall yield to him for the purpose of explaining the bill and answering questions.

Mr. RICH. I thank the gentleman. Will the gentleman from North Carolina himself, or will he have some member of the committee, possibly the gentleman from Tennessee [Mr. COOPER], set out in the RECORD a table showing the taxes assessed under the bill as it left the House compared with the taxes assessed by the bill as it comes back from conference that the general public may have information from which it can understand the bill? Nowadays it requires a tax expert to digest these things. So if the gentleman will have that done I shall appreciate it myself and I know it would be appreciated by everyone.

Mr. DOUGHTON. Somebody will do that.

Before taking my seat let me express my thanks and appreciation to the staffs that worked so earnestly, faithfully, and intelligently on this bill. I am delighted with the fact that throughout the entire consideration of this bill by the House Committee on Ways and Means and in the conference committee there was not the slightest trace or evidence of partisanship. I compliment and express my thanks to the minor-

ity members of our committee. The gentleman from Massachusetts [Mr. TREADWAY] and other minority members worked just as faithfully, assiduously, and diligently as any of the rest of us to bring out a workable bill. I repeat, it is heartening to me in this time of national stress and strain that this great committee could work on this complicated and far-reaching measure free of any suspicion, taint, or trace of partisanship.

Mr. REES of Kansas. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Kansas.

Mr. REES of Kansas. There has been some publicity to the effect that the Senate has reduced the amount of taxes that the great large corporations will have to pay. That is to say, under the Senate version and under the measure now before us, some of the large corporations will not have to pay as much taxes as they would have under the Senate version or even under the version of the conferees. Can the gentleman answer that question?

Mr. DOUGHTON. The gentleman's question is not clear to me.

Mr. REES of Kansas. There has been quite a little publicity to the effect that big corporations will not have to pay as much tax as they would have had to pay under the House bill.

Mr. DOUGHTON. Probably some of them will not, but all corporations will pay more than they would pay under the present law.

Mr. REES of Kansas. Will they pay as much or more under the bill as we have it today or under the bill as it left the House?

Mr. DOUGHTON. Some of them will pay slightly less and some of them will pay considerably more.

Mr. REES of Kansas. Perhaps the gentleman has answered the question.

Mr. COOPER. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Tennessee.

Mr. COOPER. I think a fair statement in answer to the gentleman's question is that the conference report is estimated to yield more revenue than the bill was estimated to yield at the time it passed the House.

Mr. REES of Kansas. I thank the gentleman.

Mr. COOPER. And under the Senate bill too. The conference report is estimated to yield more revenue than either the bill passed by the House or the bill passed by the Senate. Because of the nature of things, we have had to combine both bills.

Mr. DOUGHTON. Mr. Speaker, I now yield 10 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. RICH. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Pennsylvania.

Mr. RICH. While this bill yields more money, will that be because of the fact that you have this 3.1 percent on the corporations over and above $25,000, and have you reduced what we called and termed the excess-profits tax on corporations that made a great amount of money over and above the 8 percent that it was intended to yield on their capital stock?

Mr. COOPER. The conference report will yield substantially more revenue than the bill would have yielded as it passed the House or the bill would have yielded as it passed the Senate. In the very nature of things, in working out a compromise it has been necessary for your conferees to combine certain features of both bills. The combination will result in more revenue.

Mr. RICH. Will certain corporations that have made exorbitant profits on their capital invested be permitted to earn a greater amount by this bill than they would by the bill passed by the House?

Mr. COOPER. Well, they cannot earn any more than 8 percent of their invested capital. Of course, as the bill passed the House there was a provision on invested capital. For the first $500,000 they were allowed 7 percent, and all above that they were allowed 5 percent. Under the bill as it now stands they are allowed 8 percent on their invested capital for the taxable year.

Mr. TREADWAY. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. In view of the inquiries that have been made by the gentleman from Pennsylvania and other gentlemen, I think it might be well if the gentleman from Tennessee would start his remarks with an estimate furnished us by the experts as to the probable receipts under the existing bill. It may be difficult to present those figures, but I think the House would be glad to have some definite reference to those figures.

Mr. COOPER. I will be pleased to do that if it is desired at this time.

Mr. KNUTSON. I have several questions I would like to propound for the purpose of clarifying section 401 which the gentleman will recall was rewritten in the Senate and then rewritten in conference because the drafting board had not gotten just exactly what we thought we wanted.

Mr. COOPER. I will do the best I can to try to answer questions, but I will have to take them one at a time.

Mr. KNUTSON. Does the conference agreement in any way prevent increase in value of property accrued before March 1, 1913, or earnings and profits accumulated prior to March 1, 1913, from being distributed tax-free?

Mr. COOPER. The answer to that is no.

Mr. KNUTSON. The conference agreement carries out the policy of including both increase in value realized and earnings and profits before March 1, 1913, in accumulated earnings and profits, does it not?

Mr. COOPER. Yes.

Mr. KNUTSON. I have just one more question. Does section 401 entitled "Earnings and Profits of Corporations," as amended in the Senate and rewritten in conference permit the inclusion of pre-March 1, 1913, appreciation, realized since that date, in equity invested capital?

Mr. COOPER. Yes. Since the gentleman from Minnesota has raised those questions, I may add that the conference agreement in no way disturbs the Attorney General's opinion that pre-March 1, 1913, dividends from another corporation may be distributed by the receiving corporation tax-free to its shareholders.

Mr. KNUTSON. I thank the gentleman.

Mr. COOPER. Mr. Speaker, in response to the question asked by the distinguished gentleman from Massachusetts [Mr. TREADWAY] I should like to give the House the benefit of this statement of estimates furnished me by the Treasury Department with respect to this bill.

Second Revenue Act of 1940. Estimated yield at estimated calendar year 1940 income levels and under arbitrary assumptions as to increase in net income over the lower estimate for calendar year 1940, in millions of dollars.

Nineteen hundred and forty levels, gross yield excess-profits tax, from one hundred and eighty-five to two hundred and ninety-five millions. Increase in normal tax, from two hundred and twenty to two hundred and thirty millions. Total, four hundred and five to five hundred and twenty-five millions.

Assuming an arbitrary income increase of 10 percent, the gross yield, excess-profits tax, would be four hundred millions, the increase in normal tax two hundred and forty millions, or six hundred and forty millions.

At an estimated income increase of 15 percent their figures would be five hundred and five millions excess-profits tax, and two hundred and fifty millions increase in normal tax, or a total of seven hundred and fifty-five millions.

Assuming an increase of 20 percent, the excess-profits tax would be six hundred and ten millions, the increase in normal tax two hundred and sixty millions, or eight hundred and seventy millions.

Assuming a 25-percent increase, the excess-profits tax would be seven hundred and twenty-five millions, the increase in normal tax two hundred and seventy millions, or a total of nine hundred and ninety-five millions.

Assuming a 30-percent increase, the excess-profits tax would be eight hundred and fifty millions, the increase in normal tax two hundred and eighty millions, or a total of $1,130,000,000.

The net yield excess-profits tax for 1940 is estimated at from $155,000,000 to $245,000,000. The increase in normal tax 1940 is estimated at from $185,000,000 to $190,000,000. This is a total of from $340,000,000 to $435,000,000.

Without going further into detail I will insert a table showing estimates of the revenue under the bill.

Second Revenue Act of 1940 [1]*—estimated yield at estimated calendar year 1940 income levels and under arbitrary assumptions as to increase in net income over the lower estimates for calendar year 1940*

[Millions of dollars]

	1940 levels [2]	Assuming arbitrary income increase				
		10 per-cent	15 per-cent	20 per-cent	25 per-cent	30 per-cent
Gross yield:						
Excess-profits tax	185–295	400	505	610	725	850
Increase in normal tax	220–230	240	250	260	270	280
Total	405–525	640	755	870	995	1,130
Net yield: [3]						
Excess-profits tax	155–245	330	410	490	580	675
Increase in normal tax	185–190	195	205	210	220	225
Total	340–435	525	615	700	800	900

[1] H. R. 10413, conference agreement, Sept. 29, 1940.
[2] Probable range of revenue yields.
[3] Allows for decrease in income-tax collections.

Source: Treasury Department, Division of Research and Statistics, Sept. 29, 1940.

In estimating the amount of revenue to be yielded by any bill, you have to take into consideration the conditions as they exist and improvements in business that are contemplated; in other words, the Federal Reserve index and various other factors that we have a right to look to for some degree of guidance and assistance in trying to arrive at estimates indicate there will be a further upturn or improvement in business conditions of the country.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. JENKINS of Ohio. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. The gentleman has probably answered the question I rose to ask, with reference to the 20-, 25-, and 30-percent increase. Does this mean an increase in the national income or in general business, or does it mean all those factors the Treasury takes into consideration in figuring the probable increase in income?

Mr. COOPER. Statutory net income, assuming arbitrary income increases.

Mr. LEAVY. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Washington.

Mr. LEAVY. As I understand, consolidated returns are not allowed under the normal corporate tax.

Mr. COOPER. That is correct, except in the case of railroad companies.

Mr. LEAVY. Under this bill, however, consolidated returns are provided for.

Mr. COOPER. That is right.

Mr. LEAVY. Is the language of the bill such as to protect the individual corporation that stands alone as against the corporation that is one of a great group? In other words, is there not an advantage to a corporation that is a part of a group or part of a holding company or an affiliate in a corporate structure, by reason of allowing consolidated returns?

Mr. COOPER. No; I do not believe it can be answered in exactly that way. Of course, the bill provides that where, as an illustration, the parent corporation owns 95 percent of each class of the voting stock of the subsidiary corporation, consolidated returns are permitted.

Mr. LEAVY. Would it be possible for a holding company or a large corporate structure to set up new corporations that would take a chance, and thus absorb the profits?

Mr. COOPER. No; we definitely provide in this bill that they cannot split up or divide, and thus gain an advantage by reason of the consolidated-return provision.

Mr. REES of Kansas. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Kansas.

Mr. REES of Kansas. Do I correctly understand the gentleman to say that the parent company has to own as much as 90 percent of the stock in order to be permitted to file a consolidated return?

Mr. COOPER. Ninety-five percent of the voting stock of the subsidiary corporation.

Mr. LECOMPTE. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Iowa.

Mr. LECOMPTE. An amendment to the Social Security Act for credit for unemployment taxes was placed in the bill in the Senate. It was offered by Senator CLARK of Missouri, I believe. Is that amendment retained?

Mr. COOPER. It is retained in the conference report.

Mr. LECOMPTE. Is it amended or just retained?

Mr. COOPER. There is only a clarifying amendment added. In other words, it gives them one more chance. We said in 1939 that we were giving them one more chance, and the last chance, but we recognized that there is a considerable degree of equity in a number of cases that have been presented, so the conferees have accepted the so-called Clark amendment with certain clarifications, and we are going to allow them one more chance. However, we hope they will take advantage of this opportunity to get the thing cleaned up for these back years so that we will not be called upon from time to time to extend the privilege further.

Mr. LECOMPTE. I thank the gentleman. I believe that will result in bringing in a good deal of money.

Mr. COOPER. We think it will be helpful.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. I would like to call attention to the fact that there is virtually a 10-percent penalty in the amendment that was adopted as drawn up by the Treasury Department.

Mr. COOPER. It is the same as the provision in the 1939 Social Security Act.

Mr. KNUTSON. I thought that was 100.

Mr. COOPER. No; the fact is, as I recall the Senate amendment, it provided for 100, but in conference we worked it out so that the provision in the conference report conforms to the provisions of the Social Security Act passed in 1939. So the situation now will be the same as it was under the 1939 Social Security Act.

Mr. KEEFE. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield to the gentleman.

Mr. KEEFE. On page 7, of the report, under the heading "Excess-profits credit," a question has been asked me by several of my constituents as to why you arrive at the 95 percent of the average base period income as an excess-profits credit rather than 100 percent.

Mr. COOPER. I will be pleased to answer that and that is one of the main things, I think, which should be explained to the House. It may take more than a moment to do that, if I may be indulged.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. COOPER. It will be remembered that under the House bill your Committee on Ways and Means unanimously worked out an arrangement for corporations to take either one of two alternative plans. They could either take the average-earnings plan, which contemplated the average earnings of the corporation over a base period of the years 1936 to 1939, inclusive, or they could take the invested-capital plan. The House bill also provided for the same 4-year base period for the invested-capital plan. The House bill also imposed for the privilege of taking the average-earnings plan an excess-profits

tax of 4.1 percent of the corporation's normal corporation tax net income. The Senate changed that, in that it eliminated the 4.1-percent differential and it changed the invested-capital plan to the extent that it eliminated the 4 years of the base period and simply provided that for the taxable year the corporation would be allowed 8 percent on its invested capital under the invested-capital plan.

It will be recognized, and I think was recognized, by the members of the Ways and Means Committee that there should be some differential between these two alternative plans, in the interest of fairness for the new corporations, the low-income corporations, and those that could not take the average-earnings plan, for as I endeavored to illustrate during my remarks when the bill was under consideration in the House, a corporation having to take the invested-capital plan was cut off at 10 percent of its invested capital, whereas it might be in direct competition with a corporation that could take the average-earnings plan and might have been making 30 or 40 or 50 percent over the base period and would have to pay no excess-profits tax, whereas the corporation taking the invested-capital plan would be cut off at 10 percent. We recognize there should be some differential. So, the House bill provided for this 4.1-percent differential. The Senate bill eliminated that provision. The conference report provides that that differential shall be just about cut in half; in other words, instead of having the 4.1 percent, we have about 2 percent provided under this bill.

We changed it further in this respect. Instead of having the definite 2-percent difference on the normal corporation tax, we changed it so that instead of a corporation electing to use the average-earnings plan being allowed 100 percent credit on its average earnings over the base period, we would only allow it 95 percent. The 4.1 percent figured out on that basis amounted to about 90 percent that a corporation would be entitled to. The Senate bill, of course, provided for 100 percent. So we split the difference between 90 percent and 100 percent, and the conference report provides 95 percent. I think this is about as fair a compromise as we could have reached.

We still recognize that there is a difference between the two plans and we maintain the principle that the difference must be recognized, and we provide this 95 percent of the earnings over the base period so as to take care of that phase of the matter.

Mr. RICH. May I ask the gentleman this question? In reference to the invested capital, in order to determine invested capital, is there anything in this bill that would change the invested capital on which the corporations have been paying to the Federal Government under their sworn statements during the past 2 or 3 years? Several years ago we made a change in that respect, and people wanted to knife the Government and refused to pay what they should pay. Then we changed the law and gave them a clean bill of health. Is there anything in this bill now that will permit a corporation that has not paid up its full capital-stock tax to the Federal Government to come in now and increase its capital stock?

Mr. COOPER. There is nothing in here that has anything to do with that. The gentleman will recall that under the income-tax law there is a capital-stock tax levied on corporations, and for many years we have also had an excess-profits tax to protect the capital-stock tax, simply not to allow a corporation to so change or manipulate the capital stock and thereby reduce its payments of the capital-stock tax. We corrected that by providing an excess-profits tax. There is no change in this law with respect to that, except that we change the name only of that tax.

Mr. RICH. I hope we will always maintain that and compel them to pay on their sworn affidavits with respect to the amount of capital stock.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. KEEFE. Will the gentleman yield to me?

Mr. COOPER. I yield to the gentleman from Wisconsin.

Mr. KEEFE. Not having that time to go through this printed report since reading it this morning, can the gentleman advise what the provision is as to the amortization period?

Mr. COOPER. There is no change in that.

Mr. KEEFE. That is the same as it was in the House bill?

Mr. COOPER. That is right. In other words, it is the same as was provided in the House bill, in that for new plants, plant expansion, or equipment that is certified by the Advisory Commission to the National Defense Council and the War Department or the Navy Department, as the case may be, as being necessary for national defense, they are allowed to amortize that over a period of 5 years.

Mr. KEEFE. Pardon me. That is not exactly what I had in mind.

Mr. COOPER. There is one change in that respect that perhaps I should mention, and that is that this applies to a facility completed after June 10. The House bill provided July 10.

Mr. KEEFE. The amortization may only be applied to those facilities which have been completed after June 10, 1940?

Mr. COOPER. That is correct.

Mr. KEEFE. And is not retroactive to January 1, 1940?

Mr. COOPER. No.

Mr. KEEFE. So as to take care of those plants which have actually been completed and been in operation in the defense program prior to that time?

Mr. COOPER. The House bill included the date, July 10, 1940. The Senate bill changed that to January 1, 1940, and we agreed in conference on the date, June 10, 1940. The controlling reason for fixing that date was that in the report on the first revenue bill of 1940 the Committee on Ways and Means stated that an effort would be made to formulate legislation and present a bill dealing with the question of amortization and excess profits, and it would be made applicable to the year 1940. We felt that on that date, June 10, when that report was made, notice was given that this would be done, so we accepted that date as the effective date for the purposes of this bill.

Mr. KEEFE. Will the gentleman answer one other question that relates to the matter of acquiring corporations? I believe the term is used "component corporations." I have not had time to study it carefully, as set out on page 20 of the report. Do I understand that under the terms and provisions of the bill as it now comes out of conference, a corporation existent under the laws of the State of Wisconsin, for instance, which in 1938 transferred all of its assets to a Delaware corporation through a stock transfer, with no change in capital structure or no change in officers or management or operations or anything else, such a corporation which has its existence beginning as of 1938 can use the entire consolidated return of income of the acquired corporation in determining its excess-profits tax base, under this law?

Mr. COOPER. Yes; that is correct.

Mr. KEEFE. That is provided for?

Mr. COOPER. Yes; that is correct.

Mr. CASE of South Dakota. Will the gentleman yield?

Mr. COOPER. I yield.

Mr. CASE of South Dakota. As I understand it, there are two main methods, either earnings over a basic period, or the invested capital, that can be used?

Mr. COOPER. That is true. The conference report provides for an alternative plan that the corporation may elect.

Mr. CASE of South Dakota. What about the case of a corporation that may have an earnings-period history and changes its capital structure materially, either increases it or reduces it, during the taxable period?

Mr. COOPER. It then has a right to elect whichever plan it wants to; and, of course, will elect the plan that results in the less tax.

Mr. CASE of South Dakota. But is there not any provision in the bill that would take care of greatly increased earnings, because of the increased capital invested?

Mr. COOPER. Well, it is allowed 8 percent on its invested capital for the taxable year.

Mr. CASE of South Dakota. In other words, there is a sort of combination plan?

Mr. COOPER. I mean 8 percent of its income for the taxable year on the invested capital.

Mr. CASE of South Dakota. There is a provision which takes care of changes in capital structure and still permitting the corporation to use its earnings-period history?

Mr. COOPER. Yes; that is correct.

Mr. MURDOCK of Arizona. Will the gentleman yield?

Mr. COOPER. I yield.

Mr. MURDOCK of Arizona. I understand there was a Senate amendment which provided for taking any 3 of the last 4 years as the base. Was that Senate amendment agreed to?

Mr. COOPER. No. We did not agree to that amendment. We retained the House provision of allowing the corporation to count any one deficit year of the 4 years of the base period at zero, but we did not accept the amendment to take any 3 out of the 4 years, for the very obvious reason that we were told it would lose about $60,000,000 of revenue.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. O'CONNOR. Will the gentleman yield to me?

Mr. COOPER. I yield to the gentleman.

Mr. O'CONNOR. I would like to inquire what prompted the committee to write into the bill a provision for consolidated returns of corporations. In other words, I would like to have the reasons for it explained.

Mr. COOPER. There are a number of reasons. I cannot detail all of them in a minute, but one of the first reasons was that every excess-profits tax we have had, provided for that.

Mr. O'CONNOR. In other words, you are following precedent in that respect?

Mr. COOPER. We followed precedent.

I may say also that I think all of us were impressed with the inherent fairness of it.

Mr. REES of Kansas. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield.

Mr. REES of Kansas. I just want to express appreciation for the splendid and clear manner in which the gentleman from Tennessee has explained this measure during the short time he has had to talk about it.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Speaker, I yield 10 minutes to the gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Speaker, in the first place, let me say that I expect to vote for this conference report, not on the basis that it is a perfect bill—that is impossible—but because I believe it is the best we can get under all the circumstances. The chairman of the committee referred to the element of time. That need not have been as important as it is now, because there was ample opportunity when the first defense-tax bill, so-called, was up in June to have divided this question in two parts, namely, amortization and excess-profits tax. I offered an amendment to that bill providing for a 5-year amortization plan for defense facilities, such as is contained in the present bill. We could have enacted the amortization feature separately, and taken our time to write a proper excess-profits tax. Owing to the insistence of the administration that these two items go together, we find ourselves in the unfortunate position of being under pressure to prepare a bill containing the important and very complicated feature of excess-profits taxes in order to get the amortization provisions on the statute books so the defense program can get under way. I therefore charge the administration with being responsible for the delay in the defense program by refusing to put the amortization plan into effect earlier, and for the makeshift character of the bill resulting from considering it under duress.

This Congress should never have undertaken to write an excess-profits tax bill in the brief time that has been devoted to the preparation of the pending measure.

The people with whom we have consulted during the preparation of the conference report admit themselves that it will be necessary to bring in another tax bill very soon after the Seventy-seventh Congress meets. I think, therefore, the Members of the Congress need not be too much worried about some of the technicalities of the present bill, because parts of it probably will never be in operation at all if we revise the bill in the early part of the next session, whoever may be Members of the next House.

I consider the conference report an improvement over both bills. The House voted the original bill without a division or roll call, and if this bill is preferable to the former bill it certainly is entitled to the support of the House at the present time.

One of the outstanding features which seems to me to be an improvement is the consideration that has been given in this measure to small-business concerns. They have been taken care of in several different ways. The $5,000 exemption will eliminate over 400,000 small concerns from the possibility of any excess-profits tax liability. Those who may be subject to the tax are benefited by the rate brackets, which impose the lowest rate of tax on the smallest concerns. Those with less than $25,000 net income are allowed a 1-year carryover of the unused portion of their excess profits exemptions.

The relief provisions which are incorporated in the bill will very materially relieve hardship cases. Both specific and general relief provisions are included.

The Senate did a fairly good job in simplification, and the conference agreement retains the changes along that line.

About 25 pages of complicated text have been eliminated by adopting a flat 8-percent exemption in the case of corporations wishing to compute their excess-profits credit on the basis of current invested capital. I have always been in favor of this plan, as it is beneficial to concerns with low-base-period earnings who have been struggling to get back on their feet. This is particularly true of small businesses.

We have not claimed at any time that it was a simple bill, and it was impossible to make it so because we started with a complicated problem, and expert though our drafting service may be they are unable to write a simple measure when they start with a difficult and complicated premise. I think therefore we have to admit that it is very difficult to write such a measure as the one before us.

While many of the complexities of the original House bill have been eliminated, it still is too complicated for a mere mortal to understand. In many cases, it is going to cost taxpayers more to find out what their tax liability is under the bill than the amount of tax they will be obliged to pay.

I said before—and I repeat now—that while the bill is intended to prevent the creation of any new millionaires as a result of the defense expenditures, it probably will result in creating a new crop of millionaires in the legal and accounting professions.

In the tax bill we passed following the World War we tried to do away with war millionaires, and perhaps we did to a certain extent, but this bill will create a new class of millionaires, namely, the so-called tax experts. Any man who has sufficient nerve to tell business people that he can explain the details of this bill can be a millionaire overnight. I do not hesitate to make this statement, and in corroboration I want to read just a brief passage from the bill [reading]:

SEC. 752. (b). * * *

(4) Taxable years after certain exchanges under section 112 (b) (5): In the case of an exchange after the beginning of the first taxable year under this subchapter of any transferor or transferee upon such exchange, involving two or more transferors, or one or more transferors and one or more other persons, if immediately after the exchange no one of such transferors, or its shareholders, or both, and no one or more of such other persons are in control of the transferee and if such exchange is an exchange described in section 112 (b) (5) or so much of section 112 (c) or 112 (e) as refers to section 112 (b) (5), the highest bracket amount of any

such transferor for any taxable year after the exchange shall be an amount equal to its highest bracket amount immediately preceding the exchange—

(A) Minus an amount which bears the same ratio to its highest bracket amount immediately preceding the exchange as the excess of its daily invested capital for the day of the exchange over its daily invested capital for the day after the exchange bears to its daily invested capital for the day of the exchange, and

(B) Plus an amount which bears the same ratio to the excess over $500,000 of the sum of the amounts computed under subparagraph (A) with respect to each transferor, as the amount computed under subparagraph (A) with respect to such transferor bears to the sum of the amounts computed under such subparagraph with respect to each transferor.

Unfortunately, no "rosetta stone" or crystal ball is furnished to aid in arriving at the meaning of these hieroglyphics. The lawyer who can explain to a client the details of the section I have just quoted—and there are others equally complicated—will be in the millionaire class we are setting up under this bill. I think he will have an awful nerve to tell his client that he can explain it. If my colleagues on the other side can explain it I, of course, will yield my time to them for that purpose, but not seeing any of them rise I will yield to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Does the gentleman believe the average corporation, whether it be small or large, is going to have men in their organization who will be able to make out a tax return under this bill?

Mr. TREADWAY. A witness before the Senate Finance Committee very appropriately referred to the House bill as—

A monumental specimen of statutory incomprehensibility.

That, to my mind, is a very apt description of the bill. No business concern can possibly make out its returns under this bill without calling in expert advice. I do not believe there are brains enough down town in the Treasury Department or in the Bureau of Internal Revenue absolutely to explain these various complicated sections, but they do have the authority to tell a corporation or an individual where they get off, and to come up to the counter and pay. The taxpayer will be helpless.

This measure is perhaps the result of the demand of the people that we go the limit for national defense, but the people back home, your constituents and mine, very little realize what is before them. Let me say that this is just the beginning of the payment of our obligations under the defense program. I wish we had not wasted so many billions of dollars before it was started. We are now forced with raising fifteen or twenty billions with our national debt already approaching fifty billions, and with our available tax sources tapped almost to the limit. That is the situation we face, and the taxpayers of the country must realize that this is only the entering wedge of the most extravagant line of taxation this country or any other country has ever known. The fact is that we have not yet begun to tax.

It is unfortunate, but that is the situation.

Mr. RICH. Why has it been necessary for us to have to wait until this time before we start in providing a bill for taxation? We have needed this for the last 10 years.

Mr. TREADWAY. The gentleman is absolutely correct. We needed these tax bills long before the defense program came along. The administration has simply been taking us along the road to national bankruptcy by its irresponsible fiscal policy.

Mr. Speaker, I want to say one word further before I yield. The minority Members, although we had divergent views from those of the majority, have endeavored to do our part to bring about a report. It has been the most difficult, the most arduous, the most tedious, and the most disagreeable conference I have ever sat in during my experience as a member of the Ways and Means Committee. However, there has been a unanimity of feeling on the part of the conferees that the question was such a serious one that personal differences should be set aside and no partisanship exist.

Mr. VAN ZANDT. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. May I ask a few questions with reference to amendment No. 35? First, I see there is provision for a new system of insurance called national service life insurance, which is patterned after war-risk insurance. Will the national service life insurance in any way interfere with benefits which the World War veterans now enjoy under war-risk insurance?

Mr. TREADWAY. It will not. No amendment was given more consideration in conference than the very one of which the gentleman speaks. Our purpose was to keep intact the World War insurance for the veterans who are entitled to it, setting up an entirely new system for those who are liable to be drafted at the present time, entirely independent of the World War veterans or any benefits to which they were entitled. Does that answer the gentleman's question?

Mr. VAN ZANDT. It does. In part 2 of the amendment you define the loss of annuity credit under the Railroad Retirement Act.

Mr. TREADWAY. That is to take care of railroad men who served in the last war. It gives them credit for that service in determining their eligibility for railroad-retirement annuities.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Speaker, I yield the gentleman 2 additional minutes.

Mr. VAN ZANDT. Then do I understand that the railroader who may be called under the draft will have his annuity benefits protected?

Mr. TREADWAY. They will be given somewhat similar treatment, as I understand it.

Mr. COOPER. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Tennessee.

Mr. COOPER. I think the gentleman from Massachusetts did not fully catch the import of the gentleman's question.

Mr. TREADWAY. I yield to the gentleman then to answer the question.

Mr. COOPER. All the provision included in the conference report does with respect to the railroad retirement program is simply this, and I can state it quicker and perhaps more clearly by an illustration: It was my privilege to serve in the Army 2 years during the World War. If I had been a railroad man, I would now be entitled to count those 2 years of service during wartime in figuring my 30 years' retirement benefit.

Mr. VAN ZANDT. Can the same privilege be enjoyed by the potential veteran?

Mr. COOPER. No. It only takes care of the past. It does not go forward and take care of the future. In other words, this provision allows railroad men to count the time they spent in the military service of their country during wartime in figuring their 30 years' service.

Mr. TREADWAY. Does the gentleman from Tennessee desire to ask me any questions before my time expires?

Mr. COOPER. I was simply prompted by the gentleman's remarks with respect to the conference to offer this observation: During the time I have been privileged to serve as a House conferee during the past 6 or 7 years on bills coming from the Ways and Means Committee, I think we have a right to feel some degree of pride in the fact that there has never been a single item reported in disagreement. We have always threshed these things out in conference, and we have always brought in a full and complete conference report.

Mr. TREADWAY. But we never came nearer not getting a full report than with this bill?

Mr. COOPER. I think that is true.

Mr. TREADWAY. I thank the gentleman for his observation.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Speaker, I yield 8 minutes to the gentleman from New York [Mr. CROWTHER].

Mr. CROWTHER. Mr. Speaker, this conference report is probably the very fair solution of a very difficult problem and contains the best of the Senate and House provisions, benefited, of course, by some modifications. In my opinion, Mr. Beaman of the legislative drafting service could explain

the difficult paragraph to which the gentleman from Massachusetts [Mr. TREADWAY] referred so that everybody could understand it in less than 5 minutes.

Tax law is an intricate subject and the layman such as I am and such as I represent finds it a little difficult to understand the technical phraseology contained in this bill, but we have to satisfy ourselves with appreciating what is attempted to be done in line with a well-defined policy. There has been much criticism of the bill in the limited time for debate and I want to talk for a few minutes on another subject related to taxes. That is the necessity in the very near future for more taxes, and I am going to keep talking about that until some decisive action is taken by the Ways and Means Committee and the Congress to produce the revenue necessary to meet the serious financial problem that has developed in this country during the last few years.

Let me read this to you. You are all familiar with it. But it will bear repeating. It is as applicable today as it was in 1933, on the 10th of March, when it was included in a message of the President to the Congress.

For 3 long years the Federal Government has been on the road toward bankruptcy.

Now the figure can be changed to 10 years.

Thus we shall have piled up an accumulated deficit of $5,000,000,000.

Our national debt is now $45,000,000,000, and we have accumulated deficits amounting to $26,000,000,000.

With the utmost seriousness I point out to the Congress the profound effect of this fact upon our national economy. It has contributed to the recent collapse of our banking structure. It has accentuated the stagnation of the economic life of our people. It has added to the ranks of the unemployed.

The unemployed still number more than 9,000,000.

Our Government's house is not in order and for many reasons no effective action has been taken to restore it to order.

Recollect, if you please, that I am quoting from a message of the President of the United States on March 10, 1933, a President who had just taken office, who was a candidate again in 1936, and who is now a candidate in 1940, in defiance of an age-old tradition.

I quote further:

Upon the unimpaired credit of the United States Government rests the safety of deposits, the security of insurance policies, the activity of industrial enterprises, the value of our agricultural products, and the availability of employment. The credit of the United States Government definitely affects those fundamental human values. It therefore becomes our first concern to make secure the foundation. National recovery depends upon it.

No attempt has been made to make secure the foundation.

Then there is this closing, very significant, sentence, which is just as applicable today as it was the day it was uttered:

Too often in recent history liberal governments have been wrecked on rocks of loose fiscal policy. We must avoid this danger.

Are we avoiding it? No; our debt is so rapidly increasing that we had to raise the debt limit $4,000,000,000 in the last tax bill. The Secretary of the Treasury appeared before us and told us that unless they soon had new revenue the national debt limit would have to be raised $9,000,000,000 more, and that the borrowing power would be almost exhausted on the 28th day of next February, with a greatly reduced general fund.

It looks now as though we were going to embark upon another program of deficit financing. We are doing nothing to coax private money into enterprise in this country. When the Defense Committee came before us they said it was their hope that private capital might be brought into the defense activities, but up to the present time it appears that very largely only Government money has been put into them, and we have placed these special amortization privileges in the bill that are intensely liberal.

We are still issuing tax-exempt securities. This is a matter of such vital importance that the question ought to be taken up by this Congress. By continuing this policy we are still providing a haven and a hiding place for the investments of those who do not care to take the risks that will face them in this unusual period in the years to come.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. CROWTHER. I yield to the gentleman from Pennsylvania.

Mr. RICH. When President Roosevelt made the statements the gentleman has just quoted, nothing finer could have been said by any man. I wonder what he thinks about that question today. Does the gentleman believe he would make a statement today, when he is running for a third term, such as he did at that time?

Mr. CROWTHER. I may say to the gentleman from Pennsylvania that the reading of this statement, which, as the gentleman said, is a sound and logical statement, indicates at this moment the marked difference between New Deal promises and New Deal performance. [Applause.]

Mr. RICH. Right you are; and I wonder whether he is going to make any such statements now. We will wait for them.

Mr. Speaker, the New Deal has adopted a policy of procrastination insofar as balancing the Budget is concerned. Many of its spokesmen declare that it is not necessary to balance it. We have been told that our wild orgy of spending should be recognized as investments by a new type of bookkeeping. President Roosevelt declared that our national debt was not a serious matter and suggested that it was in fact negligible, because we "owed it to ourselves." The taxpayers of this Nation are entitled to something more substantial regarding present and future national debt than the Pollyanna plan suggested by the President.

[Here the gavel fell.]

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. COOPER. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the RECORD and include therein certain tables.

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

There was no objection.

RESIGNATION FROM COMMITTEE

The SPEAKER laid before the House the following resignation from a committee:

JULY 17, 1940.

SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D. C.:

I hereby tender to you my resignation as a member of the Committee on Naval Affairs.

Sincerely yours,

GEORGE P. DARROW.

The SPEAKER. Without objection, the resignation is accepted.

There was no objection.

ELECTION TO COMMITTEE

Mr. MARTIN of Massachusetts. Mr. Speaker, I offer a resolution and ask for its immediate adoption.

The Clerk read the resolution, as follows:

House Resolution 618

Resolved, That FRED C. GARTNER, of Pennsylvania, be, and he is hereby elected to the Committee on Naval Affairs of the House of Representatives.

The resolution was agreed to.

EXTENSION OF REMARKS

Mr. LESINSKI. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial from the Detroit News of September 4 and an editorial from the Polish Daily News dated September 17, as translated.

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

There was no objection.

Mr. FULMER asked and was given permission to extend his own remarks in the RECORD.

EXTENDING THE NATIONAL STOLEN PROPERTY ACT

Mr. LEWIS of Colorado. Mr. Speaker, I call up House Resolution 617.

The Clerk read the resolution, as follows:

House Resolution 617

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 the bill S. 3936, an act to extend the provisions of the act of May 22, 1934, known as the National Stolen Property Act, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. It shall be in order to consider without the intervention of any point of order the substitute committee amendment recommended by the Committee on the Judiciary now in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. 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. LEWIS of Colorado. Mr. Speaker, I yield 30 minutes to the gentleman from New York [Mr. FISH] and yield myself 5 minutes at this time.

Mr. Speaker, this is an open rule providing for 1 hour of general debate on the bill (S. 3936) to extend the provisions of the act of May 22, 1934, as amended, known as the National Stolen Property Act.

The Judiciary Committee of the House struck out all after the enacting clause of the bill as passed by the Senate, and substituted, by way of amendment, an entirely new bill. The only unusual features of this rule are that all points of order against the bill are waived and, further, that it shall be in order to consider, without the intervention of any point of order, the substitute committee amendment recommended by the Committee on the Judiciary now in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill.

The bill will be fully explained by the chairman and by other members of the Judiciary Committee of the House. Very briefly, the bill provides, as stated in section 2:

Whenever the President shall find that property which has been confiscated in any foreign country is being or may be brought into the United States contrary to the public interests, he may, if in his judgment those interests would be served thereby, order the exclusion of such property from importation. If the property has been processed or transformed into property of a different character, or has been commingled with other property of a like or similar character in such manner as to lose its identity or to render impracticable its segregation from such other property, the President may order the exclusion of such processed, transformed, or commingled property from importation into the United States.

Whoever imports or attempts to import or bring into the United States any such property in contravention of any order issued by the President shall be subject to the provisions of the National Stolen Property Act of 1934 as amended and extended.

The report of the Committee on the Judiciary on this bill is as follows:

The Committee on the Judiciary, to whom was referred the bill (S. 3936) to extend the provisions of the act of May 22, 1934, known as the National Stolen Property Act, having considered the same, report it favorably to the House with amendments, with the recommendation that as amended it do pass.

The committee amendments are as follows:

Strike out all of the bill after the enacting clause and insert in lieu thereof the following:

"That the act of May 22, 1934 (48 Stat. 794), as amended, is hereby further amended and extended to include and apply, subject to the provisions of this act, to any confiscated property.

"SEC. 2. Whenever the President shall find that property which has been confiscated in any foreign country is being or may be brought into the United States contrary to the public interests, he may, if in his judgment those interests would be served thereby, order the exclusion of such property from importation. If the property has been processed or transformed into property of a different character, or has been commingled with other property of a like or similar character in such manner as to lose its identity or to render impracticable its segregation from such other property, the President may order the exclusion of such processed, transformed, or commingled property from importation into the United States.

"Whoever imports or attempts to import or bring into the United States any such property in contravention of any order issued by the President shall be subject to the provisions of the National Stolen Property Act of 1934 as amended and extended.

"SEC. 3. The term 'confiscated property' shall be deemed to include property which has been taken by means of force, or by means of any law, decree, order, ordinance, or other act, direct or indirect, of any foreign state or government, whether recognized or unrecognized, or of any political subdivision of such state, or of any official board, commission, instrumentality, or agency of any such state, government, or political subdivision, without payment of just compensation or reasonable provision therefor having been made.

"SEC. 4. Nothing herein shall be construed to affect the status of any property assigned, conveyed, or transferred to the Government of the United States."

Amend the title to read as follows: "A bill to extend the provisions of the act of May 22, 1934, as amended, known as the National Stolen Property Act."

EXPLANATION OF SENATE BILL

The Senate bill as referred to the committee proposed to extend the National Stolen Property Act to include and apply to any property seized in violation of law or which had been confiscated. The bill defined the word "confiscated" to include the taking of any property by means of force by any foreign government, or by means of any law, decree, order, ordinance, or other act, direct or indirect, of any foreign sovereign or government or of any political subdivision or instrumentality thereof or of any official board, commission, or agency whereby private property is taken without payment in United States currency or its equivalent having been made or provided for in a manner acceptable to the owners of the property so taken.

The Secretary of State did not recommend the identical House bill, H. R. 9669, stating that it appeared the primary purpose of the bill represented an attempt to compel foreign governments to defend their acts in our courts. The Secretary also pointed out the lack of discrimination between unlawful confiscations and lawful confiscations, and the necessity there would be in determining to which class the particular confiscation belonged, if the types were distinguished. The Secretary of State further suggested the unfavorable effect upon international commerce, and stated that from the standpoint of international relations he did not feel that he could recommend the enactment of the bill.

Hearings were held on the bill H. R. 9669, and the Committee on the Judiciary considered the objections of the State Department and heard other witnesses for and against the legislation.

COMMITTEE AMENDMENT

The committee amendment is identical with the bill H. R. 10529 and proposes to extend the National Stolen Property Act to include and apply, subject to the provisions of this act, to confiscated property. It provides that whenever the President shall find that property which has been confiscated in any foreign country is being or may be brought into the United States contrary to the public interests, he may, if in his judgment those interests would be served thereby, order the exclusion of such property from importation.

The amendment also would authorize the President to exclude the confiscated property if it has been processed or transformed into property of a different character or commingled in such manner as to lose its identity.

A violation of an order excluding such property would subject the offender to the provisions of the National Stolen Property Act.

"Confiscated property" is deemed to include property taken by means of force, or by means of any law, decree, order, ordinance, or other act, direct or indirect, of any foreign state or government, whether recognized or unrecognized, or of any political subdivision of such state or of any official board, commission, instrumentality, or agency of any such state, government, or political subdivision without payment of just compensation or reasonable provision therefor having been made.

The act will not affect the status of any property assigned, conveyed, or transferred to the Government of the United States.

The objections to the bill which passed the Senate as made by the Secretary of State to the companion House bill H. R. 9669 do not obtain concerning the committee amendment, which is the same as H. R. 10529, and following are letters from the Secretary of State and Attorney General concerning the same:

SEPTEMBER 20, 1940.

The honorable HATTON W. SUMNERS,
House of Representatives.

MY DEAR MR. SUMNERS: I am in receipt of your letter of September 20, 1940, enclosing copies of a bill H. R. 10529, introduced by you, to extend the provisions of the act of May 22, 1934, as amended, known as the National Stolen Property Act, concerning which you request an expression of my views.

I have examined the bill with care and I perceive no objection to its enactment.

Sincerely yours,

CORDELL HULL.

SEPTEMBER 21, 1940.

Hon. HATTON W. SUMNERS,
Chairman, Committee on the Judiciary, House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: This acknowledges your letter of September 20, concerning a bill (H. R. 10529) to amend the National Stolen Property Act.

The National Stolen Property Act (act of May 22, 1934; 48 Stat. 794; U. S. C., title 18, sec. 413) makes it a criminal offense to transport in interstate or foreign commerce any stolen property, knowing it to have been stolen.

The purpose of the bill under consideration is to apply the provisions of that act to any property confiscated by any foreign State or Government, without payment or reasonable provision for just compensation, provided the President has ordered the exclusion of such property from importation into the United States. Property assigned, conveyed, or transferred to the Government of the United States is expressly exempted from the provisions of the legislation.

Whether the bill should receive favorable consideration involves a question of legislative policy, concerning which I prefer not to submit any suggestions.

Sincerely yours,

ROBERT H. JACKSON,
Attorney General.

Mr. Speaker, I reserve the balance of my time and ask the gentleman from New York [Mr. FISH] to use some time.

Mr. FISH. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, I do not believe there is any objection to the consideration of this bill under the pending rule.

I have had no opportunity to analyze this bill but believe it should be debated and properly explained. From a hasty reading of it I concluded that the Congress of the United States has taken notice and cognizance of the situation that exists in Mexico where the property of our nationals has been seized, expropriated, and confiscated by the Government of Mexico, a so-called friendly Government. It is not only a question of the oil lands, but of farm lands and mines. These properties have been expropriated and no compensation has been paid for them. Expropriation without proper compensation is nothing more or less than communism or highway robbery.

I believe the purpose of this bill is to enable the President and the Government of the United States to prevent these stolen goods, seized by the Mexican Government, from coming back into the United States. I see no reason for anyone in the House to quibble on this issue. I believe we should call a spade a spade. I would not care to vote for this bill unless Mexico and the Mexican Government knew what the bill is and that it is aimed against such acts of highway robbery committed by the Mexican Government against citizens of the United States. I do not propose, as a Member of this House, to try to cover up the purpose of this bill or in any way to defend the practice of communism in any country in the American hemisphere.

Mr. MURDOCK of Arizona. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. MURDOCK of Arizona. The gentleman spoke with reference to the farm lands that have been confiscated belonging to American cititzens. I wish to inquire whether the bill pertains to products of lands in the delta of the Colorado River, some of which lands have been confiscated and are being tilled with water from our own country, the Colorado River, by Japanese farmers, and the farm produce is coming in competition with that of our own truck growers of the Southwest. If such are the bill's provisions, I certainly agree that the bill should be considered.

Mr. FISH. I want to go a little further and I think the gentleman will probably agree with me, at least I hope he will. The Mexican Government owes to citizens of the United States approximately $1,000,000,000. They have defaulted on their railroad bonds and other bonds for the last 10 years, some for a much longer period of time. Altogether they owe our citizens about $1,000,000,000. It seems to me that if the Mexican Government persists in expropriating, without compensation, properties of our nationals in Mexico, the time will soon be reached when we will be forced to take some action, not just action like this which is not very far reaching, but we may be forced to say to Mexico, "What do you propose to do?" and I for one would like to see the Government of the United States suggest that if they are unable to pay us this $1,000,000,000, which they are not, that we offer to liquidate the entire $1,000,000,000 and to cancel it for Lower California and, maybe, the delta of the Colorado River.

Mr. SUMNERS of Texas. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. SUMNERS of Texas. May I suggest to my good friend that, perhaps, considering the situation that we are in diplomatically with all the world, we might just as well forego for the present such statements, and I say that in all kindness.

Mr. FISH. I know the gentleman does, and I know that is his feeling. I regret to say to the gentleman that I have an entirely different point of view from the gentleman. I know the gentleman is honest and sincere and I respect him.

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I yield myself 5 additional minutes.

I think the proper place for a Member of Congress to speak out on foreign affairs is in the House of Representatives. If I believed in the point of view of the gentleman from Texas, whom I admire greatly, I would be in favor of wiping out the Foreign Affairs Committee of the House of Representatives and the Foreign Relations Committee of the Senate of the United States and admitting that the Congress had no right to discuss foreign affairs in the House or in the Senate, but I hope that time may never come. I am afraid that we do not discuss foreign affairs sufficiently in the House and in the Senate and that we do not take our proper place in the consideration of and shaping of foreign policies that we ought to take.

I am rather inclined to say that if we did consider and debate our foreign policies in both the House and Senate, we might have some check on some of them that are leading us perilously close to war at the present time.

Mr. COCHRAN. Will the gentleman yield?

Mr. FISH. I yield.

Mr. COCHRAN. The gentleman seems to be confining his remarks to Mexico. Under the language of the bill, I read "any foreign state or government"; does that not apply to all governments of the world?

Mr. FISH. I believe it does. I believe it applies to Soviet Russia as well. I hope it applies to all governments which seize the property of our citizens. It certainly is the function of the Congress of the United States to protect its citizens all over the world in their right to trade. That has been the historic policy of the past, and I hope it will continue to be. I hope the Members of Congress will stand upon their feet and demand that the right of American citizens to trade and to own property and to be safe in the ownership of their property will be safeguarded throughout the world.

Mr. SCHAFER of Wisconsin. Will the gentleman yield?

Mr. FISH. I yield.

Mr. SCHAFER of Wisconsin. It may be that the New Deal policy of condoning the highway robbery which the gentleman has mentioned is a portion of the New Deal program to sell American citizens down the river in order that our New Deal brethren can play Santa Claus in a big way to foreign nations and foreign people under their so-called good-neighbor policy.

Mr. FISH. We have certainly played Santa Claus to the whole world, but there is one thing the House does not want done. It does not want to condone the robbery of American citizens by any nation, regardless of the good-neighbor policy, or any other policy. That is an American policy that we cannot quibble about, and we must take an open stand to protect the rights of our citizens to trade in every nation of the world, whether it be China or Mexico or Bolivia.

Miss SUMNER of Illinois. Will the gentleman yield?

Mr. FISH. I yield to the charming lady from Illinois.

Miss SUMNER of Illinois. I wonder if the gentleman knows that some American citizens had considerable quantities of valuable interests in Poland?

Mr. FISH. The principle is the same in all nations.

Miss SUMNER of Illinois. What does the gentleman propose that we do as to that?

Mr. FISH. I propose that we always, as far as we humanly can, will protect the rights of our citizens in every nation of the world; and eventually, when peace comes, I assume that

we will have justifiable claims in those countries that have been invaded.

Mr. O'CONNOR. Will the gentleman yield?

Mr. FISH. I yield.

Mr. O'CONNOR. I would like to inquire of the gentleman just what conditions exist that cause a bill of this kind to be brought before the House. What are we driving at? This is a very unusual bill.

Mr. FISH. That is what I think the House is entitled to know, and that is what I have tried to tell the House, and I will repeat a little more concisely. I do not believe that we should bring in legislation here and try to hide the purpose of the legislation. That is not the American way. We should say what we mean and mean what we say, and when we legislate, the House ought to know exactly what we are legislating about and the purpose of the legislation.

[Here the gavel fell.]

Mr. FISH. I yield myself 5 additional minutes.

As I understand the purpose of the legislation—I am not a member of the Judiciary Committee, but the gentleman from Michigan [Mr. MICHENER] is, and I see him on his feet. He may want to correct me or confirm what I say, but my understanding is the purpose of the legislation is to prevent the importation of stolen American goods into the United States, either in the original form or in their processed form; and I cannot understand how any single Member of Congress would want to oppose that. If the bill is more far reaching, we have a right to know it before we vote on it.

Mr. O'CONNOR. I have not made up my mind on the bill, but I am trying to find out what is the specific case that has arisen that causes this bill to be introduced.

Mr. FISH. I should say it is directed primarily at the stolen oil, that oil that was confiscated in Mexico, and no compensation, in most cases, provided by the Mexican Government to the American owner. But it applies to other property as well.

Mr. MICHENER. Will the gentleman yield?

Mr. FISH. I yield.

Mr. MICHENER. The point about this bill that causes me particular concern begins on line 15, section 2, "whenever the President shall find that property which has been confiscated in any foreign country is being or may be brought into the United States, contrary to the public interest, he may"—then it provides what he may do.

We are here passing a law giving the President plenary power to make a determination, the result of which may very conceivably be such that will plunge us directly into a war. Now, I am a member of the Judiciary Committee. I was attending as a member of the Rules Committee when this bill was reported out. It was my feeling that the bill had nothing very serious in it, but if you will study the bill carefully you will find that it is pregnant with danger. You will find that it lodges with the President a discretion which the Congress may well rue that it ever granted in a moment of hysteria at a time when we are engrossed with a great national defense.

Mr. FISH. The gentleman has made a very important contribution to the consideration of this bill. That is the reason that I opposed this bill going through without any discussion as far as I was concerned. I had hoped that some members of the committee would tell the House what was in the bill. I am not inclined to support the bill after that statement which shows that it is a very far-reaching bill, gives enormous powers to the President; and the gentleman from Michigan now says it gives him power that may involve us in war. I trust this is not so. I hope we will not give the President carte blanche authority to involve us in war. I thought this bill was aimed at protecting the property of American citizens, to protect them against having their property seized in foreign countries and imported for sale in the United States.

Mr. HANCOCK rose.

Mr. FISH. I yield to the gentleman from New York [Mr. HANCOCK], a member of the Committee on the Judiciary.

Mr. HANCOCK. I call the gentleman's attention to the fact that this bill is not limited to property of American citizens which has been confiscated abroad; it applies to all confiscated property, as I understand it.

Mr. FISH. That is an entirely different proposition.

Mr. HANCOCK. As I understand it, for instance, if property has been confiscated from private individuals by the Soviet Government under this bill the President could stop all importations of such property into this country. Is that not true?

Mr. FISH. The gentleman is a member of the committee that considered the bill. He must remember that I am not and did not attend any of the hearings. The gentleman's statement makes it all the more necessary to analyze and to discuss the purpose, intent, and scope of the bill.

Mr. HANCOCK. I thought the gentleman did not understand the full purpose of the bill.

Mr. FISH. I thought at first glance that it applied to property of American citizens but evidently it goes much further.

Mr. HANCOCK. No; it is not limited to American property.

Mr. FISH. I hope the members of the Judiciary Committee will have time to explain the bill to the House, that we may have ample debate on the merits and demerits of the bill. That is all I am demanding, that we have adequate consideration of this bill and not rush it through under a rule and say that we must not discuss any foreign policy at this time.

We might as well realize that America under its present defense policy proposes to arm itself and make itself invincible on land, sea, and air and that it is not afraid of any one nation or any group of nations. We propose to consider these bills before us as they affect the interest of American citizens and our own interests regardless of that of any other nation.

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I yield myself 5 additional minutes.

I point out now, since the issue has been raised, that we have not got a friend in the world today except England and some of the South American countries. We have not got a friend among the major nations except England; but I think we might have had a few more friends if the Members of Congress had taken more active part in formulating our foreign policies and had had more to say about them. I think we could have had more than one friend in the world today among the major powers.

Mr. BLOOM. Mr. Speaker, will the gentleman yield?

Mr. FISH. I certainly will.

Mr. BLOOM. Will the gentleman kindly name the nations that are not friends of ours that he would like to be our friends?

Mr. FISH. I just said I should like to be friends with all nations who would like to be friendly to us. Today we have one friend, and that friend is England. The other major nations——

Mr. BLOOM. Will the gentleman yield further?

Mr. FISH. I am talking about major nations.

Mr. BLOOM. We still have Turkey, we still have Belgium, we still have France.

Mr. FISH. The gentleman wins. We have Turkey. I am glad we still have Turkey, but I doubt if she, in her present situation, would be very helpful. Thanksgiving is still coming, and we have two Thanksgivings.

Mr. BLOOM. Would the gentleman want to be friends with Hitler and Stalin?

Mr. FISH. I should like to be friendly with every nation that wants to be friendly with us. We still have diplomatic relations with both the Nazis and Communists.

Mr. BLOOM. Or with Mussolini?

Mr. FISH. And with Fascist Italy. I do not want America to go to war with any nation that does not want to attack us.

Mr. BLOOM. Nobody else wants to go to war.

Mr. HAWKS. What is the gentleman talking that way for?

Mr. SCHAFER of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. SCHAFER of Wisconsin. The gentleman from New York [Mr. BLOOM] claims that France is our friend. If that be so, then why are his New Deal brethren stripping essential portions of Uncle Sam's defense establishments and sending his warships, airplanes, arms, munitions, and implements of war to the British in order to help them carry on their offensive war against the French and murder many Frenchmen as the British have been doing?

Mr. BLOOM. That is not so.

Mr. SCHAFER of Wisconsin. That is so. The British turned their guns on the French and slaughtered many Frenchmen. Dakar was the last but not the first slaughter.

Mr. BLOOM. That is not so. The gentleman does not know what he is talking about.

Mr. FISH. If the gentlemen do not mind, I should like to use my own time.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. O'CONNOR. In view of the suggestion of the chairman of the Judiciary Committee to the gentleman speaking, if there is anything in the bill that may cause this country to get into trouble as a result of open discussion of the merits or demerits of the bill, I do not believe it is a good time to bring such a bill to the floor of the House. I think that if we are going to bring bills upon the floor of the House that may jeopardize our peace with other nations it is about time we got out of here, and cool off. Otherwise we may become a menace to the country.

Mr. FISH. I may say to the gentleman from Montana that if this bill jeopardizes the peace of America and might involve us in war I will certainly vote against the bill. If the members of the Judiciary Committee present arguments that prove that, I hope the House will vote the bill down.

Mr. COCHRAN. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. COCHRAN. The gentleman from New York [Mr. HANCOCK] covered part of my question. It is clearly evident to me that the gentleman now speaking has not read this bill, because it involves not only American citizens but it involves property located in Mexico, it involves property located in every nation of the world, friendly or unfriendly. Any confiscated article can be stopped at our shore under the terms of this bill, whether it be a work of art, money, or in fact anything else if we know it has been confiscated. That is the way I read the bill. It applies not only to taking something from an American citizen but it applies when one country or another takes something from its own nationals and later sends it to this country.

Mr. FISH. I think the gentleman is correct. When I first read the bill I thought it applied merely to the property of American citizens that had been seized or confiscated. It now appears the bill goes much further. If that is the case, we are giving enormous power to the President, and if the Members of the House believe this might involve us in war then I hope the bill is defeated.

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I yield myself 6 additional minutes.

Mr. MICHENER. The gentleman from Missouri called attention to the fact that this bill would affect stolen property even though it was not stolen from American nationals. The real danger of this bill is that it gives to the President the right to determine when property has been illegally confiscated, taken, or stolen. He may make a finding here that all the property in England or all the property in Russia has been confiscated.

Mr. FISH. In other words, you are giving the President unlimited power.

Mr. MICHENER. That is right.

Mr. FISH. I am very glad that I started this discussion because when I began I was practically told we should not discuss this bill at all, that we must proceed to pass it immediately. Evidently new light has been thrown on the situation and I hope that now the House will consider it on its merits and openly decide what in its judgment should be done.

Mr. KEEFE. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Wisconsin.

Mr. KEEFE. If the gentleman will read section 3 he will observe that the term "confiscated property" may mean not only that which has been taken by force but that which has been taken lawfully in some foreign country but for which compensation has not yet been paid to citizens.

Mr. FISH. That is correct.

Mr. KEEFE. Even though it is by virtue of the law of that nation.

Mr. FISH. That is correct; yes.

Mr. KEEFE. That is going a long way.

Mr. CRAWFORD. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Michigan.

Mr. CRAWFORD. I am very much interested in what the gentleman has to say about this bill. Personally, I have been hoping ever since last spring that a bill along this line would be brought up so that we could vote for it. If there is some better way to do it than to have this authority lodged in the President of the United States, well and good, but if there is no other person in whom we can lodge authority, I am in favor of doing it this way. For instance, let us consider the Dutch East Indies with its rubber and other commodities which we desire from there. If they fell in the hands of the Japanese without payment therefor to whoever owns it, I suppose, under this act, the President could say those goods cannot come in here. Something like that might happen, although I do not think it will happen. There is a case where he can use his discretion, I assume, under this bill and let the goods come in if he wanted to let them come in or if he did not find they were so taken, it might be a case where we might want the goods to come in.

Let us swing over to western Europe now.

Mr. FISH. Can the gentleman take that up when the Committee is considering the bill?

Mr. CRAWFORD. I may not be able to get time.

Mr. HINSHAW. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from California.

Mr. HINSHAW. The gentleman will remember that some weeks ago we passed a bill reported by the Banking and Currency Committee giving the President and the Secretary of the Treasury power to impound the funds of foreign nationals in this country.

Mr. FISH. Yes.

Mr. HINSHAW. Is not this bill somewhat of an anomaly to that one?

Mr. FISH. Yes. In view of all this, I do not see the necessity for it. I welcomed this bill when I first read it, because I thought it would protect American citizens in Mexico. Now I find it goes much further and I believe it is a bill that we should very carefully discuss from all angles.

Mr. KNUTSON. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Minnesota.

Mr. KNUTSON. This bill, as I read it, also covers the property of the nationals of the country from which the property comes.

Mr. FISH. It does.

Mr. KNUTSON. We have no right to tell a foreign country how it shall handle property within the confines of its own country.

Mr. O'CONNOR. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Montana.

Mr. O'CONNOR. Is there not a more fundamental principle involved in this bill? Are we not extending to the executive department of this Government judicial powers that ought to be retained by the courts? We are giving to the President, whoever he may be, power to adjudicate facts; also power to embargo imports from any country.

Mr. FISH. I think the gentleman has raised an important question, and I think that question should be discussed by members of the Committee on the Judiciary who will have charge of this bill. All I have done is to raise the issue and

seek to have it discussed, to see if we cannot find out what the bill means. That is the only purpose for which I have taken this time. I did not know what it meant when I first took the floor, but I have found out a lot about it since and am opposed to it as granting dangerous and too far-reaching powers to the President. [Applause.]

[Here the gavel fell.]

Mr. HAWKS asked and was given permission to revise and extend his own remarks in the RECORD.

Mr. FISH. Mr. Speaker, I yield the balance of my time to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Speaker, the worst thing about this bill is that it delegates more discretion to the President of the United States. I think it is about time that we get to the point where we do not give any more discretion to the President [applause], because he is not properly using the discretion he already has. In my opinion, it is about time for the President of the United States to begin cooperating in conserving our resources for national defense. Right now he is spending money that was appropriated for national defense for the Navy to buy 5,000 silver-plated finger bowls and 5,000 silver-plated trays to go with them. What possible relation these things can have to national defense is beyond my comprehension. How we can afford such things at a time when every effort should be devoted to national defense is impossible for me to understand.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. It may be that those who have been looting the Treasury have occasion to use finger bowls.

Mr. TABER. That may be; but finger bowls for national defense is some byword, is it not? Is not that a watchword to go before the country with?

Mr. RUTHERFORD. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Pennsylvania.

Mr. RUTHERFORD. The finger bowls and the plates are to keep up the morale of the Navy.

Mr. TABER. That may be, but it must be a funny kind of morale if they expect the rest of us to get along with paper cups. To my mind, the Advisory Commission for National Defense, the Secretary of the Navy, and the Congress should put the "kibosh" on such performances, because it is impossible to get the President to support national defense by getting rid of waste. I believe the more discretion we give to the President, the worse off this country is going to be. I believe this discretion, if it is to be vested somewhere, should be vested in definite language determined by the Congress. I hope that before we get through considering this kind of a bill we will place the discretion right here in the Congress and not do a lot of monkey work and permit the President to make a fool of the country any more. [Applause.]

[Here the gavel fell.]

Mr. LEWIS of Colorado. Mr. Speaker, I ask unanimous consent to insert in my previous remarks on this rule the committee report on the bill which is now before the House.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. LEWIS of Colorado. Mr. Speaker, I yield 5 minutes to the gentleman from Texas [Mr. SUMNERS], the chairman of the Committee on the Judiciary.

Mr. SUMNERS of Texas. Mr. Speaker, far be it from me to presume to advise or lecture any Member of the House or the Senate with reference to his utterances. But certainly it is a high duty resting upon the Members of the Congress to help guard against the possibility of being worked into a position of isolation insofar as the nations of the earth are concerned. We face a situation that calls for the highest degree of restraint on the part of Members of Congress and the highest type of diplomacy that this Nation has ever been challenged to produce. These are serious times. We are confronted by this definite situation: Mexico, pursuing a policy which it has adopted with regard to property located in Mexico, has taken over a good deal of oil production. A great deal of debate and argument and diplomatic exchanges has taken place, as you all know.

Regardless of how this situation came about, the oil is now, this minute, being brought into the United States imperiling the solvency of every oil producer in this country, so we are advised. If you defeat this rule you leave the situation exactly there. That is all there is about it. I am talking about the rule now. When we get to where we discuss what sort of a bill we have, that is different. I am talking about the rule now which is the subject matter now up for consideration. That is what we are soon to vote on. We are now considering the rule that brings the subject matter before the House for consideration. Vote down the rule and you leave the inflow of this oil that you have been criticizing without any chance to do anything about it if the rule is adopted then. When we get to the merits of the bill and consider amendments, the present matter soon to be voted on is whether we will consider the general subject matter of the bill. This rule proposes that we may do it. I do not believe there is anything else to be said at the moment.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. SUMNERS of Texas. I yield to the gentleman from Minnesota.

Mr. KNUTSON. Let me ask the distinguished chairman of the Committee on the Judiciary if it would be possible to limit this legislation to oil? As it is now it covers everything.

Mr. SUMNERS of Texas. As I said to my distinguished friend, when we get to considering the bill amendments may be offered, and the judgment of the House can then be taken as to what the provisions in the bill ought to be.

Mr. KNUTSON. Are we going to consider this bill under an open rule?

Mr. SUMNERS of Texas. It is an open rule; yes.

Mr. MURDOCK of Arizona. Mr. Speaker, will the gentleman yield?

Mr. SUMNERS of Texas. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. I should like it understood that I also am in favor of the good-neighbor policy and want friendly relations with all nations, especially the republics to the south of us, but I would hate to see this pending measure limited only to oil, although that may be the commodity of paramount interest.

Mr. SUMNERS of Texas. May I say to the gentleman that we will consider that when we have agreed to this rule. That is what I am trying to say, that we consider one thing at a time, namely, are we going to consider the subject matter that is covered by this bill? That is all that is before the House at the moment.

Mr. MURDOCK of Arizona. That is understood, and I am for the rule. I merely wish to point out that likely metals, minerals, and lands have been seized in Mexico belonging to American citizens, the products of which may be competing with similar products of our own country. Without having studied the bill to be taken up yet, I am very anxious to protect fully and properly our own people.

Mr. SUMNERS of Texas. I want to insist on this. It is true that the House has the privilege of expressing its views, but I want to submit to the common sense and the patriotic impulses of every Member on this floor that in hours like this, in critical conditions like this, there is no higher duty resting upon the American Members of Congress than to leave as free from embarrassment as possible the diplomatic agencies of this country that are trying to prevent us from becoming isolated.

Mr. SOUTH. Mr. Speaker, will the gentleman yield?

Mr. SUMNERS of Texas. I yield to the gentleman from Texas.

Mr. SOUTH. The gentleman's committee held extensive hearings on this subject, did it not, and has not the measure received a good deal of careful consideration? Let me ask first if the subcommittee did not conduct extensive hearings on this measure?

Mr. SUMNERS of Texas. The gentleman from Alabama [Mr. HOBBS] was chairman of the subcommittee that has been

working on this thing for many weeks. We are dealing with a concrete, definite situation. This oil is coming into this country and threatening the solvency of an American industry. The committee of which the gentleman from Alabama [Mr. HOBBS] is chairman is composed of distinguished gentlemen on each side of the House. The committee has been working on this matter for months. They have finally brought in a bill. Nobody is fully satisfied with it, but there is no objection on the part of the State Department, the Department of Justice, or the oil people, who are the folks who are most interested. They have been working on the matter for a long time. They know what the situation is. They would like to have this bill passed.

There is just one question at the moment, and that is whether you want this condition to continue as it is or do you want the Congress to consider this as a practical matter and see exactly what can be done about it?

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. KNUTSON. I am in perfect sympathy and accord with what the gentleman says——

Mr. SUMNERS of Texas. I understand that.

Mr. KNUTSON. The gentleman is an able lawyer and I am wondering if we cannot adopt an amendment that will limit the operations of this bill to property that has been seized from American nationals.

Mr. SUMNERS of Texas. Since the gentleman asks me the question, I would say, of course, he understands we can do that if that is the judgment of the House when we go into the merits of the bill.

Mr. KNUTSON. I would be for it if we adopted that amendment.

Mr. SUMNERS of Texas. But we cannot do anything at all about it until we get this rule adopted.

Mr. KNUTSON. The gentleman will admit that the way the bill is now it applies to Russia and every other country in the world and not just Mexico.

Mr. SUMNERS of Texas. We will get to that later. That is not the matter we are now considering. The sole matter we are now considering, as the gentleman knows, is whether we will adopt the rule.

Mr. KNUTSON. I think we should adopt the rule and then thresh the whole thing out.

Mr. SUMNERS of Texas. Of course, that is common sense.

Mr. KNUTSON. There should not be any opposition to the adoption of the rule.

Mr. SUMNERS of Texas. That is right. You always did have a lot of sense and sometime you use it. [Laughter.]

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. CRAWFORD. In the hearings that were conducted was oil the only commodity that was shown to be moving in that comes within this classification?

Mr. SUMNERS of Texas. I will say very candidly to my friend, although I do not know what the chairman of the subcommittee would say about it, that it is probably true that the oil situation is responsible for this proposed legislation.

Mr. CRAWFORD. Did the hearings show that anything else came in?

Mr. SUMNERS of Texas. I do not know about the hearings before the subcommittee or what they showed, but I will be very candid with the gentleman and state that it is the oil situation that is responsible for this proposed legislation.

[Here the gavel fell.]

Mr. LEWIS of Colorado. Mr. Speaker, I yield 5 minutes to the gentleman from Alabama [Mr. HOBBS], the chairman of the subcommittee of the Judiciary Committee.

Mr. HOBBS. Mr. Speaker, I just want to take part of the time which the gentleman from Colorado [Mr. LEWIS] has so courteously granted me to say that I have studied this legislation for the last 4 months, ever since May, and have been through all its stages with the distinguished gentlemen who compose Subcommittee No. 3, the gentleman from New York [Mr. HANCOCK], the gentleman from Indiana [Mr. SPRINGER], the gentleman from Virginia [Mr. SATTERFIELD], and the gentleman from Kentucky [Mr. CREAL]. This bill is the best we can do. We believe in this bill wholeheartedly. We believe we can defend it, if you will allow us to do so, on its merits. We think there ought not to be a single vote against this rule.

May I say further that we do not sympathize with the criticism which has been heaped upon our good neighbor on the south, the Republic of Mexico. She is a sovereign nation, whose laws and court decisions we are bound to respect. The Supreme Court of Mexico has held the oil expropriations, within the boundaries of Mexico, by the Government of Mexico, in accord with the law of Mexico, to be valid. Our own Supreme Court has repeatedly held that we have no right to review, gainsay, or reverse any decision by the courts of another nation. Inveigh as some will, this is the law.

The bill which the pending resolution seeks to have considered does not attempt to abrogate the law nor disregard our treaty obligations. It is a sincere attempt to utilize our constituted diplomatic authorities to deal diplomatically with a delicate situation that needs attention for the common good and which may not be dealt with otherwise.

The question now at issue is, Shall we consider the bill which the adoption of the pending rule would make in order?

We most earnestly urge the adoption of the resolution by unanimous vote.

Mr. LEWIS of Colorado. Mr. Speaker, I simply wish to remind the House that the only question before us at this time is whether this bill, which has been carefully considered by the Judiciary Committee, shall be considered under the rule which has been presented.

I repeat that this is an open rule and the bill will be considered under the 5-minute rule with opportunity for amendment.

I now yield such time as he may desire to the chairman of the Rules Committee, the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. Mr. Speaker, I regret that I was absent when the gentleman from New York [Mr. FISH] addressed the House. Personally, the evidence presented before the Rules Committee by committees that considered the bill was such that we could not deny bringing the measure before the House for its consideration. This has been the policy of the Rules Committee during the entire Congress.

The rule is a broad and liberal one. It provides for 1 hour general debate after which the bill will be taken up under the 5-minute rule for amendment.

I shall not offer any amendments to the bill, but I am informed that some will be submitted and I am not in position at this time to state whether they should be adopted because the Committee on the Judiciary claims that the bill, as drafted, has the approval of the State Department. I cannot question the statement of members of that committee but, on the other hand, I am not informed that the passage of the bill is urged by the State Department.

Mr. Speaker, personally I do not know how much of the so-called properties have been stolen but, instead of using the word "properties" I think the committee should have been more candid and used the word "oils." I was made to believe originally that the bill applies to oil which finds its way surreptitiously to the aggressor nations. And I, for one, believe that we should not permit any irregular diversion of an essential product of such tremendous aid to Germany, Japan, and Italy.

The secret understanding between these aggressor nations which has long existed but only recently publicly revealed with the announcement of the signing of a treaty is especially aimed at the United States. Officials of the three nations boastfully admit it. This situation calls for our very serious attention and consideration. We should not hesitate to take appropriate action and, if necessary, strong measures, short of war, to protect our interests, and to serve notice to these nations that America is on guard.

MEXICO SINCERELY DESIRES TO BE FRIENDLY TO THE UNITED STATES

I hope this measure will not be taken as an unfriendly act with respect to Mexico because I feel Mexico is extremely friendly to our country. I realize there are some gentlemen

who seem to disapprove of the action of Mexico with regard to the oil interests in that country, but I am of the opinion that we cannot and should not attempt to dictate internal policies to Mexico. We would resent any other country attempting to dictate or interfere with our domestic policies.

Mr. Speaker, as I understand it, Mexico has endeavored to pay the oil companies a fair and reasonable value for the properties they have expropriated as determined by the Claims Commission appointed to settle such claims. When we take into consideration the activities of our large oil companies as brought out in the Teapot Dome investigation, and the unfairness of the power companies against the Government and power consumers, I, for one, do not blame Mexico; in fact, I feel it was justified in taking over the oil lands within its domain which in many instances have been acquired by questionable methods. And I feel that nothing should be done that would in any way disturb our friendly relationship with Mexico. In this connection I also desire to make some remarks on the Russian situation.

WHY SHOULD WE NOT ALSO CULTIVATE THE GOOD WILL OF RUSSIA?

Yesterday's leading editorial in the Washington Times-Herald emphasizes a viewpoint concerning Russia that I have suggested and recommended on several occasions; the last time as recently as September 24.

My query has been and still is today: Why should not the United States try to cultivate the good will of the Soviet Republics? It is realized now in many quarters that Great Britain made a serious if not well-nigh fatal mistake by not concluding and cementing friendly relations with Russia ahead of Germany. Should we repeat that error?

Says today's Times-Herald editorial:

HERE'S A CHANCE

Things being balled up as they are, it would seem as if the most sensible thing we could do would be to scout around for some more friends—powerful friends—if such can be found.

Stalin has some 176,000,000 people under his thumb. Out of that 176,000,000 it is possible to round up seven or eight million soldiers.

Wouldn't it be better to have Russia benevolently neutral toward us than to have it hostile to us?

Russia has boundaries contiguous with those of both Germany and Japan. Hitler obtained Russia's benevolent neutrality, if not active friendship, before he invaded Poland. Wouldn't it be wise for us to try to obtain Russia's benevolent neutrality before we take on Germany or Japan, or both?

ACCIDENT INSURANCE

Not knowing which way the Russian cat might jump, neither Germany nor Japan could afford to unleash as much force against us as if they knew Russia was on their side. Not having a 2-ocean Navy as yet * * * we might find such an accident insurance policy invaluable.

To better our relations with Russia would in no way commit us to official approval of communism, any more than it would mean Stalin had suddenly fallen in love with capitalism. It would be plain, realistic power politics, played for our own safety.

We think our Government ought to look into this possibility.

Mr. Speaker, I agree fully with the logic of the foregoing editorial. It seems to me to suggest but the plainest of common sense. As I stated on the floor of the House on September 4:

RUSSIA'S FRIENDSHIP IS WORTH HAVING

Mr. SABATH. I feel we should discontinue the exportation of many raw materials, scrap iron, oils, gas, including all strategic materials used in warfare, to other countries with the exception of England, and especially to Japan, which uses these materials in the wanton, cold-blooded massacre of defenseless old men, women, and children in righteous, worthy China.

I do not desire to say or do anything that might unfavorably involve us, but I do think that drastic action by our Government will force these Japanese war lords to come down off their high horses, shed some of their conceit, and cause them to discontinue their arrogant, bellicose attitude toward the United States.

Also, I read in today's newspapers that Russia desires to become more friendly toward the United States and that she desires to negotiate the purchase of certain articles for her own use. I believe that due favorable consideration should be given to that proposal, because she will, perhaps, unfortunately, be the only country in Europe, except chivalrous Great Britain, open to our future export surpluses.

Obviously, the Fascists and the capitalist group of this country dislike the Russian form of government, but that should not be our national concern. Russia always has been friendly toward the United States, notably during the Civil War; and she does not need our assistance. She is and will be able to take care of herself; therefore, why should we not cultivate and promote friendly commercial relations with her?

NAZIS IN UNITED STATES ARE ENEMIES OF SOVIET REPUBLICS

Mr. Speaker, the United States has been very lenient with Japan. No other nation would have been so patient. We have overlooked more than one affront from the Nipponese. Sometimes it has seemed as if they were bent on intentionally provoking us. Japan's often insolent attitude is all the more reason why we should leave no stone unturned to obtain the good will of Russia. Russia would come in handy if we are ever obliged to call Japan's bluff.

I know there are critics of Russia and its policies. Investigation will reveal, I sincerely believe, that a whole lot of the criticism of Russia is due to Nazi and Fascist propaganda. That is one of the subtle tricks of the leaders of these two "isms." They conduct all kinds of subversive activities and then try to escape detection and blame by pointing their fingers at the Communists.

I concede there is a certain school of misguided Communists, but I will say this for them, they work in the open, which is absolutely opposite to the fifth-column methods of the Nazis and Fascists.

Communists have a political party. They conduct their campaigns openly within the law. The candidates place their names on the ballots under the name of the Communist Party. They address the people publicly over the radio. Thus we know where to find the Communists but not the cowardly vassals of the madman Hitler. Their method is to work unobserved in the dark.

Mr. Speaker, the recent action of Japan in joining forces with Hitler should open the eyes of all intelligent Americans, regardless of their political affiliations, race, or religious creed. Henceforth no one having any respect or love for our flag and country should in any way give the slightest comfort to the evil-minded triumvirate that seeks first to destroy all democracies and then to rule the world by the sword.

Our duty is to show a solid front to our enemies. Let the entire world know that we in America are united, ready, prepared, and willing, if necessary, to defend our liberties and freedom to the last ounce of our strength.

Though this Government may not be 100 percent perfect, it is the best in the world. No people in all history have been able to devise a better one. It is the duty of every patriotic man and woman in the Nation to bring home to the few misguided ones where their duty lies.

Every person within our borders must understand this Nation henceforth will not tolerate disloyal utterances or unpatriotic activities which in these serious times constitute outright treason.

Persons of Nazi leanings may as well understand once for all that the United States will positively not tolerate divided allegiance. I submit that it is neither unfair nor unreasonable to expect that those who live in this country and enjoy its blessings shall be loyal to this country. This word to the wise should be sufficient.

EXPRESSED BELIEF IN SECRET CONSPIRACY YEARS AGO

Mr. Speaker, I have never pretended to be a prophet or the son of a prophet, but the CONGRESSIONAL RECORD will bear me out in the statement that as long as 2½ years ago I voiced the belief on the floor of this House that a secret or tacit agreement existed between Hitler, Mussolini, and Japan to dominate Europe, Asia, and Africa, but my warning went unheeded.

In the Orient, Japan was already pursuing a course toward domination of the yellow races, apparently with preassurance that Italy and Germany would so engage the attention of the European democracies that interference in China would be impossible.

As long as 2½ years ago I predicted in this House nearly everything that has since happened. Permit me in this connection to quote the following excerpts from my remarks in the CONGRESSIONAL RECORD of March 18, 1938:

Mr. SABATH. Hitler's seizure of Austria is but a prelude of more ambitious plans. Peace- and liberty-loving Czechoslovakia, Rumania, Hungary, and the other small independent nations now see

his shadow across their lands—Memel, Danzig, and the Polish Corridor.

For the time being, engaged in consolidating his gains, he may utter reassuring words to Poland and Yugoslavia. But they have only to recall his utter disregard of treaties, and his oft-repeated statements as to his ultimate aims, to realize how necessary it is that they prepare to resist invasion, for invasion is bound to come.

* * * * * * *

Many ripe scholars feel that the suppression of Great Britain will mean the consummation of a plan to form three great powers outside of North and South America.

I doubt very much that France, which is fighting domestic problems with her back to the wall, could, after the disappearance of the other countries I have named, long withstand being dismembered also.

* * * * * * *

There is not the slightest doubt in my mind but that Hitler, Mussolini, and the raving-mad Japanese war lords are in a conspiracy to divide the entire world among themselves, or at least as much of it as they can manage to grab.

WARNED POLISH LEADERS NOT TO FORGET TREATMENT OF POLES BY PRUSSIA

Great Britain, rather late, is commencing to realize its danger. Does Poland realize her danger?

The leaders in Poland might well hearken back to other days, and consider the former treatment of Poles in Prussia. I remember in 1908 how Prussia prohibited, by edict, the teaching of the Polish language in their own schools, and how they proposed in their Parliament a compulsory dispossession of the homes of Polanders. For 2,000 years the Poles and their fathers before them had occupied this land, but notwithstanding and in contravention of the Congress of Vienna of 1815, and in violation of Prussia's organic laws prohibiting distinctions between citizens of the Kingdom, that Prussia's Parliament even then showed its prejudice by discrimination against the Polish.

At the time I speak of, Congressman Arthur L. Bates, of Pennsylvania, was impelled to introduce into this House a resolution extending good wishes and sympathy to the Poles in Prussia in their efforts to maintain their property rights.

Recalling this, and viewing the present prejudice which governs in Germany, Poland should properly estimate the future insofar as her relations with that country are concerned.

EVEN AMERICA MAY NOT BE AS SAFE AS SHE FEELS

Up to about 12 years ago we confidently believed ourselves properly protected against possible attack from any and all quarters; but in view of the increased and ever-increasing knowledge of aviation and mammoth airplane carriers, are we really free from military danger?

If this nefarious triumvirate should effect the dismemberment of the great British Empire, what would become of Canada? Could we still feel free and at ease without present-day Canada?

URGED ADEQUATE PREPAREDNESS LONG AGO

Only a little while ago I read in the public press about concessions that had been or were contemplated to be granted by Mexico to Japan in Lower California. That recalled to my mind the offer by Germany in 1917, in the Zimmerman note, to give Mexico a part of the United States if Mexico would join Germany, and the offer to Japan of the Philippine Islands in return for military aid. When those audacious offers were first brought to light it was thought they were sheer allied propaganda, but we were soon convinced of the authenticity of these reports by documentary evidence that came into possession of our Government.

In view of all this and our enemies within, I feel that it behooves us adequately to protect ourselves against even the remotest eventuality. * * * I am ready to vote for the construction of a navy and an air force that will be unmistakably adequate for our proper defense.

If Great Britain and France had taken a firm stand against the initial rearmament of Hitler, Mussolini, and Japan, and had not been lulled to sleep by undependable peace assurances, they would have been in position 2 years ago to stop Mussolini and Hitler in their mad rush toward a menacing world conquest.

* * * * * * *

The only interest I have in the problem of national defense is the welfare of our whole country, to which I owe much and for which I am ready to give everything I possess. This great country of my adoption has been kind to me, and if I leave behind only one legacy, I want it to be a contribution, weak though it be, to the defense, not offense, and the promotion of the welfare of the land that made me whatever I am and gave me whatever I have.

I LIKE TO FEEL THAT I CAN CHANGE MY VIEWPOINTS IN ACCORDANCE WITH CHANGED CONDITIONS

And so, in conclusion, let me say that, in view of the alarming world conditions to which I have alluded, I shall vote and work for the passage of the pending bill. This may be surprising to some of the critics who have accused me of being a pacifist, charging that I was against adequate national defense; but let me say to them it is not they who have changed my view. I was just as conscientious when I opposed large Army and Navy appropriations in past years as I am conscientious today in supporting this bill. I have changed my views because and only because world conditions have changed. When I get so old or so benumbed of brain and character that I cannot change my view in accordance with changing conditions and a changing world, it is time for me to be carried out feet first, and I want to be.

I have criticized conditions and things at times, and I shall do so again whenever I see anything that I think merits criticism. But I love this country. I will vote any amount of money necessary to protect it from enemies either within or without. Today, perhaps more than at any other time in its history, the United States of America stands out against the dark and stormy seas of racial persecution, intrigue, conspiracy, and jealousy as the one and only enduring beacon light of hope.

I am grateful to the people of my district for having permitted me for so many years to be a Member of this great American Congress, the greatest democratic legislative body on earth, wherein every man is accorded the unfettered right to say what he pleases. Let us strive to preserve and promote this priceless heritage for ourselves and posterity. I do not expect to be here forever, but I do want the Stars and Stripes and a democratic form of government to endure here forever.

Mr. Speaker, neither Poland, France, Great Britain, nor any of the other now destroyed nations paid any heed to the warnings, and I hope that such will not be the case with the United States.

And regardless of what the Nazi, Fascist, or capitalistic groups in the United States may say about Russia, I reiterate that the best interest of the United States will be served not by criticizing and assailing Russia but by taking just the opposite course and seeking her friendly cooperation. The latter course will inure to the benefit of America, and it is the welfare and safety of America that in these critical days should be our sole objectives.

Mr. LEWIS of Colorado. Mr. Speaker, I move the previous question on the adoption of the resolution.

The previous question was ordered.

The resolution was agreed to.

EXTENSION OF REMARKS

Mr. HINSHAW. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include a letter from a Briton addressed to an American.

The SPEAKER pro tempore (Mr. DOXEY). Is there objection?

There was no objection.

NATIONAL STOLEN PROPERTY ACT

Mr. HOBBS. 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 (S. 3936) to extend the provisions of the act of May 22, 1934, known as the National Stolen Property Act.

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 S. 3936, with Mr. COLE of Maryland in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. The gentleman from Alabama [Mr. HOBBS] is recognized for 30 minutes, and the gentleman from Kansas [Mr. GUYER] is recognized for 30 minutes, under the rule.

Mr. HOBBS. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, this bill simply vests in the President, no matter who he may be, permanently, the right to determine whether or not any importation of any confiscated property is detrimental to the interests of the public in the United States. If so, then he is given the right to bar its importation.

Since May we have been diligently seeking a better way. We realize the fact that there is just criticism, whether it be from the Democratic or the Republican standpoint, in vesting more power in the President. From our standpoint it is unfair to him to burden him with more duties. He is already bearing a superhuman load.

From your standpoint, of course, it is unfair to him for this same reason, and also you may contend that it is unwise to increase the power of the office. No one wishes to increase the power of any governmental official unless it is necessary. It is necessary in this instance, for the President is our only voice

and agent in foreign affairs. No other agency nor branch of our Government is either so well recognized or so well qualified for such a function. We think it wise to charge our Chief Executive with this new duty. We would so think no matter who was the occupant of the White House. We believe implicitly in the great man who is now the head of this Nation. He has demonstrated his tact and ability. He can be trusted to the limit to safeguard the interests of the people of America. Therefore, with confidence, we bring you this bill, which is the only thing that we could agree upon to do this job.

It is a ticklish business. Under our treaty engagements we have given guaranty to other nations that they, not we, should rule in their own sovereign jurisdictions. We may not legislate for them. We may not amend nor repeal their statutes, nor overrule their courts. We worked for weeks to perfect a feasible and enforceable law for the courts to administer. It cannot be done. Therefore we bring you this bill and commend it as the only safe, feasible approach to the solution of this problem.

Mr. DICKSTEIN. Mr. Chairman, will the gentleman yield?

Mr. HOBBS. I will be so happy to yield to the distinguished gentleman from New York.

Mr. DICKSTEIN. Is it true that oil which was owned by American citizens and which has been confiscated is the very oil that is being sent to the United States to be sold?

Mr. HOBBS. It is certainly true that oil has been expropriated in Mexico. It is true that our State Department has contended that what Mexico denominated "expropriation" was confiscation. It is perfectly true that American operators of oil properties in Mexico have lost what rights they formerly exercised under bona fide claim of ownership.

Mr. DICKSTEIN. I am glad the gentleman has made that clear.

Mr. HOBBS. It is also perfectly true that the Mexican Government has offered to pay in American currency the fair value of every drop of that oil that has been expropriated or confiscated, whichever you please to call it. Therefore we cannot say that had the original bill been passed, it would have applied to Mexico at all. I wish to call the distinguished gentleman's attention to another matter. It is absolutely impossible to identify any of the oil in question. It is all commingled in the pipe lines. Mexico, now, as she did before the so-called expropriation or confiscation, operates more of her own wells than were expropriated. Mexico, in its proposition to the foreign oil companies, said that she would guarantee that every gallon of the oil sold to produce the revenue to pay for the expropriated oil would be from her own wells, distinct and separate from those expropriated.

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I yield myself 2 additional minutes.

Mr. DICKSTEIN. I think the gentleman has made a very clear statement. Now, there is some criticism here about giving power to the President. Who else could possibly have the power to iron out and clear up these questions and protect American property rights of American citizens other than the President of the United States?

Mr. HOBBS. No one.

Mr. DICKSTEIN. Was there any suggestion made with reference to that paragraph?

Mr. HOBBS. There was a suggestion made that it be left to the courts, but of course the Supreme Court of the United States in three cases has held that that cannot be done; that no court of the United States has the power to review, or revise, or overrule a decision of the supreme court of another sovereign power.

Mr. KEEFE. Mr. Chairman, will the gentleman yield?

Mr. HOBBS. I should be delighted to yield to the distinguished gentleman from Wisconsin.

Mr. KEEFE. Why is it this bill is not limited in scope to the confiscated or expropriated property, or legally taken property, if one may say, without compensation of American nationals? And why is it so broad as to include the power in the President to exclude the property of nationals of Mexico, or of Russia, of Germany, or of any nation in the world that may have been taken by force or may have been taken by justification of law, although compensation has not yet been paid? Why has it not been limited to property of American nationals only? Why are we interested in the property of every other person on the face of the earth? That is what I would like to have answered.

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I yield myself 5 additional minutes.

I am delighted to answer the distinguished gentleman. I am sure, good lawyer that he is, he will recognize the validity of the reasons from a legal standpoint; and also, good American that he is, that he will appreciate the force of our reasons, from a practical standpoint, for incorporating in the bill the provisions that are there.

This bill is aimed solely at one objective, the protection of American markets from foreign dumping. It makes no difference whatsoever whether the property has been confiscated from American citizens or from any others. What we propose is to deny importation to any property that has been confiscated, if and when, in the judgment of the President, its importation would be contrary to the interests of the public. We seek to prevent unfair competition with our own businessmen.

Mr. KEEFE. Will the gentleman yield further?

Mr. HOBBS. I shall be delighted to yield again.

Mr. KEEFE. Why, then, is not that a proper subject to be handled by tariff legislation? Why is it to be taken up under a Stolen Property Act? That is what I cannot understand as a lawyer.

Mr. HOBBS. I am sure if the gentleman had studied this question as we have——

Mr. KEEFE. Indeed, I have not.

Mr. HOBBS. He would not think that a tariff barrier would be a satisfactory solution. What we say is that under certain circumstances where the taking has been unconscionable, the properties confiscated should not be permitted to enter here at all to come into competition with American products.

This proposes an embargo against incoming property that was confiscated. Such imports are to be stopped—not licensed. We decline to say, "Such importations are wrongful, but if you pay us we will let them in." That would be compounding the wrong and would make us particeps criminis. That would put money into the United States Treasury, but would leave our own suffering businessmen to their suffering.

Mr. SUMNERS of Texas. Mr. Chairman, will the gentleman yield at that point?

Mr. HOBBS. I am delighted to yield to the distinguished chairman of the Judiciary Committee.

Mr. SUMNERS of Texas. Our markets would be affected just the same whether the property that was brought in was the confiscated property of American citizens or the confiscated property of nationals of other countries.

Mr. HOBBS. Of course, they would; and I thank the gentleman for his contribution. Let me give a concrete illustration. Let us take silver, for instance. There is a nation which has confiscated tons of silver and which has found a market for some of that silver in the United States to a considerable extent—bootlegging it in. We want to stop that. We do not wish to bring that stolen silver, or confiscated silver, or expropriated silver, or whatever you may call it, into this country in competition with our own silver mines. We do not think that is a proper article of commerce to enter our channels of trade, and we are going to stop the importation rather than by saying "If you pay us, we will let you bring it in."

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. HOBBS. I am delighted to yield to the learned gentleman from Ohio.

Mr. VORYS of Ohio. Did the gentleman consider whether it would not be possible, by legislation, to confer additional jurisdiction upon the courts—our Supreme Court, for

instance—so that these questions of fact under a statutory definition could be determined judicially rather than politically or in an executive way?

Mr. HOBBS. We considered that for all of 2 months with representatives of the Department of Justice and of the State Department. We sought desperately to work out a bill on that line; and not until we found the situation hopeless, as far as that avenue of approach was concerned, did we accept this compromise.

Mr. VORYS of Ohio. Does the gentleman mean by hopeless that it would be impossible to do that under our Constitution?

Mr. HOBBS. Yes; I will state to the gentleman that it is impossible.

Mr. VORYS of Ohio. Under the Constitution?

Mr. HOBBS. It is utterly impossible to do what the gentleman has in mind under our Constitution, treaties, international law, and the decisions of the Supreme Court of the United States.

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. HANCOCK].

Mr. HANCOCK. Mr. Chairman, we all understand the motive behind this bill, and I believe we are sympathetic. As the gentleman from New York [Mr. FISH] stated, the purpose of the bill is to exclude imports of what we regard as stolen oil from Mexico.

The original draft of the bill was considered in the committee at some length and was rejected because we felt it was impractical and that it went too far; that it was like taking a sledge hammer to kill a mosquito on a baby's head. If we want to exclude foreign oil, the thing to do is to increase the excise tax or to put a tariff on it.

There are not many of us here today, but I ask all of you to read the bill carefully before you vote on it. It is not confined to stolen property that formerly belonged to American citizens; it gives the President the power to exclude property of every name and nature that has been confiscated in any foreign nation anywhere on earth if he deems the importation contrary to American interests. "Confiscated property" is defined as being property taken by any foreign nation by force or by its own law, decree, order, or ordinance; in other words, it makes the President of the United States the sole judge of the legality of the acts of foreign governments. I am not talking about this President or any particular future President; I am talking about the individual who happens to be or become President of the United States.

This places upon him the responsibility of examining the title, under our laws, of all property on the face of the earth that anyone attempts to import into the United States. He can exclude property which has been acquired pursuant to the law of any foreign nation. How does that square with the good-neighbor policy? We are trying to woo the good will of South America and at the same time we are asked to pass a law which is a direct slap in the face not only of Mexico but of every other foreign country.

What is confiscated property according to our ideas? Practically all the property of Europe has been confiscated. Certainly, we think everything in Soviet Russia has been confiscated, in violation of our definition of title. Whenever there is a revolution in South America, title to property is likely to change hands and to change hands in accordance with the law of that particular country. When a foreign country changes its constitution, when it changes its laws, those changes are often contrary to our ideas of good law, and contrary to the provisions of our Constitution, but whenever a foreign nation makes such a law affecting the property rights of its own citizens or ours, the President of the United States may declare that property owned under that law is "confiscated," and exclude it from the United States, if this bill becomes a law.

Mr. Chairman, let us forget who is President of the United States today and deal with this proposition as an abstract proposition. There should be no politics in this discussion. I think you will agree with me that it would give the President of the United States power to create a situation which might lead directly to war. We talk about centralization of power. Why, this moves straight toward absolute dictatorship. This is the longest step in that direction that has ever been proposed in this Congress, and I think we ought to weigh this question very thoroughly before voting on it. It is interesting to remember that we have had imports of oil from Mexico for a good many years. When the properties down there were owned by the American oil companies there was no protest against the imports, but now that they are owned by the Mexican Government we have this very drastic bill.

At least one large American oil company has negotiated what it regards a satisfactory settlement for its seized Mexican property and is importing Mexican oil. Others have not done so and are asking for this legislation.

It is not introduced in the interest of the owners of American oil properties primarily, but of certain American producers, and it springs from trade rivalry between a few big companies. If you wish to exclude oil produced in foreign countries, increase the excise tax or put on a tariff. That is the orderly and proper way of doing it. [Applause.]

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, I yield 5 minutes to the gentleman from Indiana [Mr. SPRINGER].

Mr. SPRINGER. Mr. Chairman, this bill proposes to extend the Stolen Property Act. I happen to have been a member of the subcommittee which held hearings on this bill. The gentleman from Alabama [Mr. HOBBS] was the acting chairman of that subcommittee. We had hearings which extended over a long period of time and we carefully considered this bill and every provision connected with it. We not only heard the various Departments, which included the Department of Justice, and the Department of State was also present and gave testimony respecting this proposed legislation. In addition to that we had a large number of those engaged in the oil business in the State of Texas, and all through the Southern States, before us, and they gave some very potent testimony respecting existing conditions following the importation of confiscated property from Mexico, a policy that we are now attempting to stamp out.

This bill proposes to stop the importation of stolen oil and stolen property into this country, not alone the property itself, but the property which is commingled with other property. Under the provisions of this bill that property which is known to have been confiscated or expropriated is stopped at the border and is not permitted to come into this country and therefore the same cannot come in direct competition with our own products.

Mr. MICHENER. Will the gentleman yield?

Mr. SPRINGER. I yield to the gentleman from Michigan.

Mr. MICHENER. The gentleman said property which is known to have been confiscated. Where does that knowledge come from? Who determines that?

Mr. SPRINGER. May I say to the distinguished gentleman from Michigan, who is also a member of the Judiciary Committee and one of the outstanding members of that great committee, that under the provisions of this bill the power is vested in the President of the United States to determine that question. That is one of the outstanding things which was in the mind of each and every member of the subcommittee at the time this bill was considered and reported to the full committee; I know that the members of the full committee had that same question in mind at the time they voted to report this bill favorably to the House. That point which has confused the committee is the extending of greater power in the Chief Executive to determine when this law has been violated. In other words, to permit the President to sit, hear, determine, and finally decide when there has been a violation of this particular law, if it is passed and enacted.

Mr. HINSHAW. Will the gentleman yield?

Mr. SPRINGER. I yield to the gentleman from California.

Mr. HINSHAW. As I read it, this bill is not confined to the property of American citizens that may be confiscated or taken by law, but it includes the property of any citizen in the world.

Mr. SPRINGER. The gentleman from California is correct. The purpose of the bill is to prevent the importation of confiscated property, which was confiscated in any foreign country, into this country contrary to the public interests.

Mr. HINSHAW. Why does it do that?

Mr. SPRINGER. It applies to any and all citizens whose property may have been confiscated or taken, in a foreign country, and is transported into the United States and dumped on our markets at a lower cost than our own products of a like character can be produced.

Mr. HINSHAW. Is it possible for any individual in this country to determine the right of ownership of the property of other nationals than our own?

Mr. SPRINGER. That might be a hard question to determine. Under the bill presented that power is vested in the President of the United States. The only question he may determine is whether the property sought to be admitted has been confiscated. If so, the property is not admitted unless the same has been paid for or provision for payment has been made.

Mr. HINSHAW. Why does the bill go as far as it does? Why is it not confined to the property of American citizens?

Mr. SPRINGER. Had it been limited exclusively to American citizens we would probably have had other legal barriers which would have prevented the passage of a bill of that kind, may I say to the gentleman, and I am glad he raised that point.

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. SPRINGER. Mr. Chairman, as I said a little while ago, there was in the mind of each and every one of us when this bill was under consideration, and when it was finally voted out of committee, the fact that it extended further and excessive power in the President of the United States. That is power which should not be imposed upon any President. That is power that any President should not desire. I refer to the power of pursuing, following, and determining the question whether the property is actually confiscated or stolen and whether or not the confiscated property is commingled with other property. This bill covers both phases.

Mr. HINSHAW. Does not the gentleman believe that we can get into unlimited difficulties this way if we try to determine that for all the people of the world?

Mr. SPRINGER. I say that question may be very hard of determination; it may be very hard to determine whether or not the property had been confiscated and whether or not it has been commingled with other property, not confiscated. There are possibly some very serious implications in this procedure.

Mr. SUMNERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. SPRINGER. I yield to the distinguished chairman of the Committee on the Judiciary.

Mr. SUMNERS of Texas. May I suggest to my friend that this power could not possibly in practice be called into operation unless it is definite, clear, and outstanding. In borderline situations it could not possibly be called into practice.

Mr. SPRINGER. I thank the gentleman for the contribution.

Mr. SUMNERS of Texas. It could not be done.

Mr. SPRINGER. The Department of Justice and the State Department were before the committee. We discussed very fully the question of the propriety of either one of these Departments assuming this power and this jurisdiction, and it was finally developed that it was not the policy that they should, and it was probably very impractical that it should be attempted. Also legal barriers were found to exist against such procedure.

Mr. CREAL. Mr. Chairman, will the gentleman yield?

Mr. SPRINGER. I yield to my distinguished colleague from Kentucky [Mr. CREAL] who is a member of the Judiciary Committee.

Mr. CREAL. In reference to the proposed amendment to confine it to the confiscated property of Americans, may I say that in the same oil situation they confiscated English oil. The amendment would permit the Mexicans to send the expropriated English oil here and retain the other, and this would be quite a discrimination and relieve only half the situation.

Mr. SPRINGER. Yes. I thank the gentleman for his contribution. May I say in that connection that this bill provides that the confiscated property of any person, regardless of whether he is an American citizen or a citizen of some other country, is stopped and is nct permitted to come into this country.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield.

Mr. SPRINGER. I yield to the distinguished gentlewoman from Illinois.

Miss SUMNER of Illinois. Has the gentleman investigated what rights American citizens already have to regain their property? Offhand, it would seem that instead of approaching the problem through this bill they should be permitted more consistently with traditional American rights to go into the courts and attach property which really belongs to them under the law, whether they are aliens or whether they are our citizens.

Mr. SPRINGER. I thank the gentlewoman for the contribution. May I say that whatever the rights of individual citizens may be with regard to their property rights, each would have their day in court concerning those rights; and if they could prove their ownership of that property, or that they came in possession of the same rightfully, and not in violation of the provisions of this bill, then no further action could be taken thereunder. However, this bill applies only to property which has been confiscated, or which has been stolen, from coming into this country and being dumped on the general market in competition with our own legal production.

May I say also that those engaged in the oil business in the State of Texas—and the oil business is one of the big industries in that particular part of this country—many of them testified regarding the amount of confiscated oil which is dumped on the market in that immediate vicinity. They are selling this confiscated oil cheaper than oil can be produced and placed on the market there, and this has had a material effect on the business interests of American citizens engaged in the oil industry in Texas.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. SPRINGER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The bill in its present form includes every conceivable kind of product, including securities.

Mr. SPRINGER. That is true. It embraces every character of property.

Mr. KNUTSON. It does not make any difference whether the securities that were seized belonged to American citizens or to nationals of the country where they were seized.

Mr. SPRINGER. That is true.

Mr. KNUTSON. It may be that some of those countries have found it necessary to have a capital levy. We do not know just what prompted an action of that kind. Why should we sit in judgment on any situation that does not directly affect American citizens?

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, I yield 1 additional minute to the gentleman from Indiana.

Mr. SPRINGER. May I say in conclusion, Mr. Chairman, that the one thought the subcommittee and the committee as a whole had in mind in voting out this bill was to protect our own industries in this country against importations of confiscated and stolen property, of whatever character it might be, which might come in direct competition with production in this country. [Applause.]

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. COCHRAN].

Mr. COCHRAN. Mr. Chairman, when the gentleman from New York [Mr. FISH] had the floor it was clearly evident to me that he had not studied the legislation. He thought at the outset that it applied solely to the oil in Mexico. The

Mexican Government has confiscated millions of acres of ground used for agricultural purposes. This land was confiscated long before the oil was confiscated. Some of it belongs to people residing in my city, St. Louis. Some of the oil land likewise is owned by St. Louisians. It is my understanding mines, gold, and silver were confiscated.

In my opinion, this bill is very far reaching; in fact, as far reaching as it is possible to make it. It extends to every country in the world.

We are going to make our President a policeman to find out what has and what has not been confiscated, what has and what has not been processed, and when it arrives at our shores to determine whether or not it can be admitted. Of course, we do not know now all that has been confiscated in Europe up to this time, but it is reasonable to assume that certain nations there have taken over a great deal of property that formerly belonged to individuals without reimbursing them in any way for their property. The same applies to the Far East. If this property be a great steel mill or some other manufacturing plant, its products when they reach our shores, as I understand the language of the bill, will not be permitted to enter this country. In other words we undertake to tell the nations of the world, "You will treat the property of your nationals and other property owners within your boundaries as we treat ours or you cannot send to the United States goods produced from their property."

It seems to me that before we embark upon a policy of this kind it may be well for us to use our best efforts through the State Department to come to some kind of agreement with Mexico in reference to the confiscation of oil as I am firmly convinced from the debate as far as it has gone that if the oil fields in Mexico had not been confiscated this legislation would not be here today. It matters not to me whether it is oil or anything else, all are in the same category. I am not going to support legislation of this kind. We are going to have plenty of trouble with our commerce when the war is over. There is always a way for other nations to retaliate. Take Russia now. How can we accept anything Russia sends to this country? Russia confiscated the property of its nationals. That is a permanent policy of Russia. Pass this law and you treat all nations alike, we accept no shipments from Russia. The gentleman from New York [Mr. FISH], in his remarks, said that in his opinion the trouble with Congress is that we do not discuss foreign affairs enough on the floor of the House. In my opinion we discuss foreign affairs too much. You have no knowledge how often someone by their utterances talking about something they know nothing about embarrasses the President and Secretary of State. The gentleman from New York is 100 percent wrong. It so happened that during the period of the World War I was secretary of the Foreign Relations Committee of the Senate. Every session of the committee was an executive session—not even minutes were kept—and I can tell you that if some of the matters that came before that committee and what was said were ever discussed on the floor of the Senate or the House it would not have been for the best interests of this country.

When a legislator, be he National, State, or local, no matter how insignificant he may be, makes an attack on a foreign country or to an individual head of a foreign country, and that statement is carried to that country and printed in the press, and they characterize him as a public official, it is harmful to the interests of this country. A hostile press will so prepare the article that the people of that country will feel when they read that the speaker talks with the authority and approval of the United States. It creates a bad feeling and only makes it more difficult for those responsible for handling our diplomatic affairs.

I have heard many a speech on this floor and read many extensions of remarks in the RECORD which in my opinion should have never been uttered or printed. Talking for home consumption at the expense of your Government is bad business.

We should approach this legislation calmly, consider it on its merits, discuss the bill and not foreign countries or their rulers, and if we do, in the end we can vote more intelligently.

What other nations do at times is our business if it directly affects us, but what they do within their own borders, to their own nationals, whether we like it or not, is their business. We can deplore their methods and their treatment of their citizens. We can sympathize with those affected, but in the end is it not their business?

It has always been my opinion it is to the best interests of our country to let the Secretary of State and the President handle the difficult foreign problems that come before them. They know a great deal more than we know. For instance, if we are to believe what we read, the President and the Secretary of State knew 10 days in advance that Japan, Italy, and Germany were going to sign a pact. They have information that we do not have. Information they cannot make public.

I say this legislation will be looked upon by many nations of the world as being aimed at them. I do not think the bill should be passed and propose to vote against it. [Applause.]

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I yield 2 minutes to the gentleman from Texas [Mr. SUMNERS].

Mr. SUMNERS of Texas. Mr. Chairman, I have asked for these 2 minutes to pursue briefly the observation which the gentleman from Missouri [Mr. COCHRAN] has just made.

Unquestionably these diplomatic and semidiplomatic questions cannot be handled on the floor of this House. The gentleman is correct in his statement that it does not make any difference how insignificant any of us may be in times like these, statements made on the floor of this House are caught up and are broadcast in the countries affected to the hurt of this country, if they are not in their nature calculated to bring about a friendly feeling toward this country.

The situation is difficult. This oil is being imported into America to the hurt of American producers. It is not a thing that happens in a foreign country that is now being dealt with, but it is the result of importations, the bringing into this country of commodities which the importer has not paid value for, and can therefore be sold cheaper than the American producer can sell. That is the reason this bill has to be as broad as it is.

This is an unusual bill. It is a part of this emergency situation, a difficult and dangerous situation.

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I yield the gentleman from Texas 1 additional minute.

Mr. SUMNERS of Texas. This bill is satisfactory or there is no objection to it on the part of the State Department that has to deal with the diplomatic aspects of this problem.

There are a number of ways we could go about trying to do something with reference to this situation. The purpose of this bill is to make it possible, if we can, to remove this hurt to American producers through diplomatic channels, to strengthen the arm of the diplomatic agencies of this country in an effort to do that.

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I yield the gentleman from Texas 1 additional minute.

Mr. LUTHER A. JOHNSON. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. I yield to my colleague from Texas.

Mr. LUTHER A. JOHNSON. The gentleman and the committee, I am sure, have tried to handle this very difficult problem in the most diplomatic and effective way. I happen to know something about the experience they had with reference to the first bill introduced, and I feel that the statement the gentleman has made is entitled to the respect and the support of this House, when the gentleman tells us that he is dealing with this problem in the very best way to conserve our diplomatic relations with other countries and at the same time protect the rights of our own people.

Mr. SUMNERS of Texas. Anybody can get up here and criticise this bill. We know that. We know there is a chance to play party politics in connection with this measure, but we cannot afford to do that. We are all American citizens, responsible in the hour of the world's greatest tragedy——

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, I yield the gentleman from Texas 2 additional minutes.

Mr. HOBBS. Mr. Chairman, I yield the gentleman from Texas 3 additional minutes.

Mr. SUMNERS of Texas. Now, listen to me, my fellow Members. Now, what are the facts? Everybody knows that the oil producers of America are being put to great disadvantage by the importation of this oil. That is fact No. 1. Fact No. 2 is that we know that we ought to try to handle that situation through diplomatic channels. No one who has any sense can fail to know that. In an hour like this we of the Americas are doing our best to hold ourselves, Mexico, and the South and Central American republics in cordial relationship. We are not children, we do not have any right to be casual or reckless in our utterances or attitudes. We are trying to conserve the strength and strengthen the position of a great republic in which is largely the hope of the nations of the earth who want to be free. It is a hard job. I heard the distinguished gentleman from New York say we did not have a friend on earth. I do not think that is quite true, but it is more nearly true than it ought to be. We cannot possibly build our friendship except through diplomatic channels. We have had the Department of State, the Department of Justice, and the Judiciary Committee doing its best to handle this situation with as little friction as possible. We might not have done as well as you could have done.

The bill is subject to criticism. What are you going to do about it? This is what we have got to do about it, either pass this bill or defeat it. This thing has been worked out in consultation with every responsible agency of the American Government. It is the best thing we can do. I hope you will pass it without amendment.

Mr. KEEFE. Will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. KEEFE. It has been suggested that there is some possible legal barrier to the adoption of an amendment which would limit the application of this act to the property of American nationals in foreign countries. Will the gentleman be so kind as to elaborate, out of his experience, just exactly what the legal barrier might be to the adoption of such an amendment?

Mr. SUMNERS of Texas. Will my friend excuse me from discussing the legal aspects if I can answer him in another way? It would be just as detrimental to American citizens in this country, attempting to produce oil, for instance, to have confiscated oil that belonged to the nationals of another country imported? Do you see the point? We are trying to protect the American market.

Mr. KEEFE. That is true, but may I ask this question, Do we not have the power under existing law, under the antidumping statutes which are on the books now, to stop the dumping of that oil, under tariff regulations?

Mr. SUMNERS of Texas. No; it would not do it. Without going into it, it would not do it. We have put the tax up now to 20 cents a barrel. Without going into it, will my friend take my word for it that the committee went into that, but we found no power under existing antidumping legislation to cover the situation? You see, they are not selling it any cheaper in this country than where produced. Antidumping legislation is to prevent a country from dumping its surpluses in this country, on the theory that it is being sold in this country cheaper than it is being sold at home. That does not apply in this case. I say to you, my friends, I had hopes that there might be something done there, but we found it could not be done. I think the gentleman from Alabama [Mr. HOBBS] and other members of the committee will bear me out in that.

I am sorry I have taken so much time, but in a sentence, I hope you will believe me when I say that this legislation is not objected to by the Department of State. It is not objected to by the Department of Justice, and it is very much hoped, on the part of the American oil producers, that it will be accepted. [Applause.]

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Michigan [Mr. CRAWFORD].

PREVENT THE DUMPING OF LOOT IN UNITED STATES OF AMERICA

Mr. CRAWFORD. Mr. Chairman, as early as last spring I became very much interested in this kind of an approach, because, based on statements made by the Treasury Department and press releases which it made at that time and some unusual performances in our securities markets, I was led to believe, and I still believe, there was extreme danger of a considerable dumping of loot in the form of securities taken away from certain European nationals by certain European governments and the moving of those securities into the United States against the interest of our people. Then, as we all know, this oil situation has been before us for some time, and probably growing worse, so far as I know.

Therefore I am very friendly to legislation of this type.

As I read the language, in my limited understanding of such technical statements, it appears to me that "when the President shall find" is the real crux of this proposal. If the President does not find, then the goods can perhaps come in. If the President does find, they cannot come. I certainly have no objection to the President finding that competitive agricultural goods cannot come into this country. I have no objection to his finding that beef and hides, wool and mohair, fats and oils, beans, and sugar, and other foodstuffs, of which we produce, under the present terminology, tremendous surpluses, cannot come into this country. I would feel very unkindly to the President and to the State Department if they should find that rubber and tin could not come into the United States; and I do not believe there is anybody in the Department of State and I do not believe the President of the United States would so find, even if all the rubber and tin owned by other nationals of the world were found to have been confiscated by some enemy. I do not have any idea that the President will get bogged down in this proposition, insofar as the South American countries are concerned. I do believe that every Member who is reelected to this House next November and comes back here January 1, whether Democrat or Republican, will, in due course, be throwing his support toward our maintaining a closer relationship with Mexico, Central America, the South American countries and all those areas which constitute whatever may be defined as the Western Hemisphere. I see no reason at all why Republicans in particular should object to the President of the United States finding that competitive goods should not come into this country, whether located in foreign countries and which by them may be confiscated.

So as far as I am concerned I am going to support this bill if there is a roll call on it. If there is not, it will just slide through, as many others do. I am not at all favorable to limiting this language to oil or of limiting the provisions of the bill so that they apply only to the property of our nationals located in foreign countries and which by them may be confiscated.

WE SHOULD PROTECT ALL PRODUCERS

I am just as afraid of destructive forces being put in operation in this country as a result of securities being dumped into this country as other commodities, or as oil. I am no particular friend of the oil industry, but certainly I am not any particular enemy of the oil industry. I want all of our production, whether it is oil, livestock, or foodstuffs, fully protected, either through this manner, through the imposition of tariff duties where necessary, or the calling into operation of the Antidumping Act. [Applause.]

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. The gentleman from Kansas has 5 minutes remaining.

Mr. GUYER of Kansas. Mr. Chairman, I yield myself 2½ minutes.

The CHAIRMAN. The gentleman from Kansas is recognized for 2½ minutes.

Mr. GUYER of Kansas. Mr. Chairman, I have been sympathetic with the subcommittee. I think we have one of the finest subcommittees on the Committee on the Judiciary considering this legislation, but I have been consistently opposed to the importation of all kinds of products into this country that has been a burden upon the farmer, the oil producer, and upon industry. On the other hand, by experience I have found that the State Department and the executive department have irritated a jittery world with accusations and insinuations until we have hardly a friend on earth. In other words, on the East and on the West, in the Occident and in the Orient our friends have dropped away from us; and now, maybe, we are about to do the same thing with our American republics. We must bind them to us with hoops of steel if we expect to preserve democracy in this Western Hemisphere. So I am torn between two inclinations; on the one hand, to protect the American market from those who ship in articles of commerce in competition with our own products, and on the other hand the fear that the State Department and the executive department will insult the few. Therefore I am not inclined to vote for this bill.

[Here the gavel fell.]

Mr. GUYER of Kansas. Mr. Chairman, I yield 2½ minutes to the gentlewoman from Illinois [Miss SUMNER].

Miss SUMNER of Illinois. Mr. Chairman, I do not like to speak unexpectedly to this honorable body; but men abroad, British subjects, are risking their lives in the hope of preserving principles they have been brought up to fight for in peacetime as well as war. Here in America, however, we flirt with the idea, every day in Congress, of giving up principles without having a gun fired at us or on account of some emergency which half the time is not even more than an everyday happening.

We talk about being isolationists with only one friend left in the world. What attracted the friends we had? It was because, until 1932, this Nation stood for justice under law and under the administration of the law, every person and every class of persons, however small their minority, whether rich or poor, whether we liked the country from which they came, or did not, received equal treatment; and where each country received the same justice as every other country.

I do not want any foreign products to come in here and compete with products from my district; neither do you. I do not want any stolen property to come in here; neither do you. But it seems to me the question for us to decide is whether or not we should turn back to these earnest, patriotic gentlemen under the Judiciary Committee this bill—recommit it—and ask them to do their duty and report out a bill which will turn over to our courts or to some department, under laws made within the Constitution by the Congress, setting an exact rule as to what kind of products may come in, instead of giving power to the Executive to determine what constitutes stolen property, perhaps to have it hinge on whether we like Mexico, or do not, and want to keep her products out. In Russia all property has been confiscated. How can it be diplomatic or just if the President should embargo Mexican oil and not embargo all importations from Russia? Whether we like Germany or do not, and want to keep her products out, or any other country, we should set up a policy where any country can come in under one and the same rule set up by the representatives of this Congress and know they will receive the same impartial treatment. [Applause.]

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. GOSSETT].

Mr. GOSSETT. Mr. Chairman, the gentlewoman from Illinois, quite commendably, has had a good deal to say about principle. It is because of principle that I am very much in favor of this bill.

The distinguished gentleman from Kansas said he was afraid this bill might antagonize someone. This bill specifies no one except the wrongdoer whom we seek to restrain. Since the beginning of time it has been the function of government to write the rules of fair play and then to enforce those rules. We seek to protect our nationals from unfair competition from within this country. We certainly have the right and the duty to protect them from unfair competition from without this country; and, Mr. Chairman, I do not think it becoming of our great country to pussyfoot in any particular with wrongdoers.

In my district thousands of workers and small businessmen depend for their livelihood upon the oil business. Their standards of living, their businesses, their jobs, are entitled to protection from unfair competition from imported foreign oil, especially from importation of oil that has been stolen or confiscated. No courtesy to any foreign government, no favors to any person or interest, either American or foreign, seeking to traffic in such commerce can justify the importation of such property. Every American citizen in every business is entitled to such protection by his Government.

Mr. HOBBS. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from Alabama is recognized for 6 minutes.

Mr. HOBBS. Mr. Chairman, I apologize for speaking again, but I cannot refrain in the light of the remarks of the distinguished and charming gentlewoman from Illinois. The Constitution itself is a barrier against the suggestions which the gentle lady has advanced. The Constitution commits the conduct of international affairs of this Nation to the Chief Executive.

Miss SUMNER of Illinois. Will the gentleman say that our tariffs and reciprocal-trade agreements are unconstitutional?

Mr. HOBBS. I certainly will not. Tariffs are levied under specific authority in the Constitution, and our reciprocal-trade agreements are negotiated by the State Department with the approval of the Executive, as they should be. I am saying to the distinguished lady that there is no authority anywhere, permitting our courts to overrule the courts of another nation. There is only one way we can overrule a decision of the courts of another nation, and that is by war. We are not ready yet to adopt Hitlerism. We would try diplomacy rather than the arbitrament of arms.

I want to put this thing into a nutshell, in concluding the debate on this subject. What are you going to do about the meats that have been confiscated by force of arms? Are you going to let them come in here to compete with your Illinois farmers and the beef and pork that they produce? Are you going to let your bacon be undersold and its American market confiscated by confiscated meats coming from the Scandinavian countries?

Miss SUMNER of Illinois. Why do you not raise your tariff?

Mr. HOBBS. We are not buying our peace. We are standing upon our inalienable rights.

Mr. WADSWORTH. Will the gentleman yield?

Mr. HOBBS. I am always happy to yield to the able gentleman from New York.

Mr. WADSWORTH. Is not the gentleman building up a straw man when he says there is danger of meat which has been confiscated in Scandinavia being sent to the United States in view of the absolute necessity of the Germans themselves eating that meat?

Mr. HOBBS. At the present moment, yes; but this bill is not limited to the present emergency.

Mr. WADSWORTH. That makes it the more doubtful.

Mr. HOBBS. We are trying to establish a principle that stolen goods are contraband and outlawed and cannot come in here at any time; and they certainly should not.

Mr. VORYS of Ohio. Will the gentleman yield?

Mr. HOBBS. I am delighted to yield to the distinguished gentleman from Ohio.

Mr. VORYS of Ohio. Could we pass a law which provides that the importation into this country of goods that had been taken by another government is barred until that government paid compensation, or could we bar the importation of expropriated goods until compensation has been paid without violating our Constitution?

Mr. HOBBS. That is almost exactly what this bill provides. We leave it up to the President, through diplomatic negotiations, to determine the facts upon which to base the conclusion that the goods were expropriated without compensation. The gentleman has very aptly in one sentence expressed the kernel of this bill. The essence of it is just that. Our securities market; our market for American fats and oils; our market for American minerals and farm products—each needs this protection.

I am begging you, not as Democrats, not as Republicans, but as American statesmen, when we need friends, in a world gone mad, in a world almost drowned in a sea of blood, I am begging you for the sake of the long future not to jeopardize our American markets, not to jeopardize our American traditions by voting down this bill. It is the best that can be done. We have worked night and day with the representatives of our State and Justice Departments to bring you this bill which is so sorely needed, but which may never need to be used if enacted into law. We believe it will aid in the upbuilding of an international friendship which will absolutely prevent war. We believe that this will aid in pushing back the dark clouds to the other side of the world. Such a law would obviate quarrels and hatreds abroad and benefit legitimate business at home.

Mr. Chairman, I appeal to every Member to vote for this bill. As you believe in fair play, as you trust "the American way," as you hate war and love peace, vote for this bill.

Are you a statesman or merely a partisan?

[Here the gavel fell.]

The CHAIRMAN. All time has expired. The Clerk will read the bill for amendment.

The Clerk read as follows:

That the act of May 22, 1934 (48 Stat. 794), as amended, is hereby further amended and extended to include and apply, subject to the provisions of this act, to any confiscated property.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. SCHAFER of Wisconsin: Mr. SCHAFER of Wisconsin moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. SCHAFER of Wisconsin. Mr. Chairman, in view of the testimony presented on the floor of the House during the consideration of this bill, the only logical and reasonable action to take is to strike out the enacting clause at this time. A gentleman on my side of the House, the gentleman from Michigan [Mr. CRAWFORD], in his speech in support of the bill, clearly indicated that this legislation was not predicated on principle. The gentleman stated that he wanted to prohibit the importation of stolen property, so-called, which competes with the farm and other products of his district. In the next breath the gentleman stood on the floor of this House and advocated the importation of stolen property which does not compete with those products, such as tin, rubber, and so forth.

The gentleman from Alabama [Mr. HOBBS] stated that under our court decisions the Congress of the United States could not enact specific legislation to cover the importation of stolen property from foreign countries because the Supreme Court has held that the Congress could not set aside the findings of the supreme court of any foreign country which was at peace with the United States. In the next breath the gentleman from Alabama maintained that Congress could give our New Deal Fuehrer President the authority to issue a manifesto and set aside all laws enacted in every foreign country on the globe in order to prohibit the importation into the United States of all property which the Fuehrer holds is stolen property.

Mr. Chairman, this bill is absurd. Look at section 4, which reads as follows:

Nothing herein shall be construed to affect the status of any property assigned, conveyed, or transferred to the Government of the United States.

The Government of the United States can do no wrong under this section. The Government of the United States can import all the stolen property it desires, and that importation is approved and authorized under section 4. The United States Government does not come into court with clean hands under this section. This bill is not predicated on principle. Look at the last paragraph of section 2, which reads as follows:

Whoever imports or attempts to import or bring into the United States any such property in contravention of any order issued by the President shall be subject to the provisions of the National Stolen Property Act of 1934, as amended and extended.

Mr. Chairman, under this section any person in the United States, whether or not he or she had knowledge that any property which he or she proposed to import was stolen, could be sent to jail for 5 years under this bill and the manifestos of the President issued thereunder.

Mr. Chairman, section 2 of this bill does not prohibit the importation of stolen property but grants the President authority to find and hold proposed imports to have been stolen, and that he may in his discretion order the exclusion of such property from importation. Under this permissive authority, John Doe could be permitted to import so-called stolen property and Richard Roe could be denied that opportunity. This section of the bill would permit our New Deal chosen tribe of Karl Marx disciples to operate one of the biggest import rackets ever known to man.

Mr. Chairman, under this bill the President is charged with investigating so-called stolen property in every country on the face of the globe. Are you going to vote him that authority and charge him with those stupendous extra duties in face of the fact that only a short time ago our New Deal ex-international banker President stated that he was so hard pressed with public duties that he did not have sufficient time to devote a few hours to debating Mr. Willkie, his political opponent, on a radio hook-up on the air? If President Roosevelt is so busy, how is he going to find time to locate this so-called stolen property in every country on the face of the globe? Is it proposed that he do so while spending the taxpayers' money using our Navy to go on his very many fishing trips?

Mr. Chairman, this bill is nothing but another New Deal racket springboard and it should be given the kiss of death. We should have a record roll-call vote if this New Deal racket, war-promoting dictatorship bill is enacted, so that the people of the country will know who the Members of Congress are who support and vote for it. If you are going to vote for this kind of legislation, then for goodness sake do not tell the people that you want Congress to stay in session in order to serve our country and our countrymen. If the Congress is going to enact this kind of legislation, then it had better vote to adjourn and go home and get out of Washington, because you will be voting more dictator authority to President Roosevelt such as Stalin, Hitler, and other foreign dictators now have.

Mr. Chairman, this bill is absurd and ridiculous. It is indefensible. It is not based upon principle. It is designed to create a giant New Deal import racket. This bill will involve the United States in war. God knows our half-baked nitwits who are handling the foreign affairs have been carrying on a course of conduct which inevitably will plunge us into the new European war. We should defeat this bill and send word to the country that the Congress of the United States will not rubber stamp any more of the half-baked crackpot unneutral war intervention and warmonger maneuvers of our New Deal bureaucrats. We have some responsibility to our country and our countrymen and to the future generations still unborn. I sincerely hope that without many exceptions our Republican brethren will vote against this bill, which is an essential portion of the New Deal program to establish a

Soviet type of dictatorship and rackets in the United States—a form of dictatorship imported direct from Moscow by our New Deal chosen tribe of money changers and Karl Marx disciples. I realize that one of my Republican colleagues has stood on the firing line on the floor of the House in defense of many of these New Deal measures. I feel confident, however, that the great majority of the Republicans and many of the Democratic Members who believe in our American system of representative government will vote against this un-American bill.

Mr. PATRICK. Mr. Chairman, will the gentleman yield?

Mr. SCHAFER of Wisconsin. I am pleased to yield to the able and very distinguished gentleman from Alabama.

Mr. PATRICK. Is the gentleman, as a Republican, assuming by that that President Roosevelt is going to be President for the next 4 years?

Mr. SCHAFER of Wisconsin. Absolutely and positively no. I would not vote to grant the dictator authority and power under this bill to the next President of the United States, who is going to be Mr. Willkie, or to any other President. Mr. Willkie would never think or dream of asking for such power and authority. He is too good an American. [Applause.]

Mr. HOBBS. Mr. Chairman, I demand that the gentleman's words be taken down.

The CHAIRMAN. The gentleman from Alabama demands that the last words of the gentleman from Wisconsin be taken down.

Mr. HOBBS. The words "half-baked nitwits who are conducting our foreign affairs."

Mr. SCHAFER of Wisconsin. Those are not the last words.

Mr. HOBBS. I am not asking any last words, I am demanding that his words be taken down.

The CHAIRMAN. The Clerk will report the words demanded to be taken down.

The Clerk read as follows:

Mr. SCHAFER of Wisconsin. God knows our half-baked nitwits who are handling the foreign affairs have been carrying on a course of conduct which inevitably will plunge us into the new European war.

The CHAIRMAN. The Committee will rise.

Accordingly the Committee rose; and the Speaker pro tempore [Mr. COOPER] having resumed the Chair, Mr. COLE of Maryland, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee having had under consideration the bill (S. 3936) to extend the provisions of the act of May 22, 1934, known as the National Stolen Property Act, certain words used in debate were objected to and on request were taken down and read at the Clerk's desk, and that he herewith reported the same to the House.

The SPEAKER pro tempore. The Clerk will report the words objected to.

The Clerk read as follows:

Mr. SCHAFER of Wisconsin. God knows our half-baked nitwits who are handling the foreign affairs have been carrying on a course of conduct which inevitably will plunge us into the new European war.

Mr. HOBBS. Mr. Speaker, I make the point of order that those words are out of order and move that they be expunged from the RECORD.

Mr. SCHAFER of Wisconsin. Mr. Speaker, I should like to be heard on the point of order.

The SPEAKER pro tempore. The Chair will have to pass on the question without further debate.

The Chair invites attention to section 363 of Jefferson's Manual, which, in part, provides:

The consequences of a measure may be reprobated in strong terms; but to arraign the motives of those who propose to advocate it is a personality, and against order.

The Chair has examined the words taken down and is of the opinion that these words refer to certain officials in the executive branch of the Government. The Chair is of the opinion that a fair interpretation or construction of the words complained of is that they do not make reference to Members of the House, and are, therefore, not in violation of the rules of the House with respect to appropriate proceedings in the House.

The Committee resumed its session.

Mr. WOLCOTT. Mr. Chairman, I move that the distinguished gentleman from Wisconsin be allowed to proceed in order.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. SCHAFER of Wisconsin. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. SCHAFER of Wisconsin. Had my time expired when the demand was made to take down some truthful words I had uttered on the floor?

The CHAIRMAN. The time of the gentleman from Wisconsin had expired.

The question is on the motion offered by the gentleman from Wisconsin.

The question was taken; and on a division (demanded by Mr. SCHAFER of Wisconsin) there were—ayes 52, noes 54.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. SCHAFER of Wisconsin and Mr. HOBBS.

The Committee again divided; and the tellers reported that there were—ayes 54, noes 68.

So the motion was rejected.

The Clerk read as follows:

SEC. 2. Whenever the President shall find that property which has been confiscated in any foreign country is being or may be brought into the United States contrary to the public interests, he may, if in his judgment those interests would be served thereby, order the exclusion of such property from importation. If the property has been processed or transformed into property of a different character, or has been commingled with other property of a like or similar character in such manner as to lose its identity or to render impracticable its segregation from such other property, the President may order the exclusion of such processed, transformed, or commingled property from importation into the United States.

Whoever imports or attempts to import or bring into the United States any such property in contravention of any order issued by the President shall be subject to the provisions of the National Stolen Property Act of 1934 as amended and extended.

Mr. WADSWORTH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I think no member of this committee will ever charge me with being indifferent to what we call the national defense. Indeed, I have been charged upon a good many occasions with being rather a crank on that subject, but when I see this bill and hear it labeled as being something in the interest of the national defense, I am wondering if we are not torturing that phrase and, indeed, that ideal to such an extent that if we go on with legislation of this sort, we shall ultimately destroy our form of government, and that will not be in the interest of national defense.

I read section 3 of this bill which defines the term "confiscated property," and I am not reading the entire sentence:

It shall be deemed to include property which has been taken by means of force, or by means of any law, decree, order, ordinance, or other act, direct or indirect, of any foreign state or government, whether recognized or unrecognized, or of any political subdivision of such state or any agency of such state—

And so forth, and so forth.

This bill, apparently, would confer upon the President of the United States the right to pass upon the type of government chosen by the people of another nation and to make up his mind, if you please, that that type of government results in the confiscation of property of the citizens of that government by means, direct or indirect, by the law of that country, and having made up his mind to that effect, he can shut off all foreign commerce between the United States and that country.

This is an amazing proposal. Let us assume that some foreign nation changes its form of government in whole or in part; that it does so, we will say, of its own free will; that in doing so it establishes by law certain governmental policies,

and that under those policies certain properties in that country are seized by the government. This is not an unusual procedure. It has happened many, many times in the history of the world, rightly or wrongly. I am not passing upon the merits of steps of that kind, but should that happen with respect to any nation, friendly or unfriendly to the United States, with respect to any nation acting under its own laws, the President then can say that none of the character of goods or articles taken over by that foreign government shall be permitted to come into the United States. In other words, it places in the hands of a President—and I am speaking quite impersonally on this matter and quite without partisanship—it places in the hands of a President of the United States by indirection, at least, power to pass judgment on the governments erected by other peoples, to police them, if you please, insofar as he can police them by excluding their goods from the ports of the United States.

This is not an emergency measure, I note. As I read this thing this is permanent legislation. It establishes a power which it is conceded the Congress does not possess and proposes to give it to a President. I am against it. [Applause.]

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, no one disputes the very fine and tolerant manner in which the distinguished gentleman from New York [Mr. WADSWORTH] approaches the consideration of any matter before this body, but there were some statements made by my distinguished friend that I think should be qualified.

There is nothing in this bill which gives a President the right to pass upon the type of government that another people may want. There is nothing in this bill to exclude all imports from any other country. This is a very simple bill when you analyze just what are its objectives.

The bill says, "whenever the President"—that means our President—today it is President Roosevelt; as long as this law is in operation it is some President of the United States—to meet an unusual situation, "whenever the President shall find that property which has been confiscated in any foreign country is being or may be brought into the United States contrary"—to what? "To the public interests." Not only must there be confiscation of property, and that means American property confiscated by another country——

Mr. WADSWORTH. Oh, no; any property.

Mr. McCORMACK. That includes American property. This includes American property that has been confiscated and brought into the United States contrary to the public interest.

Now, what is the purpose of this bill? This bill is to meet a situation that has arisen with which many States of this Union are well acquainted, property confiscated, and in the particular case, American property, and the products of that property being brought into the United States at a price which is underselling the same products produced in the United States.

The purpose of this bill is to protect industry, the purpose of this bill is to protect American producers, for example, of oil, referring to one particular business activity in the United States. Petroleum and its byproducts are being brought into the United States produced from property confiscated in another country, and not sent abroad, but sold in the United States at a ridiculously low price, flooding the American markets and, obviously, affecting legitimate American industry located in continental United States.

This bill means, in the first instance, the case of a country that confiscates property—and included in that property confiscated is American property—and, second, who sends the products of that confiscated property into our own country and undermines the stability of American business, underselling the products of American business in the markets of the United States. That is the whole purpose of the bill. It has no other objective. It is a bill which is consistent with the best interests of our country. It is consistent with the best interests of American industry.

I am amazed—I am astonished—that representatives of the Republican Party, to whom business looks as their savior, should oppose a bill of this kind; a bill that has, as its objective, the protection of the interests of our people, and particularly the protection of the interests of American industry. [Applause.]

[Here the gavel fell.]

The pro forma amendments were withdrawn.

Mr. KEEFE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KEEFE: Page 2, line 16, after the word "property", insert "of American nationals";
Page 3, line 8, strike out the words "shall be deemed" and insert after the word "property" the words "is hereby defined to be";
Page 3, line 9, strike out the words "to include."

The CHAIRMAN. The Chair calls attention to the fact that section 3 has not yet been read.

Mr. TABER. Mr. Chairman, I have an amendment to section 2.

Mr. KEEFE. I propose to ask unanimous consent at this time that the entire amendment may be considered even though section 3 has not yet been reached, because it is integrally one amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. KEEFE. Mr. Chairman, the amendment which has been offered has this simple purpose in mind; namely, to limit the effect of this legislation to the property of American nationals. In other words, the argument has been made by the proponents of this legislation that it has been prompted because Mexico has expropriated or confiscated oil produced by certain oil producers, and that oil which they have thus confiscated from American owners is being dumped upon American markets, depressing the American market.

Mr. FERGUSON. Will the gentleman yield?

Mr. KEEFE. Not just now. I will yield later on.

The argument has been further made that because it might likewise have confiscated the oil properties of England or the Netherlands or some other foreign country that we, as the American Congress, should legislate so as to prevent Mexico from dumping upon the American market not only the confiscated oil of American producers, but also the oil which has been confiscated from other foreign nationals.

I want to say, if that is justification for the argument, that it seems to me we have the undoubted right to exclude, by proper excise taxes at any time, the importation of oil produced in any nation on the face of the earth, including Mexico. But if this is a bill, as its title indicates, to prevent bringing into America and selling property which has been seized, belonging to American nationals, then why do you not say so in the legislation and why do we not legislate to protect the property of American nationals by saying, as we say in this legislation, if my amendment is agreed to, that the President shall have the power to absolutely exclude the importation of any property of American nationals which has been seized or confiscated in violation of law or under the law of any other nation, when just compensation has not been paid to the American national for the property thus confiscated?

Mr. McCORMACK. Will the gentleman yield?

Mr. KEEFE. I yield.

Mr. McCORMACK. Would the harmful effect of property confiscated by some other country and sold in the United States at a low price, undermining our business stability and price level, be just as great if the products came from property confiscated which was not owned by American nationals? We have to protect our businessmen.

Mr. KEEFE. Do I understand the gentleman to say that this is legislation designed to throw up a sort of tariff barrier to protect American industry?

Mr. McCORMACK. The gentleman, of course, did not understand me to say anything of the kind. I said this is legislation to protect American industry against cheap products of confiscated property in other countries that are being

shipped into the United States. Does the gentleman oppose that?

Mr. KEEFE. No. I am not opposed to that idea, but I believe, if you will permit an answer and not be capricious about it——

Mr. McCORMACK. Well, I am not capricious.

Mr. KEEFE. I hope not.

Mr. McCORMACK. I respect the gentleman too much for that.

Mr. KEEFE. The Congress has full power, and the gentleman well knows it, to legislate upon that subject and to impose an embargo that would prevent the dumping of these things right now, and to issue tariff regulations that would prevent bringing into this country the property of foreign nationals. We have the right to enact embargo or tariff legislation without attempting it in legislation of this character. That is what I object to. The gentleman from New York very clearly pointed out, if the gentleman has read this bill carefully, that it goes far beyond the objective the gentleman has spoken of and confers an unheard-of grant of discretionary power upon the President. It seems to me we ought to limit it to the property of American nationals, and that Congress should refuse to delegate away its clear legislative functions. [Applause.]

Mr. SUMNERS of Texas. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I think a very brief statement will indicate to the sound judgment of the Committee that the amendment proposed by our distinguished friend should not be adopted.

As has been stated, the clear purpose of this bill is to protect American producers, people in this country, against competition of commodities which have not cost the people who try to sell them their value; in other words, that which has been confiscated. If this is the object—and it is—it is perfectly clear it would be just as hurtful, as has already been indicated, to have commodities that had been confiscated from any national come into this country in competition with our people as it would be to bring in confiscated oil produced by our own nationals.

Mr. FERGUSON. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. FERGUSON. Practically speaking, admitting the purpose of this bill, it would be impossible to distinguish which was American oil and which was oil confiscated from other nationals in Mexico.

Mr. SUMNERS of Texas. But it would be just as hurtful to be hit over the head with a barrel of oil produced by somebody else as it would to be hit with one produced by our own nationals.

Mr. FERGUSON. Absolutely; but you could not tell which was American and which was foreign oil.

Mr. SUMNERS of Texas. We want to stop all of it.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. KNUTSON. It would naturally follow, not being able to differentiate between American and foreign oil, that you would have to embargo all of it.

Mr. SUMNERS of Texas. That is right; that is what we intend to do. My friend can appreciate that if there are two sources from which this confiscated oil could come it would be perfectly foolish to stop one source and leave the other wide open. I think anybody can appreciate that.

Mr. KNUTSON. We have an antidumping law on the statute books which would prohibit that.

Mr. SUMNERS of Texas. I am talking about this amendment.

Mr. KNUTSON. We would have to stop both in order to stop what we might term "hot" Mexican oil from coming in.

Mr. SUMNERS of Texas. That is right, but I am directing my remarks to the pending amendment. We are considering legislation that is supposed to be necessary, but under the operation of this amendment we would be preventing competition from one source while allowing it from another.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. McCORMACK. The answer to my friend is that you cannot embargo one imported oil without embargoing all. You would have to embargo all unless you had this bill, and part of the oil may not have been confiscated. This bill, however, lets the unconfiscated oil come into this country, but raises a bar against confiscated property.

Mr. KNUTSON. Why not limit it to oil and minerals?

Mr. McCORMACK. Because there are other products, farm products, for example.

Mr. KNUTSON. This bill applies to securities and all forms of wealth. They may have had capital levies in some of these countries.

Mr. SUMNERS of Texas. May I suggest to my friend that it would be very helpful if we held our consideration to the amendment that is pending.

The pending amendment would leave us, if adopted, in the situation of enacting legislation seeking to correct the condition, but leaving the door open to other competition. It seems to me that it is not sensible at all if we are really trying to protect American producers from confiscated oil. Why, in the name of common sense, should we limit that production to such oil as may have been taken from our nationals, but leave our people subject to competition from oil confiscated from nationals of other countries?

Mr. KNUTSON. The matter should be corrected by the introduction of a tariff bill.

Mr. SUMNERS of Texas. But we are talking about this amendment on which we are going to vote in about a minute.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Miss SUMNER of Illinois. Would not the President, under the terms of this act, have to exclude all products from Russia where both labor and property of nationals other than ours have been confiscated by the Government?

Mr. SUMNERS of Texas. I am not sure I quite understand the gentlewoman's question.

Miss SUMNER of Illinois. In Russia the Government has established a communistic form of government, confiscating all private property and all labor. Products from that country, under the provisions of this bill, would be classified as stolen goods should the President so find. Products from countries whose government was similar to that of Russia would also have to be excluded under the provisions of this bill if the President treated all nations with equal justice.

Mr. SUMNERS of Texas. I ask my friend: Does she favor excluding competition from commodities in Russia, for instance, that had been confiscated from American nationals but permitting competition from commodities confiscated from other nationals? I am trying to consider the question on which we are just about to vote.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin.

The question was taken; and on a division (demanded by Mr. KNUTSON) there were—ayes 62, noes 66.

So the amendment was rejected.

Mr. TABER. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. TABER: Page 2, line 15, as an amendment to the first paragraph of section 2:

"SEC. 2. Property which has been confiscated in any foreign country, which is being or may be brought into the United States, shall be excluded from importation and such exclusion shall be enforced by our customs authorities. If the property has been processed or transformed into property of a different character, or has been commingled with other property of a like or similar character in such manner as to lose its identity or to render impracticable its segregation from such other property, such processed, transformed, or commingled property shall be excluded from importation into the United States.

"Whoever imports or attempts to import or bring into the United States any such property in contravention of this act shall be subject to the provisions of the National Stolen Property Act of 1934, as amended and extended."

Mr. TABER. Mr. Chairman, those who are interested in preventing the importation into the United States of those things which have been taken away from Americans in other countries, and which they are trying to bring into the United States will support this amendment. I have limited it to those things of American ownership that are confiscated, and I have provided that there shall be an absolute prohibition against such importations.

I do not believe, and I am sure that the gentleman from Texas who so seriously argues this proposition will find, that the section is of any benefit to the gentleman from Texas or his business people if discretion is left to the President. We know that he has never exercised that discretion in favor of protecting the American producers, and we know that he will not do that.

The thing that I object to most about this bill is that it delegates power and discretion to the President where he should have no such power or discretion. Those of you who really want to see this problem worked out in a fair way to the American businessman will support my amendment.

Mr. HOBBS. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from New York [Mr. TABER] merely to call attention to the fact that this is the same identical proposition couched in different language that we have just voted on, with the exception that it does take into account the customs officials and puts them in as the watchdog of our imports.

Mr. TABER. Will the gentleman yield?

Mr. HOBBS. I will be delighted to yield to the gentleman.

Mr. TABER. It also wipes out the discretion which the section itself gives to the President and makes this protection to those who are producing things in this country absolute.

Mr. HOBBS. Mr. Chairman, it is purely a partisan amendment to curry favor on the Republican side of the aisle. I submit that the amendment is hopelessly bad, is destructive of the only chance to protect the American businessman and American markets from unfair and disastrous foreign competition, and that the amendment should be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. TABER].

The question was taken; and on a division (demanded by Mr. HOBBS) there were—ayes 69, noes 72.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. HOBBS and Mr. TABER to act as tellers.

The Committee again divided; and the tellers reported there were—ayes 65, noes 83.

So the amendment was rejected.

Mr. LEWIS of Ohio. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. LEWIS of Ohio: Page 2, line 15, strike out the words "the President" and insert in lieu thereof the words "the Tariff Commission."

In line 18, strike out the word "he" and insert in lieu thereof the word "it." Strike out "his" and insert in lieu thereof the word "its."

In line 25, strike out the word "President" and insert in lieu thereof the words "Tariff Commission."

On page 3, line 5, strike out the word "President" and insert in lieu thereof the words "Tariff Commission."

Mr. LEWIS of Ohio. Mr. Chairman, I assume that the statement of the purposes of the bill made by the esteemed majority leader and by the gentleman from Texas is correct, and that its purpose is to prevent the competition in our own markets of property confiscated by foreign nations, whether it be American property in the first instance or whether it be the property of the nationals of some other government. If that is the purpose, then it seems to me that the authority that should deal with the subject is the Tariff Commission of the United States.

This Commission was set up for the purpose of dealing with foreign imports. It is true that some of its functions have been taken away from it by recent legislation and lodged in the State Department, but for the most part those functions are unimpaired in law, and this is but adapting to the Tariff Commission the function of determining when in the public interest the importation of confiscated goods from foreign lands shall be excluded.

There are many on both sides of the aisle—and I know this from utterances here in the Well of the House as well as from private conversations with the individual Members—who feel that this body is, by constantly conferring increased power upon the Chief Executive of this land, laying the foundation for a change—a fundamental change—in the type of government we have. I know there are many on both sides of the aisle who believe that here we have a situation in which we are either going to give more power to the Chief Executive, whose power has been increased and raised higher in recent years than at any other time in the history of America, and at a time when the institutions of republican, representative government, have been crushed out throughout the world by that very same process of increasing the executive power at the expense of the representatives of the people, or we shall place this power in the hands of a commission set up for this very purpose by former Congresses. We can continue this drift toward totalitarian power by conferring it upon the office of the President or we can place it in the hands of a commission.

It cannot be said in truth or in fact that the President can perform this function better than the Tariff Commission, which has been set up to handle the very type of problem that is here presented. It cannot be said, and in fact we have heard here in the debate on this floor the admission that the President, through these great powers that one after another have been conferred upon him, conferring likewise duties, is burdened down, as one of the members of the committee said, by an almost unbearable burden of power and duty. Why now continue this process?

Mr. Chairman, this is not a partisan proposition on my part. I trust the House will accept this amendment and retain whatever advantages this legislation may confer—this protection for American business, and confer the power where it will not jeopardize American institutions. [Applause.]

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the only purpose of this amendment is to substitute the Tariff Commission and its judgment for the President and his judgment. I call the attention of the House to the fact that the reiterated statement by the distinguished author of this amendment is not exactly accurate. He says the Tariff Commission was created for this very purpose. I doubt if that is an accurate expression; in fact, my opinion is that it is not. The Tariff Commission has no embargo power. The only instance in which there is a deviation from that general rule is where it is charged under the antidumping statute with the power to inquire and report to the President its finding, so that he may exercise his constitutional function in dealing with foreign nations by ordering an embargo.

I submit that there can be no possibility of doubt that this amendment ought to be defeated. What right has a tariff commission to levy an embargo? It is not within the purview of its power, it is not within the line of their work, it is not within their experience. So we would take away these powers, if this amendment should be adopted, from the most experienced and best posted person in our whole Government, and confer them upon amateurs.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. HOBBS. I yield to the gentleman from California.

Mr. HINSHAW. Do I correctly understand from the gentleman's statement that the intent of this bill is to give import embargo powers to the President without further act of Congress?

Mr. HOBBS. Certainly.

Mr. HINSHAW. Then it can take effect in respect to the products of almost any nation in the world, because there is

no nation of any consequence that has not taken property by force.

Mr. HOBBS. It would apply, in the discretion of the President, should he find that any such property was being imported in defiance of the public interests of the citizens of the United States. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. LEWIS].

The amendment was rejected.

The Clerk read as follows:

SEC. 3. The term "confiscated property" shall be deemed to include property which has been taken by means of force, or by means of any law, decree, order, ordinance, or other act, direct or indirect, of any foreign state or government, whether recognized or unrecognized, or of any political subdivision of such state, or of any official board, commission, instrumentality or agency of any such state, government, or political subdivision, without payment of just compensation or reasonable provision therefor having been made.

Mr. CASE of South Dakota. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CASE of South Dakota: On page 3, line 15, after "payment of just compensation", insert "to the workmen engaged in its production, as determined by the wages and hours provisions of the Fair Labor Standards Act."

The CHAIRMAN. The gentleman from South Dakota is recognized for 5 minutes.

Mr. HOBBS. Mr. Chairman, I make the point of order against the amendment that it is not germane to the section or to any other section of this bill.

Mr. HINSHAW. Mr. Chairman, I make the point of order that the point of order comes too late. The gentleman from South Dakota has been recognized.

The CHAIRMAN. The point of order comes within the proper time.

Mr. CASE of South Dakota. Mr. Chairman, I should like to be heard briefly on the point of order.

The CHAIRMAN. The Chair will be glad to hear the gentleman from South Dakota on the point of order.

Mr. CASE of South Dakota. I should like to point out that this section deals with a definition of what confiscated property is, and my amendment goes to the definition. The definition of confiscated property, as suggested by the language in the bill, covers that which has been taken by means of force or by means of any law without payment of just compensation. It may be presumed—but the bill does not say—that just compensation relates to the owners of the property. My amendment merely adds to that definition and presumption by providing that the payment of just compensation shall also include payment of just compensation to the workmen who are engaged in the production of the property. Consequently, I maintain that the amendment is germane, and germane at that point.

The CHAIRMAN. The Chair will be glad to hear the gentleman from Alabama on the point of order.

Mr. HOBBS. Mr. Chairman, I am surprised that the distinguished gentleman from South Dakota, who is usually so accurate, so apt, and so brilliant in his incisive reasoning, should contend that this amendment is germane. This bill obtains and applies only to the property itself and not to the mode of its production. In other words, if property is about to be brought into the United States, having been confiscated elsewhere, and if the President ascertains that fact and the further fact that it will have a deleterious effect on our public interests, then he may embargo the bringing into this country of that product. However, he could not do what this amendment would have him do, go into a foreign country and enforce wage and hour regulations there.

This bill does not say a word about compensation to anybody except the true owner of the property taken, and we respectfully submit that it is manifestly not germane and could not by any stretch of the imagination be brought within the purview of the ideology of this bill.

Mr. CASE of South Dakota. Mr. Chairman, may I make one further observation as to the scope of the bill? It proposes to bring importation of confiscated property under the penalties against transporting stolen property. In section 2 the bill proposes that some power shall be vested with respect to the determination of property that may have been processed or commingled with other property which would involve the labor in production. The entire bill is tied to an act, the National Stolen Property Act, dealing with commerce—interstate commerce. The Fair Labor Standards Act deals with interstate commerce. Section 3 of this bill undertakes to define confiscated property. My amendment seeks to make clear that confiscation is involved if the producers are not fairly compensated. It seeks to make clear what is involved in a determination of just compensation.

Mr. HOBBS. May I point out in answer to that observation, Mr. Chairman, that the gentleman's amendment deals with section 3 and not section 2, but even if it were applicable to section 2 and if we could go back there to seek to obtain its germaneness, that does not answer my argument at all. It still, whether the goods be commingled or not, deals with a commodity in commerce and not with any wage scale or hour limitations upon its production.

The CHAIRMAN (Mr. KENNEDY of Maryland). The Chair is ready to rule.

The Chair thinks that the gentleman from Alabama [Mr. HOBBS] has correctly stated the parliamentary proposition. It is the opinion of the Chair that the amendment is not germane, and therefore the point of order is sustained.

Mr. CASE of South Dakota. Mr. Chairman, I move to strike out the last word.

I am a little surprised that the gentleman from Alabama, who is distinguished for his humanitarian impulses, would have yielded to an impulse which was not so humanitarian to make a point of order against this amendment. I have been so impressed by the arguments that have been advanced in behalf of this bill, how it is for the protection of American standards, that I am at a loss to understand why anybody should want to keep an amendment of this sort out of this bill.

This bill, as a whole, it seems to me might better have been labeled a bill to police the world, because this bill certainly does come within the interdiction that was suggested by the gentleman from New York [Mr. WADSWORTH] when he pointed out the powers it proposes to give to the President. This is simply another weapon, it seems to me, that is being sought for the President to add to his armament for the purpose of passing judgment upon the other nations of the world. We have had the imposition under the present administration of a 25-percent countervailing duty against certain countries. We have had the imposition of embargoes and quotas as a means of punishing some countries and blessing others. We have had language—scolding, sarcastic language—used as a means of international discipline. And now, it seems, in this bill we have an attempt to give to the President certain powers to police the world, not simply by his talking, but by taking action against its commerce.

The amendment I offered was inspired by the arguments I have heard. I was moved by the argument of the distinguished majority leader when he talked about the protection of the American businessman. It seemed to me that a man whose heart beats for the American businessman as much as the gentleman from Massachusetts professed to having his heart beat at that time, would also have his heart beat for the protection of the American workingman. Surely he would not want to see this property that had been produced by the blood and toil and sweat of underpaid, overworked laborers in other countries brought here to take jobs away from the workingmen of this country.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. CASE of South Dakota. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. The gentleman realizes that, if his amendment were adopted, the very argument advanced by the gentleman from New York [Mr. WADSWORTH] would then be applicable, because you would be going into another country and undertaking by indirection to regulate——

Mr. CASE of South Dakota. Yes; and I am glad the gentleman brings out that point.

Mr. McCORMACK. Regulate the working conditions of another country with respect to property that has not been confiscated.

Mr. CASE of South Dakota. I am glad the gentleman brings that point out, because it emphasizes the very point I wanted to make by offering the amendment, which is that you are proposing by this bill to give the President the power to poke his nose into the internal affairs of every nation on earth. How can you determine what is confiscated property unless you determine the conditions under which all goods of a given class are produced in a given country and offered to the commerce of the world? How would you separate oil that came from confiscated wells? How would you identify it from other oil? I prefaced my remarks by saying that this bill ought to be labeled a bill to give the President power to police the world. I did not say I was going to vote for the bill, but by offering my amendment I sought to bring out the very point the gentleman has made. Of course, by indirection you will be passing on every barrel of oil or ton of metal produced, legal or illegal. And how would you prevent the confiscators from selling us their clean goods and putting the confiscated goods into other markets? This bill is an attempt to give the President the power to pry into the affairs of every nation on earth. An attempt to use it would be regarded as an insult by the other nations of the world. We ought to give such a power to no President.

[Here the gavel fell.]

Mr. PEARSON. Mr. Chairman, I offer an amendment which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. PEARSON: On page 3, section 3, strike out all of line 10, after the word "or", and all of lines 11, 12, 13, and 14, and the words "political subdivision" in line 15.

Mr. PEARSON. Mr. Chairman, I hope I may have the attention of the Committee on the Judiciary, because I want to say to them that I have no desire to pit my own judgment against their judgment or to make any suggestions which would weaken this bill, but as I see this measure, and I am laboring under no delusions as to what it seeks to accomplish, the danger, if any there is in it, lies in the language contained in line 10 and down to and including the words "political subdivision" in line 15, of section 3, of the bill.

By this language we seek to make the President the censor of every law, decree, order, ordinance or other act of any foreign state or government, thereby, as I see it, putting in his hands the responsibility of passing at this date upon the validity of at least one decree of a foreign government which has already become existent and which may occur in other countries, making it a very arduous task, as far as the Chief Executive is concerned, and one which may put this country in a very embarrassing predicament unless this language is changed.

If my amendment is adopted this section would read as follows:

The term "confiscated property" shall be deemed to include property which has been taken by means of force, or without payment of just compensation or reasonable provision therefor having been made.

That language, and that alone, is all that is necessary to constitute a sufficient definition for the term "confiscated property" and does not place upon anyone the responsibility of passing upon the validity or righteousness of an ordinance or law or statute of any foreign government. I submit to the chairman of the Committee on the Judiciary that to strike out that language will improve this act, will relieve the Executive of an embarrassing responsibility and prevent this Government from placing itself in an embarrassing position with other governments.

I hope that the chairman will accept this amendment on the theory that it will improve the bill and will certainly protect international relationships which we now seek to enjoy with other nations of the world.

[Here the gavel fell.]

Mr. SUMNERS of Texas. Mr. Chairman, I have not had an opportunity to consult with the members of the committee generally, but the gentlemen on the committee who are present indicate that they have no objection to the amendment. I think when the language which the gentleman seeks to strike out is stricken from the bill it will broaden the responsibility of the President and will relieve him of any embarrassment that could be developed. But in view of the attitude of my colleagues on the committee and in view of the fact that I do not have any objection in substance, I believe that we may accept the proposed amendment.

Mr. HOBBS. Mr. Chairman, may I ask that the amendment be again reported?

The CHAIRMAN. Without objection, the Clerk will again report the amendment offered by the gentleman from Tennessee.

There was no objection; and the Clerk again reported the amendment offered by the gentleman from Tennessee [Mr. PEARSON].

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Tennessee.

The amendment was agreed to.

The Clerk read as follows:

SEC. 4. Nothing herein shall be construed to affect the status of any property assigned, conveyed, or transferred to the Government of the United States.

The CHAIRMAN. The question is on the committee amendment as amended.

The committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee will now rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. COLE of Maryland, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill S. 3936 and, pursuant to House Resolution 617, he reported the same back to the House with an amendment adopted in Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on agreeing to the amendment.

The committee amendment was agreed to.

The SPEAKER. The question is on the third reading of the Senate bill.

The bill was ordered to be read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. HANCOCK. Mr. Speaker, I have a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. HANCOCK. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the gentleman's motion.

The Clerk read as follows:

Mr. HANCOCK moves to recommit the bill to the Committee on the Judiciary with instructions to report the same back forthwith with the following amendment: On page 2, line 15, amend section 2 of the committee amendment to read as follows:

"Property of American nationals, which has been confiscated in any foreign country, shall not be brought into the United States. If the property has been processed or transformed into property of a different character, or has been commingled with other property of a like or similar character in such manner as to lose its identity or to render impracticable its segregation from such other property, the exclusion of such processed, transformed, or commingled property from importation into the United States shall be mandatory. Whoever imports or attempts to import or bring into the United States any such property in contravention of any order issued by the President shall be subject to the provisions of the National Stolen Property Act of 1934 as amended and extended."

The SPEAKER. The question is on the motion to recommit.

The question was taken; and on a division (demanded by Mr. SCHAFER of Wisconsin) there were—ayes 52 and noes 76.

Mr. SCHAFER of Wisconsin. Mr. Speaker, I object to the vote on the ground that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 119, nays 142, not voting 167, as follows:

[Roll No. 222]

YEAS—119

Alexander	Gillie	Kinzer	Rutherford
Allen, Ill.	Goodwin	Kirwan	Schafer, Wis.
Andersen, H. Carl	Graham	Knutson	Schiffler
Andresen, A. H.	Guyer, Kans.	Lambertson	Seccombe
Angell	Gwynne	Landis	Shafer, Mich.
Austin	Hall, Leonard W.	LeCompte	Shannon
Bolles	Hancock	Lewis, Ohio	Smith, Conn.
Bradley, Pa.	Harness	McGregor	Smith, Maine
Brown, Ohio	Harter, N. Y.	McLean	Smith, Ohio
Burdick	Hawks	Maas	Springer
Carlson	Healey	Martin, Iowa	Stefan
Case, S. Dak.	Hennings	Martin, Mass.	Sumner, Ill.
Chiperfield	Hess	Michener	Sweet
Church	Hill	Miller	Taber
Cochran	Hinshaw	Monkiewicz	Talle
Coffee, Wash.	Holmes	Mundt	Tibbott
Costello	Hope	Murray	Van Zandt
Crowther	Horton	O'Brien	Vreeland
Curtis	Hull	O'Connor	Wadsworth
Ditter	Jarrett	Osmers	Welch
Douglas	Jeffries	Pierce	Wheat
Eaton	Jenkins, Ohio	Powers	White, Idaho
Elston	Jensen	Rabaut	Williams, Del.
Engel	Johns	Rankin	Winter
Englebright	Johnson, Ill.	Reed, Ill.	Wolcott
Fenton	Jones, Ohio	Rees, Kans.	Wolfenden, Pa.
Gamble	Jonkman	Risk	Wolverton, N. J.
Gartner	Kean	Robsion, Ky.	Youngdahl
Gehrmann	Keefe	Rogers, Mass.	Zimmerman
Gerlach	Keller	Routzohn	

NAYS—142

Allen, La.	Doughton	Kilday	Pearson
Anderson, Mo.	Doxey	Kitchens	Peterson, Fla.
Arnold	Drewry	Kleberg	Peterson, Ga.
Beckworth	Duncan	Kramer	Pfeifer
Bland	Dunn	Lanham	Pittenger
Bloom	Durham	Larrabee	Poage
Boehne	Eberharter	Lea	Ramspeck
Boykin	Edelstein	Leavy	Richards
Brown, Ga.	Faddis	Lesinski	Rogers, Okla.
Bryson	Ferguson	Lewis, Colo.	Romjue
Buck	Flannagan	Ludlow	Sasscer
Burgin	Flannery	McCormack	Satterfield
Byrns, Tenn.	Ford, Miss.	McGehee	Schuetz
Caldwell	Fulmer	McLaughlin	Schwert
Camp	Gathings	McMillan, Clara	Scrugham
Cannon, Fla.	Gearhart	McMillan, John L.	Secrest
Cannon, Mo.	Gore	Maciejewski	Smith, Va.
Cartwright	Gossett	Magnuson	Smith, W. Va.
Casey, Mass.	Grant, Ala.	Mahon	Snyder
Chapman	Gregory	Maloney	South
Clark	Griffith	Mansfield	Spence
Coffee, Nebr.	Hare	Massingale	Sumners, Tex.
Cole, Md.	Harrington	Mills, Ark.	Tarver
Collins	Hendricks	Monroney	Tenerowicz
Connery	Hobbs	Moser	Thomas, Tex.
Cooper	Hunter	Mouton	Thomason
Cox	Jarman	Murdock, Ariz.	Vincent, Ky.
Crawford	Johnson, Luther A.	Murdock, Utah	Vorys, Ohio
Creal	Johnson, Lyndon	Myers	Ward
Crowe	Johnson, Okla.	Nichols	Weaver
Cullen	Johnson, W. Va.	Norrell	West
Cummings	Kee	O'Neal	Whelchel
D'Alesandro	Kefauver	Pace	Williams, Mo.
Dempsey	Kennedy, Md.	Parsons	Woodrum, Va.
Dickstein	Keogh	Patrick	
Disney	Kerr	Patton	

NOT VOTING—167

Allen, Pa.	Blackney	Celler	Darrow
Anderson, Calif.	Boland	Clason	Davis
Andrews	Bolton	Claypool	Delaney
Arends	Boren	Clevenger	DeRouen
Ball	Bradley, Mich.	Cluett	Dies
Barden, N. C.	Brewster	Cole, N. Y.	Dingell
Barnes	Brooks	Colmer	Dirksen
Barry	Buckler, Minn.	Cooley	Dondero
Barton, N. Y.	Buckley, N. Y.	Corbett	Dworshak
Bates, Ky.	Bulwinkle	Courtney	Edmiston
Bates, Mass.	Burch	Cravens	Elliott
Beam	Byrne, N. Y.	Crosser	Ellis
Bell	Byron	Culkin	Evans
Bender	Carter	Darden, Va.	Fay
Fernandez	Jennings	Norton	Smith, Wash.
Fish	Johnson, Ind.	O'Day	Somers, N. Y.
Fitzpatrick	Jones, Tex.	O'Leary	Sparkman
Flaherty	Kelly	Oliver	Starnes, Ala.
Folger	Kennedy, Martin	O'Toole	Steagall
Ford, Leland M.	Kennedy, Michael	Patman	Stearns, N. H.
Ford, Thomas F.	Kilburn	Plumley	Sullivan
Fries	Kocialkowski	Polk	Sutphin
Garrett	Kunkel	Randolph	Sweeney
Gavagan	Lemke	Reece, Tenn.	Taylor
Geyer, Calif.	Luce	Reed, N. Y.	Terry
Gifford	Lynch	Rich	Thill
Gilchrist	McAndrews	Robertson	Thomas, N. J.
Grant, Ind.	McArdle	Robinson, Utah	Thorkelson
Green	McDowell	Rockefeller	Tinkham
Gross	McGranery	Rodgers, Pa.	Tolan
Hall, Edwin A.	McKeough	Ryan	Treadway
Halleck	McLeod	Sabath	Vinson, Ga.
Hart	Marcantonio	Sacks	Voorhis, Calif.
Harter, Ohio	Marshall	Sandager	Wallgren
Hartley	Martin, Ill.	Schaefer, Ill.	Walter
Havenner	Mason	Schulte	Warren
Hoffman	May	Shanley	White, Ohio
Hook	Merritt	Sheppard	Whittington
Houston	Mills, La.	Sheridan	Wigglesworth
Izac	Mitchell	Short	Wood
Jacobsen	Mott	Simpson	Woodruff, Mich.
Jenks, N. H.	Nelson	Smith, Ill.	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Short (for) with Mr. Cravens (against).
Mr. Kilburn (for) with Mr. Terry (against).
Mr. Hartley (for) with Mr. Havenner (against).
Mr. Reece of Tennessee (for) with Mr. Byron (against).
Mr. Thomas of New Jersey (for) with Mr. Thomas F. Ford (against).
Mr. Jenks of New Hampshire (for) with Mr. Dingell (against).
Mr. Halleck (for) with Mr. Sheppard (against).
Mr. Thill (for) with Mr. Tolan (against).
Mr. Oliver (for) with Mr. Edmiston (against).
Mr. Dworshak (for) with Mr. Delaney (against).
Mr. Culkin (for) with Mr. Hook (against).
Mr. Treadway (for) with Mr. Lynch (against).
Mr. Corbett (for) with Mr. Martin J. Kennedy (against).
Mr. McDowell (for) with Mr. McGranery (against).
Mr. Gross (for) with Mr. O'Toole (against).
Mr. Andrews (for) with Mr. Ryan (against).
Mr. Dondero (for) with Mr. Fay (against).
Mr. Woodruff of Michigan (for) with Mr. Schaefer of Illinois (against).
Mr. Mason (for) with Mr. Somers of New York (against).
Mr. Hoffman (for) with Mr. Michael J. Kennedy (against).
Mr. Blackney (for) with Mr. Courtney (against).
Mr. Cluett (for) with Mr. Randolph (against).
Mr. Jennings (for) with Mr. O'Leary (against).
Mr. Rockefeller (for) with Mr. Davis (against).
Mrs. Bolton (for) with Mr. Fitzpatrick (against).
Mr. Cole of New York (for) with Mr. Sullivan (against).
Mr. Marshall (for) with Mr. Gavagan (against).
Mr. Bender (for) with Mr. Barden of North Carolina (against).
Mr. Clevenger (for) with Mr. Celler (against).
Mr. Reed of New York (for) with Mr. McAndrews (against).
Mr. Johnson of Indiana (for) with Mr. Merritt (against).
Mr. Grant of Indiana (for) with Mr. Barry (against).
Mr. McLeod (for) with Mr. Vinson of Georgia (against).
Mr. Rodgers of Pennsylvania (for) with Mr. Shanley (against).
Mr. Simpson (for) with Mr. Boland (against).
Mr. Luce (for) with Mr. Warren (against).
Mr. Edwin A. Hall (for) with Mr. Cooley (against).
Mr. Gifford (for) with Mr. Buckley of New York (against).
Mr. Dirksen (for) with Mr. Claypool (against).
Mr. Arends (for) with Mr. Byrne of New York (against).

General pairs until further notice:

Mr. Bates of Kentucky with Mr. Barton of New York.
Mr. McKeough with Mr. Kunkel.
Mr. Bulwinkle with Mr. Fish.
Mr. Nelson with Mr. Gilchrist.
Mr. Burch with Mr. Lemke.
Mr. Colmer with Mr. Mott.
Mr. Whittington with Mr. Plumley.
Mr. Darden of Virginia with Mr. Anderson of California.
Mr. Robertson with Mr. Ball.
Mr. Dies with Mr. Clason.
Mr. Folger with Mr. Sandager.
Mr. Barnes with Mr. Stearns of New Hampshire.
Mr. Kelly with Mr. Brewster.
Mr. Crosser with Mr. Tinkham.
Mr. Mills of Louisiana with Mr. Rich.
Mr. Boren with Mr. Bates of Massachusetts.
Mrs. Norton with Mr. Bradley of Michigan.
Mr. Patman with Mr. White of Ohio.
Mr. Hart with Mr. Leland M. Ford.
Mr. Green with Mr. Darrow.
Mr. Fries with Mr. Thorkelson.
Mr. Steagall with Mr. Wigglesworth.
Mr. Flaherty with Mr. Buckler of Minnesota.
Mr. Starnes of Alabama with Mr. Marcantonio.
Mr. Sparkman with Mr. Brooks.

Mr. McArdle with Mrs. O'Day.
Mr. Beam with Mr. Polk.
Mr. DeRouen with Mr. Elliott.
Mr. Smith of Washington with Mr. Fernandez.
Mr. Garrett with Mr. Sutphin.
Mr. Taylor with Mr. Jacobsen.
Mr. Kocialkowski with Mr. Sweeney.
Mr. Smith of Illinois with Mr. Walter.
Mr. Bell with Mr. Martin of Illinois.
Mr. May with Mr. Wood.
Mr. Harter of Ohio with Mr. Evans.
Mr. Geyer of California with Mr. Schulte.
Mr. Robinson of Utah with Mr. Sabath.
Mr. Voorhis of California with Mr. Jones of Texas.
Mr. Sacks with Mr. Houston.
Mr. Ellis with Mr. Sheridan.
Mr. Wallgren with Mr. Allen of Pennsylvania.

Mr. LESINSKI changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on the passage of the bill.

Mr. HOBBS. Mr. Speaker, on passage, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 123, nays 129, answered "present" 1, not voting 175, as follows:

[Roll No. 223]

YEAS—123

Allen, La.	Drewry	Kerr	Pearson
Anderson, Mo.	Duncan	Kilday	Peterson, Fla.
Arnold	Dunn	Kitchens	Pittenger
Beckworth	Durham	Kleberg	Poage
Bloom	Eberharter	Kramer	Ramspeck
Boehne	Ferguson	Lanham	Rogers, Okla.
Boykin	Flannagan	Larrabee	Romjue
Brown, Ga.	Ford, Miss.	Lea	Sasscer
Bryson	Fulmer	Lesinski	Satterfield
Buck	Gathings	Lewis, Colo.	Schuetz
Byrns, Tenn.	Gearhart	McCormack	Schwert
Caldwell	Gore	McGehee	Scrugham
Camp	Gossett	McLaughlin	Secrest
Cannon, Fla.	Grant, Ala.	McMillan, Clara	Smith, Va.
Cartwright	Gregory	McMillan, John L.	Smith, W. Va.
Chapman	Griffith	Magnuson	Snyder
Clark	Hare	Mahon	South
Coffee, Nebr.	Harrington	Maloney	Spence
Connery	Harter, Ohio	Mansfield	Sumners, Tex.
Cooper	Hendricks	Massingale	Tarver
Crawford	Hobbs	Mills, Ark.	Tenerowicz
Creal	Hunter	Monroney	Terry
Crowe	Jarman	Mouton	Thomas, Tex.
Cullen	Johnson, Luther A.	Murdock, Ariz.	Thomason
Cummings	Johnson, Lyndon	Myers	Vincent, Ky.
D'Alesandro	Johnson, Okla.	Nichols	Ward
Dempsey	Johnson, W. Va.	Norrell	Weaver
Dickstein	Kee	Pace	West
Disney	Kefauver	Parsons	Whelchel
Doughton	Kennedy, Md.	Patrick	Williams, Mo.
Doxey	Keogh	Patton	

NAYS—129

Alexander	Gamble	Knutson	Schafer, Wis.
Allen, Ill.	Gehrmann	Lambertson	Schiffler
Andersen, H. Carl	Gerlach	Landis	Seccombe
Andresen, A. H.	Gillie	Leavy	Shafer, Mich.
Andrews	Goodwin	LeCompte	Shannon
Angell	Graham	Lewis, Ohio	Simpson
Austin	Guyer, Kans.	Luce	Smith, Conn.
Bland	Gwynne	Ludlow	Smith, Maine
Bolles	Hall, Leonard W.	McGregor	Smith, Ohio
Bradley, Pa.	Hancock	Maas	Springer
Brown, Ohio	Harness	Martin, Iowa	Stefan
Burdick	Harter, N. Y.	Martin, Mass.	Sumner, Ill.
Burgin	Hawks	Michener	Sweet
Cannon, Mo.	Healey	Miller	Taber
Carlson	Hennings	Monkiewicz	Talle
Case, S. Dak.	Hess	Moser	Tibbott
Chiperfield	Hill	Mundt	Van Zandt
Church	Hinshaw	Murdock, Utah	Vorys, Ohio
Cochran	Holmes	Murray	Vreeland
Coffee, Wash.	Hope	O'Brien	Wadsworth
Collins	Horton	O'Connor	Welch
Costello	Hull	Osmers	Wheat
Crowther	Jarrett	Pierce	White, Idaho
Curtis	Jenkins, Ohio	Powers	Williams, Del.
Ditter	Jensen	Rabaut	Wolcott
Douglas	Johns	Rankin	Wolfenden, Pa.
Eaton	Johnson, Ill.	Reed, Ill.	Wolverton, N. J.
Elston	Jones, Ohio	Rees, Kans.	Woodrum, Va.
Engel	Jonkman	Risk	Youngdahl
Englebright	Kean	Robsion, Ky.	Zimmerman
Faddis	Keefe	Rogers, Mass.	
Fenton	Kinzer	Routzohn	
Fish	Kirwan	Rutherford	

ANSWERED "PRESENT"—1

Cox

NOT VOTING—175

Allen, Pa.	Davis	Johnson, Ind.	Richards
Anderson, Calif.	Delaney	Jones, Tex.	Robertson
Arends	DeRouen	Keller	Robinson, Utah
Ball	Dies	Kelly	Rockefeller
Barden, N. C.	Dingell	Kennedy, Martin	Rodgers, Pa.
Barnes	Dirksen	Kennedy, Michael	Ryan
Barry	Dondero	Kilburn	Sabath
Barton, N. Y.	Dworshak	Kocialkowski	Sacks
Bates, Ky.	Edelstein	Kunkel	Sandager
Bates, Mass.	Edmiston	Lemke	Schaefer, Ill.
Beam	Elliott	Lynch	Schulte
Bell	Ellis	McAndrews	Shanley
Bender	Evans	McArdle	Sheppard
Blackney	Fay	McDowell	Sheridan
Boland	Fernandez	McGranery	Short
Bolton	Fitzpatrick	McKeough	Smith, Ill.
Boren	Flaherty	McLean	Smith, Wash.
Bradley, Mich.	Flannery	McLeod	Somers, N. Y.
Brewster	Folger	Maciejewski	Sparkman
Brooks	Ford, Leland M.	Marcantonio	Starnes, Ala.
Buckler, Minn.	Ford, Thomas F.	Marshall	Steagall
Buckley, N. Y.	Fries	Martin, Ill.	Stearns, N. H.
Bulwinkle	Garrett	Mason	Sullivan
Burch	Gartner	May	Sutphin
Byrne, N. Y.	Gavagan	Merritt	Sweeney
Byron	Geyer, Calif.	Mills, La.	Taylor
Carter	Gifford	Mitchell	Thill
Casey, Mass.	Gilchrist	Mott	Thomas, N. J.
Celler	Grant, Ind.	Nelson	Thorkelson
Clason	Green	Norton	Tinkham
Claypool	Gross	O'Day	Tolan
Clevenger	Hall, Edwin A.	O'Leary	Treadway
Cluett	Halleck	Oliver	Vinson, Ga.
Cole, Md.	Hart	O'Neal	Voorhis, Calif.
Cole, N. Y.	Hartley	O'Toole	Wallgren
Colmer	Havenner	Patman	Walter
Cooley	Hoffman	Peterson, Ga.	Warren
Corbett	Hook	Pfeifer	White, Ohio
Courtney	Houston	Plumley	Whittington
Cravens	Izac	Polk	Wigglesworth
Crosser	Jacobsen	Randolph	Winter
Culkin	Jeffries	Reece, Tenn.	Wood
Darden, Va.	Jenks, N. H.	Reed, N. Y.	Woodruff, Mich.
Darrow	Jennings	Rich	

So the bill was not passed.

The Clerk announced the following additional pairs:

On this vote:

Mr. Cravens (for) with Mr. Short (against).
Mr. Pfeifer (for) with Mr. Kilburn (against).
Mr. Havenner (for) with Mr. Hartley (against).
Mr. Byron (for) with Mr. Reece of Tennessee (against).
Mr. Thomas F. Ford (for) with Mr. Thomas of New Jersey (against).
Mr. Dingell (for) with Mr. Jenks of New Hampshire (against).
Mr. Sheppard (for) with Mr. Halleck (against).
Mr. Tolan (for) with Mr. Thill (against).
Mr. Edmiston (for) with Mr. Oliver (against).
Mr. Delaney (for) with Mr. Dworshak (against).
Mr. Hook (for) with Mr. Culkin (against).
Mr. Lynch (for) with Mr. Treadway (against).
Mr. Martin J. Kennedy (for) with Mr. Corbett (against).
Mr. McGranery (for) with Mr. McDowell (against).
Mr. O'Toole (for) with Mr. Gross (against).
Mr. Ryan (for) with Mr. Carter (against).
Mr. Fay (for) with Mr. Dondero (against).
Mr. Schaefer of Illinois (for) with Mr. Woodruff of Michigan (against).
Mr. Somers of New York (for) with Mr. Mason (against).
Mr. Michael J. Kennedy (for) with Mr. Hoffman (against).
Mr. Courtney (for) with Mr. Blackney (against).
Mr. Randolph (for) with Mr. Cluett (against).
Mr. O'Leary (for) with Mr. Jennings (against).
Mr. Davis (for) with Mr. Rockefeller (against).
Mr. Fitzpatrick (for) with Mrs. Bolton (against).
Mr. Sullivan (for) with Mr. Cole of New York (against).
Mr. Gavagan (for) with Mr. Marshall (against).
Mr. Barden of North Carolina (for) with Mr. Bender (against).
Mr. Celler (for) with Mr. Clevenger (against).
Mr. McAndrews (for) with Mr. Reed of New York (against).
Mr. Merritt (for) with Mr. Johnson of Indiana (against).
Mr. Barry (for) with Mr. Grant of Indiana (against).
Mr. Vinson of Georgia (for) with Mr. McLeod (against).
Mr. Shanley (for) with Mr. Rodgers of Pennsylvania (against).
Mr. Cooley (for) with Mr. Edwin A. Hall (against).
Mr. Buckley of New York (for) with Mr. Gifford (against).
Mr. Claypool (for) with Mr. Dirksen (against).
Mr. Byrne of New York (for), with Mr. Arends (against).
Mr. Warren (for) with Mr. Gartner (against).
Mr. Boland (for) with Mr. Jeffries (against).

General pairs until further notice:

Mr. Bates of Kentucky with Mr. Barton of New York.
Mr. McKeough with Mr. Kunkel.
Mr. Bulwinkle with Mr. Fish.
Mr. Nelson with Mr. Gilchrist.

Mr. Burch with Mr. Lemke.
Mr. Colmer with Mr. Mott.
Mr. Whittington with Mr. Plumley.
Mr. Darden of Virginia with Mr. Anderson of California.
Mr. Robertson with Mr. Ball.
Mr. Dies with Mr. Clason.
Mr. Folger with Mr. Sandager.
Mr. Barnes with Mr. Stearns of New Hampshire.
Mr. Kelly with Mr. Brewster.
Mr. Crosser with Mr. Tinkham.
Mr. Mills of Louisiana with Mr. Rich.
Mr. Boren with Mr. Bates of Massachusetts.
Mrs. Norton with Mr. Bradley of Michigan.
Mr. Patman with Mr. White of Ohio.
Mr. Hart with Mr. Winter.
Mr. Green with Mr. Darrow.
Mr. Fries with Mr. Thorkelson.
Mr. Steagall with Mr. Wigglesworth.
Mr. Flaherty with Mr. Buckler of Minnesota.
Mr. Starnes of Alabama with Mr. Marcantonio.
Mr. Casey of Massachusetts with Mr. McLean.
Mr. Sparkman with Mr. Brooks.
Mr. McArdle with Mrs. O'Day.
Mr. Beam with Mr. Polk.
Mr. DeRouen with Mr. Elliott.
Mr. Smith of Washington with Mr. Fernandez.
Mr. Garrett with Mr. Sutphin.
Mr. Taylor with Mr. Jacobsen.
Mr. Kocialkowski with Mr. Sweeney.
Mr. Smith of Illinois with Mr. Walter.
Mr. Bell with Mr. Martin of Illinois.
Mr. May with Mr. Wood.
Mr. Geyer of California with Mr. Schulte.
Mr. Robinson of Utah with Mr. Sabath.
Mr. Voorhis of California with Mr. Jones of Texas.
Mr. Sacks with Mr. Houston.
Mr. Ellis with Mr. Sheridan.
Mr. Wallgren with Mr. Evans.
Mr. Cole of Maryland with Mr. Maciejewski.
Mr. Peterson of Georgia with Mr. Richards.
Mr. Flannery with Mr. Izac.
Mr. O'Neal with Mr. Keller.

Mr. DURHAM changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

Mr. TABER. Mr. Speaker, I move to reconsider the vote whereby the bill failed of passage and lay that motion on the table.

The motion was agreed to.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 10413) entitled "An act to provide revenue, and for other purposes."

EXTENSION OF REMARKS

Mr. ROMJUE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a short newspaper article pertaining to Hon. James A. Farley, from the Columbus Evening Dispatch, a copy of resolution passed by the National Association of Postmasters, at Columbus, Ohio, September 25–28, 1940, and also copy of resolution passed by the national convention of district postmasters, New York, September 20, 1940.

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. ROMJUE]?

There was no objection.

Mr. WEAVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter on the subject of national defense by a World War veteran.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. WEAVER]?

There was no objection.

BARRING OF CLAIMS AGAINST THE UNITED STATES

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 8150), providing for the barring of claims against the United States, with a Senate amendment thereto, and agree to the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 1, line 3, after "demand", insert "except a claim or demand by any State, Territory, possession, or the District of Columbia."

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. COCHRAN]?

There was no objection.

The Senate amendment was agreed to.

A motion to reconsider was laid on the table.

CONSOLIDATION OF CERTAIN EXCEPTIONS TO SECTION 3709 OF THE REVISED STATUTES

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 10061) to consolidate certain exceptions to section 3709 of the Revised Statutes and to improve the United States Code, with Senate amendments thereto and agree to the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 1, strike out line 12.
Page 2, after line 20, insert:
"(18) The Veterans' Administration."
Page 3, after line 5, insert:
"(9) The District of Columbia."
Page 3, strike out line 8.
Page 3, line 9, strike out "(2)" and insert "(1)."
Page 5, after line 15, insert:
"(m) Bureau of Mines—to any purchase or service rendered in the investigation of domestic sources of mineral supply, when the amount involved does not exceed $500."
Page 5, after line 15, insert:
"(n) Bureau of Reclamation—to the purchase of supplies and equipment or the procurement of services for the Bureau at the seat of government and elsewhere made in the open market in the manner common among businessmen, when the aggregate payment for the purchase or the service does not exceed $300 in any instance."
Page 5, line 16, after "3", insert "(a)."
Page 5, after line 25, insert:
"(b) When the aggregate amount involved does not exceed the sum of $300, section 3709 of the Revised Statutes shall not apply to any purchase or service for which expenditures are incurred from funds allocated to Government agencies for obligation under the act of June 28, 1937 (50 Stat. 319), relating to the Civilian Conservation Corps."
Page 5, after line 25, insert:
"(c) All contracts for labor or supplies necessary for the carrying on of operations on the Menominee Indian Reservation pursuant to the act of March 28, 1908 (35 Stat. 51), as amended, shall be exempt from the requirements of section 3709 of the Revised Statutes."
Page 7, after the line which reads "Stat. 909---------- | 15 | 198", insert:
"Act June 28, 1937, ch. 383, sec. 11, second proviso, 50 Stat. 321---------- | 16 | [1]584j"
Page 7, after the last line, insert the following footnote:
"[1] Second proviso."
Page 10, in the space left blank after "Title I, 54 Stat.", insert the following: "189."
Page 10, in the space left blank after "Title IV, 54 Stat.", insert the following: "211."
Page 10, in the space left blank after "Title I, 54 Stat.", insert the following: "290."
Page 10, after the line which reads "Act June 11, 1940, ch. 313, title I, 54 Stat. — -------- | 41 | 6hh", insert:
"Act Aug. 4, 1939, ch. 418, sec. 13, 53 Stat. 1197------ | 43 | 380a"

Mr. COCHRAN. Mr. Speaker, I can explain the Senate amendments. When this bill was passed it was simply to place under one heading in the Code all the exemptions to section 3709 of the Revised Statutes, which have to do with procurement. There were two or three mistakes in the bill. The gentleman from New York [Mr. KEOGH] followed the bill to the Senate and made the corrections. The Republican members of the committee are in favor of the amendment.

Mr. MARTIN of Massachusetts. Are they clerical amendments?

Mr. COCHRAN. They are amendments to keep them within the present statutes. There are no changes.

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. COCHRAN]?

There was no objection.

The Senate amendments were agreed to.

A motion to reconsider was laid on the table.

REGULATION OF DELIVERY OF CERTAIN CHECKS TO FOREIGN COUNTRIES

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 4353) to restrict or regulate the delivery of checks drawn against funds of the United States, or any agency or instrumentality thereof, to addresses outside the United States, its Territories, and possessions, and for other purposes, and for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi [Mr. RANKIN]?

Mrs. ROGERS of Massachusetts. Mr. Speaker, reserving the right to object, and I do not intend to object, I understand this is a bill which will hold to this country checks to be paid to our veterans?

Mr. RANKIN. Yes.

Mrs. ROGERS of Massachusetts. They are veterans of the World War now living in foreign countries. The veterans are receiving the checks, but they are in some cases being confiscated?

Mr. RANKIN. Yes. I may say to the gentlewoman from Massachusetts, who is the ranking Republican member on the Committee on World War Veterans' Legislation, that it has been reported to us, and I think it can be very well established, that many of these checks have been confiscated. This measure would throw around them a safeguard to prevent confiscation of those checks.

Mrs. ROGERS of Massachusetts. I think the gentleman would like to have inserted in the RECORD a schedule of the number of veterans in these countries and the amount paid to them.

Mr. RANKIN. I have no objection to that.

Mrs. ROGERS of Massachusetts. The schedule referred to follows:

TABLE 45.—*An approximate distribution of expenditures by United States possessions and foreign countries during the fiscal year 1939, showing number of beneficiaries as of June 30, 1939*

United States possessions and foreign countries	Number of living veterans or deceased veterans whose dependents were receiving pension benefits, including compensation and emergency officers' retirement pay on June 30, 1939, and disbursements for these benefits during the fiscal year 1939																					
	World War												Mexican War		Indian Wars				Civil War			
	Living veterans								Deceased veterans													
	Service-connected		Non-service-connected		Emergency officers' retirement pay		Total living veterans		Service-connected		Non-service-connected		Total deceased veterans		Deceased veterans		Living veterans		Deceased veterans		Living veterans		Deceased veterans	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
United States possessions:																								
Alaska	50	$22,083	4	$1,033			54	$23,116	10	$4,059	2	$702	12	$4,761			1	$1,196	1	$365			4	$1,255
Canal Zone	17	7,617	4	1,530			21	9,147	6	3,343			6	3,343									1	358
Guam	2	1,832					2	1,832	9	5,101			9	5,101										
Hawaii	97	54,479	73	18,266			170	72,745	53	25,102	4	667	57	25,769			2	1,215	1	547			14	6,511
Philippine Islands	354	227,515	124	42,748	1	$1,278	479	271,541	593	334,358	19	7,729	612	342,087										
Puerto Rico	322	215,269	463	155,388	1	1,278	786	371,935	503	302,105	20	10,492	523	312,597					1	365			2	717
Samoa									2	665			2	665										
Virgin Islands	5	4,608	1	19			6	4,627	1	439			1	439										
Foreign countries:																								
Belgium	23	9,965					23	9,965	28	14,909			28	14,909									1	478
British Isles	177	104,733	29	10,807			206	115,540	470	253,977	9	3,096	479	257,073			8	7,813	8	2,771	2	$2,459	54	25,208
Denmark	30	18,363	5	1,913			35	20,276	100	50,446	1	299	101	50,745										
France	74	43,023	8	2,965	3	5,412	85	51,400	60	28,165	8	2,011	68	30,176			1	1,227	2	547			11	4,755
Germany	8	7,430	1	497			9	7,927	28	15,741			28	15,741			2	1,326	9	3,098			24	11,302
Greece	238	123,081	42	14,823			280	137,904	342	183,437	3	627	345	184,064										
Italy	602	355,864	66	24,291			668	380,155	1,597	876,364	25	8,884	1,622	885,248					1	365			5	2,342
Norway	37	23,121	10	3,347			47	26,468	145	75,360			145	75,360			2	1,165	1	365			1	609
Poland	109	55,242	14	4,667			123	59,909	585	316,943	5	2,200	590	319,143					1	365				
Rumania	21	14,915					21	14,915	25	13,457	1	328	26	13,785										
Russia	5	4,037					5	4,037	148	79,800	1	328	149	80,128										
Sweden	33	22,037	6	2,104			39	24,141	214	112,362			214	112,362			1	1,011					6	2,987
Yugoslavia	42	30,579	5	1,626			47	32,205	106	59,706			106	59,706										
Other parts of Europe	94	58,210	9	3,137	1	904	104	62,251	304	164,750	7	2,289	311	167,039			2	1,357	1	729			9	4,217
China	11	6,862	1	383			12	7,245	27	12,971	1	299	28	13,270									1	358
Japan	3	1,967	1	383			4	2,350	6	4,071			6	4,071										
Other parts of Asia	21	12,149	2	383			23	12,532	46	25,612			46	25,612									2	717
Cuba	7	4,324	1	96			8	4,420	2	1,130			2	1,130					1	$365			3	1,314
San Domingo and Haiti	2	1,185					2	1,185	2	1,042			2	1,042										
Other parts of West Indies	10	4,422	2	765			12	5,187	27	13,235			27	13,235									1	717
Africa	7	3,338					7	3,338	4	1,757			4	1,757							1	1,157	5	2,151
Australia	3	1,429					3	1,429	4	1,255			4	1,255							1	1,013	8	4,122
Azores	3	2,504					3	2,504	14	6,754			14	6,754										
Canada	271	123,713	38	12,987	2	2,784	311	139,484	217	109,111	14	4,435	231	113,546	1	$590	10	8,577	8	3,098	6	8,823	218	108,862
Central America	7	3,292	2	574			9	3,866	2	418			2	418										
Mexico	29	14,595	4	1,530			33	16,125	11	4,122	4	1,364	15	5,486			1	888	2	729			7	3,106
Newfoundland	4	1,600					4	1,600	7	3,264			7	3,264										
Panama	2	2,291					2	2,291	1	586			1	586										
South America	24	8,362	2	287	1	995	27	9,644	13	5,243			13	5,243	1	590							6	3,405
Other miscellaneous countries	10	4,657					10	4,657	5	2,406			5	2,406										
Total United States possessions and foreign countries	2,754	1,600,693	917	306,549	9	12,651	3,680	1,919,893	5,717	3,113,566	124	45,750	5,841	3,159,316	2	1,180	30	25,775	37	13,709	10	13,452	383	185,491

TABLE 45.—*An approximate distribution of expenditures by United States possessions and foreign countries during the fiscal year 1939, showing number of beneficiaries as of June 30, 1939*—Continued

United States possessions and foreign countries	Number of living veterans or deceased veterans whose dependents were receiving pension benefits, including compensation and emergency officers' retirement pay on June 30, 1939, and disbursements for these benefits during the fiscal year 1939—Continued												Military and naval insurance		Adjusted-service and dependent pay	Total disbursements
	Spanish-American War				Regular Establishment				Total							
	Living veterans		Deceased veterans		Living veterans		Deceased veterans		Living veterans		Deceased veterans					
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount		
United States possessions:																
Alaska	111	$56,374	9	$3,808	10	$2,969	3	$1,313	176	$83,655	29	$11,502	5	$5,278	142	$100,577
Canal Zone	67	109,259	25	9,013	5	1,247	16	5,245	93	119,653	48	17,959	8	7,250	-------	144,862
Guam	5	3,650	5	1,801	7	3,003	10	4,499	14	8,485	24	11,401	1	906	279	21,071
Hawaii	110	63,242	40	14,290	36	8,543	36	12,730	318	145,745	148	59,847	28	25,439	1,525	232,556
Philippine Islands	2,748	1,548,585	1,156	432,454	815	259,594	787	309,154	4,042	2,079,720	2,555	1,083,695	66	20,175	2,789	3,186,379
Puerto Rico	430	208,416	179	72,502	145	51,472	104	41,193	1,361	631,823	809	427,374	81	55,875	1,040	1,116,112
Samoa	2	1,072	1	453	3	1,333	4	2,095	5	2,405	7	3,213	3	1,562	-------	7,180
Virgin Islands	2	612	------	----------	------	----------	2	777	8	5,239	3	1,216	6	3,356	46	9,857
Foreign countries:																
Belgium	12	7,307	3	1,088	1	197	1	982	36	17,469	33	17,457	3	8,085	534	43,545
British Isles	177	104,801	111	40,561	39	16,798	30	8,130	432	247,411	682	333,743	63	166,705	7,210	755,069
Denmark	32	25,524	11	4,364	6	3,086	1	205	73	48,886	113	55,314	6	35,646	-------	139,846
France	29	17,045	13	4,872	4	1,037	2	923	119	70,709	96	41,273	21	19,391	1,064	132,437
Germany	38	26,743	35	12,597	4	1,765	13	4,427	53	37,761	109	47,165	17	14,062	372	99,360
Greece	9	4,578	11	4,171	5	3,210	6	1,113	294	145,692	362	189,348	34	69,377	401	404,818
Italy	15	11,484	15	5,622	8	3,565	17	4,731	691	395,204	1,660	898,308	122	408,152	12,439	1,714,103
Norway	71	42,869	19	6,426	5	3,148	6	1,604	125	73,650	172	84,364	14	51,899	53	209,966
Poland	4	2,144	1	363	4	1,457	8	1,686	131	63,510	600	321,557	23	119,628	988	505,683
Rumania	------	----------	------	----------	1	222	1	205	22	15,137	27	13,990	7	6,742	-------	35,869
Russia	------	----------	------	----------	------	----------	3	614	5	4,037	152	80,742	10	29,861	4,735	119,375
Sweden	55	34,757	26	9,418	2	395	3	700	97	60,304	249	125,467	23	61,694	186	247,651
Yugoslavia	2	1,935	------	----------	------	----------	2	409	49	34,140	108	60,115	6	16,152	93	110,500
Other parts of Europe	30	21,399	24	8,813	4	2,561	10	1,991	140	87,568	355	182,789	66	107,722	12,520	390,599
China	53	28,587	48	17,736	3	907	16	7,231	68	36,739	93	38,595	8	5,712	847	81,893
Japan	20	12,739	19	6,492	1	333	5	1,772	25	15,422	30	12,335	4	1,619	120	29,496
Other parts of Asia	4	1,684	1	242	------	----------	------	----------	27	14,216	49	26,571	3	8,822	77	49,686
Cuba	103	66,614	32	11,280	1	74	2	836	112	71,108	40	14,925	1	1,093	233	87,359
San Domingo and Haiti	9	4,012	1	363	------	----------	1	682	11	5,197	4	2,087	------	----------	-------	7,284
Other parts of West Indies	11	6,033	4	1,487	2	210	1	354	25	11,430	33	15,793	4	6,228	-------	33,451
Africa	19	9,340	3	907	------	----------	------	----------	27	13,835	12	4,815	3	4,373	-------	23,023
Australia	16	8,617	3	1,233	5	1,083	------	----------	25	12,142	15	6,610	3	3,061	-------	21,813
Azores	1	766	------	----------	1	926	2	409	5	4,196	16	7,163	------	----------	274	11,633
Canada	801	469,085	165	61,186	54	13,848	22	5,690	1,182	639,817	645	292,972	58	116,888	4,292	1,053,969
Central America	11	6,002	3	1,553	2	55	4	1,359	22	9,923	9	3,330	2	1,016	243	14,512
Mexico	37	18,352	6	1,559	3	1,596	1	382	74	36,961	31	11,262	4	3,803	528	52,554
Newfoundland	2	1,347	3	2,249	------	----------	------	----------	6	2,947	10	5,513	1	2,772	-------	11,232
Panama	4	2,327	------	----------	------	----------	2	1,354	6	4,618	3	1,940	1	625	-------	7,183
South America	31	17,112	5	1,789	2	605	2	636	60	27,361	27	11,663	6	6,974	345	46,343
Other miscellaneous countries	18	8,590	1	181	3	790	------	----------	31	14,037	6	2,587	1	4,424	-------	21,048
Total, United States possessions and foreign countries	5,089	2,953,003	1,978	740,873	1,181	386,029	1,123	425,431	9,990	5,298,152	9,364	4,526,000	712	1,402,367	53,375	11,279,894

NOTE.—Does not include $848,352 disbursed from administration, medical, hospital, and domiciliary services appropriation. Totals included in table 44 under United States possessions and foreign countries.

Mr. VAN ZANDT. Mr. Speaker, reserving the right to object, may I say for the benefit of the House that at the present time there are 4,070 veterans living in Germany, Poland, France, Italy, Russia, Belgium, and Norway, and the sum of $2,824,469 was sent to them during the year 1939. The number, the countries in which they live, and the amounts paid to them follow:

	Number of persons	Amounts paid
Germany	179	$99,360
Poland	754	505,683
France	236	132,437
Italy	2,351	1,714,103
Russia	167	119,375
Belgium	72	43,545
Norway	311	209,966
Total	4,070	2,824,469

The SPEAKER. Is there objection to the request of the gentleman from Mississippi [Mr. RANKIN]?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That hereafter no check or warrant drawn against funds of the United States, or any agency or instrumentality thereof, shall be sent from the United States (including its Territories and possessions and the Commonwealth of the Philippine Islands) for delivery in a foreign country in any case in which the Secretary of the Treasury determines that postal, transportation, or banking facilities in general, or local conditions in the country to which such check or warrant is to be delivered, are such that there is not a reasonable assurance that the payee will actually receive such check or warrant and be able to negotiate the same for full value.

SEC. 2. Any check or warrant, the sending of which is prohibited under the provisions of section 1 hereof, shall be held by the drawer until the close of the calendar quarter next following its date, during which period such check or warrant may be released for delivery if the Secretary of the Treasury determines that conditions have so changed as to provide a reasonable assurance that the payee will actually receive the check or warrant and be able to negotiate it for full value. At the end of such quarter, unless the Secretary of the Treasury shall otherwise direct, the drawer shall transmit all checks and warrants withheld in accordance with the provisions of this act to the drawee thereof, and forward a report stating fully the name and address of the payee; the date, number, and amount of the check or warrant; and the account against which it was drawn, to the Bureau of Accounts of the Treasury Department. The amounts of such undelivered checks and warrants so transmitted shall thereupon be transferred by the drawee from the account of the drawer to a special deposit account with the Treasurer of the United States entitled "Secretary of the Treasury, Proceeds of Withheld Foreign Checks," at which time such checks and warrants shall be marked "Paid into Withheld Foreign Check Account." Thereafter the drawee shall deliver such checks and warrants, together with other paid checks and warrants, to the Comptroller General of the United States, who shall allow credit therefor in the accounts of the drawer and the drawee.

In the case of checks representing payments under laws administered by the Veterans' Administration, when the amount, transferred to the special deposit account on behalf of any individual payee equals $1,000, the amounts of any further checks, except checks under contracts of insurance, payable to such payee under such laws shall be covered into the Treasury as miscellaneous receipts. The deposit in the special deposit account or the covering into the Treasury as miscellaneous receipts, pursuant to the provisions of this section, of the amount of any

check issued under laws administered by the Veterans' Administration shall be considered for all purposes, including determinations of rights under section 305 of the World War Veterans' Act, 1924, as amended, as payment to the person entitled thereto.

SEC. 3. Payment of the amounts which have been deposited in the special deposit account in accordance with section 2 hereof shall be made by checks drawn against such special deposit account by the Secretary of the Treasury, only after the claimant shall have established his right to the amount of the check or warrant to the satisfaction of the Secretary of the Treasury (or, in the case of claims based upon checks representing payments under laws administered by the Veterans' Administration, to the satisfaction of the Administrator of Veterans' Affairs) and the Secretary of the Treasury has determined that there is a reasonable assurance that the claimant will actually receive such check in payment of his claim and be able to negotiate the same for full value.

In the case of the death of the payee of any check in payment of pension, compensation, or emergency officers' retirement pay accruing under laws administered by the Veterans' Administration, while the amount thereof remains in the special deposit account, such amount shall, subject to the other conditions of this act, be payable as follows: (a) Upon death of the veteran, first to the widow; if there is no widow, to his child or children under the age of 18 at his death; (b) upon death of the widow, to her children under the age of 18 years at her death; (c) upon the death, prior to disbursement of all or any part of the apportioned amount, of an apportionee of a part of the veteran's pension, compensation, or emergency officers' retirement pay, such apportioned amount not disbursed shall be payable to the veteran; (d) in all other cases no disbursement whatsoever of such pension, compensation, or emergency officers' retirement pay shall be made or allowed except so much as may be necessary to reimburse the person who bore the expense of burial: *Provided, however,* That no disbursement shall be made unless claim therefor be filed in the Veterans' Administration within 1 year from the date of the death of the person entitled and perfected by the submission of the necessary evidence within 6 months from the date of the request of the Veterans' Administration therefor. Such benefits shall include only amounts due and unpaid at the time of death under then existing ratings or decisions.

SEC. 4. The provisions of sections 2 and 3 hereof shall apply to all checks or warrants the delivery of which is now being, or may hereafter be, withheld pursuant to Executive Order No. 8389 of April 10, 1940, as amended, as well as to all checks or warrants the delivery of which is now being withheld pursuant to administrative action, which administrative action is hereby ratified and confirmed: *Provided,* That any check or warrant the delivery of which has already been withheld for more than one-quarter prior to the enactment of this act shall be immediately delivered to the drawee thereof for disposition in accordance with the provisions of sections 2 and 3 hereof: *Provided further,* That nothing in this act shall be construed to dispense with the necessity of obtaining a license to authorize the delivery and payment of checks in payment of claims under section 3 hereof in those cases where a license is now or hereafter may be required by law to authorize such delivery and payment.

SEC. 5. The Secretary of the Treasury is hereby authorized to prescribe such rules and regulations as he in his discretion may deem necessary or proper for the administration and execution of this act.

SEC. 6. Nothing contained in this act shall be construed as affecting or applying to checks or warrants issued in payment of salaries or wages or for goods purchased by the Government of the United States in foreign countries.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PERMISSION TO ADDRESS THE HOUSE

Mr. TABER. Mr. Speaker, I ask unanimous consent to proceed for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. TABER]?

There was no objection.

Mr. TABER. Mr. Speaker, I take this time to make a little statement with reference to the airport proposal. I am not going to make any comments of my own on this but will simply state the facts with reference to the situation.

A bill was passed a week ago carrying provision for $30,000,000 cash and $50,000,000 in contract authorizations for the construction of airports. The list of airports, 4,000 in number scattered all over the country, was submitted to the Committee on Appropriations. The committee was told, and the Civil Aeronautics Authority has gone on record yesterday in a statement to the press to the effect, that only those airports the construction, enlargement, or improvement of which were absolutely necessary for the purpose of national defense as determined by a Board appointed by the President, the Board representing the Navy Department, the War Department and the Commerce Department, would be built with these funds, so that unless an airport qualifies sufficiently for national defense to come within the range of what that Commission may determine to be essential, it will not be built. Obviously, $80,000,000 will build only a very small portion of the 4,000 airports suggested.

Mr. HOLMES. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Massachusetts.

Mr. HOLMES. Of course, that does not prohibit the W. P. A. from granting relief funds to the communities if they want to expand the facilities of their own airports.

Mr. TABER. That is correct.

Mr. CHURCH. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Illinois.

Mr. CHURCH. The gentleman mentioned 4,000 locations. Can the gentleman indicate how the Members of the House may have available in the RECORD this list of 4,000 locations?

Mr. TABER. The 4,000 would be beyond the range of putting anything in the RECORD. The list could be printed as a House document. It is available to the public at the Appropriations Committee.

Mr. HANCOCK. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from New York.

Mr. HANCOCK. Can the gentleman tell us whether there is authority to acquire new lands to enlarge present airports with these funds?

Mr. TABER. We were told that primarily the localities would be required to furnish these sites.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Nebraska.

Mr. CURTIS. When do they anticipate these reports will be made by the committee to be appointed by the President?

Mr. TABER. The committee will not be appointed, according to what Mr. Hinckley, of the C. A. A., told me this afternoon, until after the bill has been passed and signed. It has not been reported out of the Senate Appropriations Committee yet.

[Here the gavel fell.]

INAUGURATION OF PRESIDENT-ELECT IN JANUARY 1941

Mr. COOPER. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the joint resolution (H. J. Res. 467) to exempt from the tax on admissions amounts paid for admission tickets sold by authority of the Committee on Inaugural Ceremonies on the occasion of the inauguration of the President-elect in January 1941, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the joint resolution.

The Clerk read the Senate amendments, as follows:

Line 4, after "Ceremonies", insert "on the occasion."

Line 8, strike out "500 of the Revenue Act of 1926" and insert "1700 of the Internal Revenue Code."

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

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

NATIONALITY LAWS OF THE UNITED STATES

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 9980) to revise and codify the nationality laws of the United States into a comprehensive nationality code, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference requested by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from New York? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. DICKSTEIN, LESINSKI, KRAMER, REES of Kansas, and VAN ZANDT.

EXTENSION OF REMARKS

Mr. MYERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein

an article recently appearing in the Philadelphia Record by Jay Franklin.

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

There was no objection.

Mr. MYERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a letter recently written by the president of the Union League of Philadelphia.

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

There was no objection.

AMENDMENT OF COMMODITY EXCHANGE ACT

Mr. PACE submitted a conference report and statement on the bill (H. R. 4088) to amend the Commodity Exchange Act, as amended, to extend its provisions to fats and oils, cottonseed meal, and peanuts.

EXTENSION OF REMARKS

Mr. HARRINGTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a short article from the Dubuque (Iowa) Tribune.

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

There was no objection.

LEVY OF STATE TAXES IN FEDERAL AREAS

Mr. BUCK. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 6687) to authorize the levy of State, Territory, and District of Columbia taxes upon, with respect to, or measured by sales, purchases, or use of tangible personal property or upon sellers, purchasers, or users of such property measured by sales, purchases, or use thereof occurring in United States national parks, military and other reservations or sites over which the United States Government may have jurisdiction, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Strike out all after the enacting clause and insert:

"That (a) no person thall be relieved from liability for payment of, collection of, or accounting for any sales or use tax levied by any State, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax, on the ground that the sale or use, with respect to which such tax is levied, occurred in whole or in part within a Federal area; and such State or taxing authority shall have full jurisdiction and power to levy and collect any such tax in any Federal area within such State to the same extent and with the same effect as though such area was not a Federal area.

"(b) The provisions of subsection (a) shall be applicable only with respect to sales or purchases made, receipts from sales received, or storage or use occurring, after December 31, 1940.

"SEC. 2. (a) No person shall be relieved from liability for any income tax levied by any State, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax, by reason of his residing within a Federal area or receiving income from transactions occurring or services performed in such area; and such State or taxing authority shall have full jurisdiction and power to levy and collect such tax in any Federal area within such State to the same extent and with the same effect as though such area was not a Federal area.

"(b) The provisions of subsection (a) shall be applicable only with respect to income or receipts received after December 31, 1940.

"SEC. 3. (a) The provisions of sections 1 and 2 of this act shall not be deemed to authorize the levy or collection of any tax on or from the United States or any instrumentality thereof, or the levy or collection of any tax with respect to sale, purchase, storage, or use of tangible personal property sold by the United States or any instrumentality thereof to any authorized purchaser.

"(b) A person shall be deemed to be an authorized purchaser under this section only with respect to purchases which he is permitted to make from commissaries, ship's stores, or voluntary unincorporated organizations of Army or Navy personnel, under regulations promulgated by the Secretary of War or the Secretary of the Navy.

"SEC. 4. The provisions of this act shall not for the purposes of any other provision of law be deemed to deprive the United States of exclusive jurisdiction over any Federal area over which it would otherwise have exclusive jurisdiction or to limit the jurisdiction of the United States over any Federal area.

"SEC. 5. Nothing in sections 1 and 2 of this act shall be deemed to authorize the levy or collection of any tax on or from any Indian not otherwise taxed.

"SEC. 6. As used in this act—

"(a) The term 'person' shall have the meaning assigned to it in section 3797 of the Internal Revenue Code.

"(b) The term 'sales or use tax' means any tax levied on, with respect to, or measured by, sales, receipts from sales, purchases, storage, or use of tangible personal property, except a tax with respect to which the provisions of section 10 of the Federal Highway Act, approved June 16, 1936, are applicable.

"(c) The term 'income tax' means any tax levied on, with respect to, or measured by, net income, gross income, or gross receipts.

"(d) The term 'State' includes any Territory or possession of the United States.

"(e) The term 'Federal area' means any lands or premises held or acquired by or for the use of the United States or any department, establishment, or agency of the United States; and any Federal area, or any part thereof, which is located within the exterior boundaries of any State shall be deemed to be a Federal area located within such State.

"SEC. 7. (a) Subsection (a) of section 10 of the Federal Highway Act, approved June 16, 1936, is amended—

"(1) By striking out the words 'upon sales of gasoline and other motor vehicle fuels' and inserting in lieu thereof the words 'upon, with respect to, or measured by, sales, purchases, storage, or use of gasoline or other motor-vehicle fuels'; and

"(2) By striking out the words 'upon such fuels' and inserting in lieu thereof the words 'with respect to such fuel.'

"(b) Subsection (b) of such section 10 is amended by striking out the words 'not sold for the exclusive use of the United States during' and inserting in lieu thereof the words 'with respect to which taxes are payable under subsection (a) for.'"

Amend the title so as to read: "An act to permit the States to extend their sales, use, and income taxes to persons residing or carrying on business, or to transactions occurring, in Federal areas, and for other purposes."

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

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. HANCOCK and Miss SUMNER of Illinois asked and were given permission to revise and extend their remarks in the RECORD.

TITLE TO LANDS ACQUIRED BY UNITED STATES

Mr. SUMNERS of Texas. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 9736) to amend section 355 of the Revised Statutes, as amended, to authorize the Attorney General to approve the title to low-value lands and interests in lands acquired by or on behalf of the United States subject to infirmities, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 1, strike out lines 4 and 5 and insert "as amended, is hereby."

Page 2, line 6, strike out "law" and insert "law."

Page 2, lines 9 and 10, strike out "or by exchange or donation."

Page 2, line 15, strike out "The" and insert "That the."

Page 2, lines 21 and 22, strike out "nor in cases of donation and exchange shall grants be accepted."

Page 3, line 6, strike out "Act" and insert: "Act."

Page 3, line 7, strike out "in cases of purchase."

Page 3, lines 8 and 9, strike out "and in cases of donation and exchange by the acquiring authority's appraisal."

Page 4, line 17, after "Authority", insert "and nothing in this section shall be construed to affect in any manner any authority which the Secretary of War, the Chief of Engineers, or the Secretary of the Interior have under the provisions of law in force on the date this section as amended takes effect with respect to the approval by them of title to land or interests in land acquired by the War Department or the Department of the Interior, as the case may be."

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

Mr. MICHENER. Reserving the right to object, Mr. Speaker, this is exactly as it was this morning before the Committee on the Judiciary?

Mr. SUMNERS of Texas. Yes.

Mr. MICHENER. And the committee unanimously adopted it?

Mr. SUMNERS of Texas. I believe it was unanimous. If there was any opposition I did not hear it.

Mr. LEAVY. Reserving the right to object, Mr. Speaker, when this legislation was before the House earlier I desired to know if its terms were sufficiently broad to permit the Interior Department and the War Department to continue to certify

titles without having those titles passed on to the Department of Justice for a second certification.

Mr. SUMNERS of Texas. Yes.

Mr. LEAVY. I understand that the amendment the Senate has written in the bill is for the purpose of establishing definitely the fact that a title certified by the legal department of the Interior Department or of the War Department in the smaller transactions will be a final certification, and it will not require a certification by the Justice Department; in other words, we will continue in the certification of titles just as we have in the past.

Mr. SUMNERS of Texas. May I say to the gentleman it is my understanding, and I think it is the understanding of the Committee on the Judiciary, that the purpose of the Senate amendment is to leave the matter as it is now with reference to the matters concerning which the gentleman inquires.

Mr. LEAVY. Mr. Speaker, with that explanation I have no objection.

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

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. HINSHAW. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein an article by Pearl S. Buck entitled "The Future of the White Man in the Far East." This article appears in Foreign Affairs and the American Quarterly Review, and Mrs. Buck is the author of Good Earth, the winner of the Pulitzer Prize and the Nobel Prize.

I have an estimate from the Public Printer, Mr. Speaker.

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

There was no objection.

Mr. HARTER of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial from the Buffalo Evening News of yesterday.

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

There was no objection.

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. DITTER] may extend his remarks in the RECORD and include therein an address delivered by him on September 19.

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

There was no objection.

THE DROUGHT SITUATION IN NEBRASKA

Mr. CURTIS. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

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

There was no objection.

Mr. CURTIS. Mr. Speaker, I have just returned from the hearings conducted by the Tolan committee on the interstate migration of destitute persons. Within recent days I have passed through Nebraska twice. The drought situation there is most tragic.

About one-half of the State, including almost all of my district, is experiencing the seventh year of consecutive crop failures. Fine, industrious farmers, who have never asked for relief, are in desperate circumstances. There is no feed for the livestock. Feed must be sent in there, or a great percentage of the farmers will have to dispose of their last milk cows and flocks of chickens.

In 1934, when the first real severe drought hit, a mistake was made in compelling farmers to get rid of their foundation livestock herds instead of furnishing them with feed. If that mistake is made again this year, it will take the working tools away from these farmers, cause them to be unemployed, and force them to go on relief.

Loans of money are not enough. Due to the prolonged drought, many of these people are now loaded with great burdens of debt. The Department of Agriculture must take some steps to get feed into the territory so that the farmers can either borrow the feed and return bushel for bushel, or so that they can buy it on the same basis that surplus grains are sold to Canada and England and other foreign countries.

I am not insisting upon any particular proposal to relieve the situation, but I do urge that something be done and that it be done soon. Nebraska has been a generous State. Her people have responded to the cries for help when disaster struck in other parts of the Nation and throughout the entire world. Nebraska needs help now.

EXTENSION OF REMARKS

Mr. PATTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a great speech that was made on this floor in about 1871 by a man named Proctor Knott on Duluth.

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

There was no objection.

Mr. PETERSON of Florida. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a statement by Hon. Chester Meyers.

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

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. HARTER of New York. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

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

There was no objection.

Mr. HARTER of New York. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include a resolution which I have this day introduced.

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

There was no objection.

Mr. HARTER of New York. Mr. Speaker, some of that which was predicted on the floor of this House during debate of the National Guard and the peacetime military conscription bills has come to pass. Men of the One Hundred and Seventy-fourth Infantry of the National Guard unit from Buffalo and the Niagara Frontier in New York State, as well as other units, are now quartered at Fort Dix, N. J. Are they quartered in barracks? They are not. They are occupying tents, sleeping in their uniforms, attempting to keep off the effects of the 45-degree temperature accompanying the cold weather now prevalent at this camp.

A news item by a staff reporter of the Buffalo Evening News of September 26 tells of the conditions faced by these boys who have been ordered into active training by our Chief Executive to occupy a camp unprepared to accept them. Many of us are not surprised at this continued evidence of lack of preparation for preparedness. We are reminded of the "whipping up" process emanating from the executive department during legislative consideration of these bills by Congress. At the same time the conditions of these camps—hazards of occupation, inadequate housing, heating, lack of roads, and probably many other facilities necessary for the protection of the health of the boys taken by their Government to build up its defense must, or should have been, known to those of our Government charged with the responsibility. Here is what the news item says:

FORT DIX, N. J., September 26.—Glum over word that the new wooden barracks will not be finished for 2 months, men of the One Hundred and Seventy-fourth Infantry Wednesday night slept with their uniforms over their pajamas to ward off the damp, 45-degree cold which has settled over central New Jersey. They emerged at 5:45 o'clock this morning from drafty, unheated tents and trudged through puddles of soft mud. The rain and windstorm lashed at the reservation late Wednesday afternoon, halting settlement activities and threatened to level many of the tents. Sides of many of the tents collapsed during the storm, and

the temperature fell to the low fifties. Efforts to anchor the canvas were hampered by the sandy nature of the soil. The unsettled weather added to the irritation prompted by the failure of three or four train carloads of equipment to arrive at the camp.

Another newspaper of Buffalo, the Buffalo Courier-Express, carried a picture of boys at Fort Dix hovering around a small stove with the statement that that stove is the only one at the fort for heating purposes.

Where does the blame lie? It is about time that this Congress looked into some of these conditions. If the executive department lacks interest in protecting these soldiers, it is about time this Congress sees to it that livable camps are provided before Uncle Sam's now healthy young men are thrown in with the probable effect of undermining their health. How long must we bear with these mounting inefficiencies in government?

I have just offered a resolution to investigate these conditions in the various camps, which is as follows:

Resolved, That a committee of five Members of the House of Representatives be appointed by the Speaker of the House to take testimony, investigate, and report to the House concerning the conditions of the various forts and military camps to which different National Guard units have been ordered or are to be ordered, as well as the conditions of such forts or military camps to which those persons enlisted, or to be hereafter enlisted or inducted into the military forces of the United States, are ordered, which conditions might tend to affect the housing and health of such personnel so ordered to such forts or camps.

The committee or any subcommittee thereof shall have power to hold hearings and to sit and act anywhere within or without the District of Columbia, whether the House is in session or has adjourned or is in recess; to acquire by subpena or otherwise the attendance of witnesses and the production of books, papers, and documents; to administer oaths; to take testimony; to have printing and binding done; and to make such expenditures as it deems advisable within the amount appropriated therefor. A subpena shall be issued under the signature of the chairman of the committee and shall be served by any person designated by him. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpena, or to testify when summoned under authority of this resolution.

I sincerely hope that the majority leadership will see that this resolution is reported so that we can do something tangible to protect the soldiers' health.

Mr. RABAUT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

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

There was no objection.

Mr. RABAUT. Mr. Speaker, we just had a roll call to which 252 Members have answered to their names.

We have heard on several occasions how we should remain in session. To this I agree. The Nation ought to take cognizance of those who do remain in Congress. The leadership ought to take cognizance of the faithful on both sides of the aisle, and declare 3-day recesses, to permit Members to return to their districts at least for a short time to attend to the business preceding a national election. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. JENSEN. Mr. Speaker, I ask unanimous consent to extend my remarks and include an editorial from A. M. Piper of the Nonpareil, Council Bluffs, Iowa, relative to unemployment insurance.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

By unanimous consent Mr. PATRICK, Mr. BENDER, and Mr. LEA were granted permission to revise and extend their own remarks in the RECORD.

THE LATE LIEUTENANT COLONEL HARRINGTON

Mr. CANNON of Missouri. Mr. Speaker, I share the dismay and regret I am certain every Member of the House felt when he opened the newspaper this morning and read of the unexpected and untimely death of Col. F. C. Harrington. I do not know when the death of a man whom I knew only through official contacts across the conference table of the committee room has affected me so profoundly. He was a stranger to me, as he was to most Members of the Congress, when he was appointed Works Progress Administrator in 1938, but in the brief time intervening between his appointment and his death had become one of the most widely and favorably known men in the Nation.

As head of the Works Progress Administration he occupied one of the most difficult assignments in the Federal Government, not only because of its far-reaching ramifications, extending geographically into every community, and economically, to every industry and activity of continental and insular United States, but also because during his entire incumbency it has been the object of bitter attack. An extensive investigation was made of the W. P. A. and its administration and approximately $100,000 was expended in an exhaustive inquiry that subjected it to the searching scrutiny of professional investigators, assisted by employees requisitioned from the General Accounting Office and the Department of Justice. Through the ordeal he sustained his position with such ability and equanimity as to disarm even his severest critics and win from all admiration of his capacity and integrity and a deep regard for him as an officer and a gentleman.

The tempestuous character of the investigation and the wide publicity accorded it, served, unfortunately, to obscure the value of his services rendered in other and more important capacities. After attendance at Virginia Military Institute and graduation from West Point, he returned to the Academy as a member of the faculty. Later he served as engineer assisting Gen. George W. Goethals in the construction of the Panama Canal. During the World War he served with distinction and was promoted from the grade of captain to the grade of colonel. Following the close of the war he helped organize the Army Engineer School at Fort Belvoir, was district engineer at Baltimore, returned to the Panama Canal in the capacity of assistant engineer of maintenance, attended and was graduated from the General Staff School of the Army at Fort Leavenworth, attended and graduated from the Army War College at Washington, served 4 years on the War Department General Staff, attended and was graduated from Ecole de Guerre, the French school for the training of officers for high command, and served successively as Assistant Administrator, Chief Engineer, and Administrator of the Works Progress Administration.

His death is a loss to the service which he represented with such credit and distinction, and to the Nation at large which can ill afford to lose at this critical time a man of such invaluable qualities of heart and mind. May he rest in peace in that fairest vale of Valhallah reserved for the noblest, the truest, the most valiant, and the best beloved.

CALENDAR WEDNESDAY

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday—tomorrow—may be dispensed with.

The SPEAKER. Is there objection?

Mr. MICHENER. Mr. Speaker, reserving the right to object, will the gentleman tell us what the program for tomorrow is?

Mr. McCORMACK. House bills with Senate amendments. Then there is the so-called Ellender bill which passed the Senate, relating to sugar. It is a bill which passed the Senate a few days ago and is on the Speaker's desk. Those are the only bills that I know of now that will be brought up tomorrow.

Mr. MICHENER. Is the Ellender bill a House bill?

Mr. McCORMACK. No; it is a Senate bill.

Mr. MICHENER. It has never been before a House committee?

Mr. McCORMACK. No. I understand there has been some meeting with reference to it. It will have to be taken up by unanimous consent.

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

There was no objection.

LEAVE OF ABSENCE

By unanimous consent leave of absence was granted as follows:

To Mr. MAGNUSON, indefinitely, on account of official business.

To Mr. SHANLEY, for today, on account of official business.

To Mr. FITZPATRICK, indefinitely, on account of illness.

EXTENSION OF REMARKS

Mr. WHITE of Idaho. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein certain excerpts.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

SENATE BILLS REFERRED

Bills and joint resolutions of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 1432. An act authorizing the Snake or Piute Indians of the former Malheur Indian Reservation of Oregon to sue in the Court of Claims, and for other purposes; to the Committee on Indian Affairs.

S. 2148. An act for the admission of Ruth Molimau Kenison to American citizenship; to the Committee on Immigration and Naturalization.

S. 2576. An act to authorize the expenditure of the receipts from migratory-bird and wildlife refuges or other areas or projects operated or controlled by the Fish and Wildlife Service, United States Department of the Interior, for the protection of such refuges, areas, or projects and the wildlife thereon, and for other purposes; to the Committee on Agriculture.

S. 2705. An act creating the Great Falls Bridge Commission and authorizing the construction, maintenance, and operation of a bridge across the Potomac River near the Great Falls of the Potomac; to the Committee on Interstate and Foreign Commerce.

S. 3087. An act to record the lawful admission to the United States for permanent residence of Chaim Wakerman, known as Hyman Wakerman; to the Committee on Immigration and Naturalization.

S. 3185. An act for the relief of Noland Blass; to the Committee on Claims.

S. 3204. An act for the relief of Louise Hsien Djen Lee Lum; to the Committee on Immigration and Naturalization.

S. 3442. An act to authorize the cancelation of deportation proceedings in the case of Minas Kirillidis; to the Committee on Immigration and Naturalization.

S. 3653. An act for the relief of Algy Fred Giles; to the Committee on Military Affairs.

S. 3657. An act authorizing the appointment and retirement of John Tomlingson as a second lieutenant, United States Army; to the Committee on Military Affairs.

S. 3729. An act for the relief of Hjalmar M. Seby; to the Committee on Claims.

S. 3765. An act to extend the times for commencing and completing the construction of a bridge across the Columbia River at Astoria, Clatsop County, Oreg., and for other purposes; to the Committee on Interstate and Foreign Commerce.

S. 3778. An act to amend the act entitled "An act to provide better facilities for the enforcement of the customs and immigration laws," approved June 26, 1930; to the Committee on Public Buildings and Grounds.

S. 3864. An act to apply laws covering steam vessels to certain passenger-carrying vessels; to the Committee on Merchant Marine and Fisheries.

S. 3991. An act to authorize the disposal of tools and equipment on the New England hurricane-damage project; to the Committee on Agriculture.

S. 4073. An act for the relief of Fred McGarrahan; to the Committee on Military Affairs.

S. 4116. An act amending the act of June 25, 1938, extending the classified civil service to include postmasters of the first, second, and third classes, and for other purposes; to the Committee on the Civil Service.

S. 4120. An act authorizing the Secretary of War to accept a gift of lands from the city of Tucson, Ariz.; to the Committee on Military Affairs.

S. 4196. An act establishing overtime rates for compensation for employees of the field services of the Navy Department and the Coast Guard, and for other purposes; to the Committee on Naval Affairs.

S. 4224. An act to authorize the discontinuance of professional examinations, for promotion in the Regular Army of officers of the Medical, Dental, and Veterinary Corps during time of war or emergency declared by Congress; to the Committee on Military Affairs.

S. 4246. An act to provide for the appointment of certain persons as commissioned or warrant officers in the Naval Reserve, and for other purposes; to the Committee on Naval Affairs.

S. 4250. An act conferring jurisdiction upon the United States District Court for the western district of North Carolina to hear, determine, and render judgments upon the claims against the United States of I. M. Cook, J. J. Allen, and the Radiator Specialty Co.; to the Committee on Claims.

S. 4275. An act to increase the authorized numbers of warrant officers and enlisted men in the Army mine planter service, and for other purposes; to the Committee on Military Affairs.

S. J. Res. 212. Joint resolution making applicable to certain coal deliveries the prices established by the National Bituminous Coal Commission; to the Committee on Ways and Means.

S. J. Res. 253. Joint resolution providing for the celebration in 1945 of the one hundredth anniversary of the founding of the United States Naval Academy, Annapolis, Md.; to the Committee on the Library.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 428. An act for the relief of Edward Workman;

H. R. 532. An act for the relief of W. J. Hance;

H. R. 554. An act for the relief of Meta De Rene McLoskey;

H. R. 775. An act for the relief of W. M. Hurley and Joe Whitson;

H. R. 1174. An act for the relief of Euel Caldwell;

H. R. 1183. An act for the relief of Ben L. Kessinger and M. Carlisle Minor;

H. R. 1857. An act for the relief of Nell Mullen;

H. R. 1912. An act for the relief of the estate of Alfred Batrack;

H. R. 2036. An act for the relief of Umberto Tedeschi;

H. R. 2214. An act for the relief of M. Grace Murphy, administratrix of the estate of John H. Murphy, deceased;

H. R. 2286. An act for the relief of Wasyl Kulmatycki;

H. R. 2684. An act for the relief of Emma Knutson;

H. R. 4441. An act for the relief of Alex Silberstein, Magdalene Silberstein, Alice Silberstein, Eleanor Goldfarb, Lillian Goldfarb, Jackie Goldfarb, and Florence Karp, minors;

H. R. 4571. An act for the relief of LaVera Hampton;

H. R. 4954. An act for the relief of Rosa Paone;

H. R. 5264. An act for the relief of Maj. Clarence H. Greene, United States Army, retired;

H. R. 5365. An act for the relief of John J. Murphy;

H. R. 5400. An act for the relief of those rendering medical and hospital services to Evyline Vaughn;

H. R. 5417. An act for the relief of Isaac Surmany;

H. R. 5771. An act for the relief of Louis St. Jacques;

H. R. 5776. An act for the relief of Albert DePonti;

H. R. 5863. An act for the relief of the estate of James A. Rivera;

H. R. 6060. An act for the relief of John P. Hart;

H. R. 6108. An act for the relief of Regina Howell;

H. R. 6210. An act for the relief of George R. Stringer;

H. R. 6230. An act for the relief of James Murphy, Sr.;

H. R. 6409. An act to record the lawful admission to the United States for permanent residence of Motiejus Buzas and Bernice Buzas, his wife;

H. R. 6456. An act for the relief of John Toepel, Robert Scott, Widmer Smith, and Louis Knowlton;

H. R. 6457. An act for the relief of the Wallie Motor Co.;

H. R. 6480. An act to amend the Agricultural Adjustment Act of 1933;

H. R. 6605. An act for the relief of Louis A. Charland;
H. R. 6639. An act for the relief of George F. Kermath;
H. R. 6782. An act for the relief of James Robert Harman;
H. R. 6842. An act for the relief of Rufus E. Farmer;
H. R. 6946. An act for the relief of Salvator Taras;
H. R. 7179. An act authorizing the naturalization of Louis D. Friedman;
H. R. 7425. An act for the relief of the parents of Charldean Finch;
H. R. 7515. An act for the relief of Joseph B. Rupinski and Maria Zofia Rupinski;
H. R. 7681. An act for the relief of Emelie Witzenbacher;
H. R. 7747. An act for the relief of Estelle M. Corbett;
H. R. 8124. An act to provide funds for cooperation with public-school districts (organized and unorganized) in Mahnomen, Itasca, Pine, St. Louis, Clearwater, Koochiching, and Becker Counties, Minn., in the construction, improvement, and extension of school facilities to be available to both Indian and white children;
H. R. 8295. An act for the relief of Leo Neumann and his wife, Alice Neumann;
H. R. 8474. An act to further amend the Alaska game law;
H. R. 8743. An act for the relief of Luther Haden;
H. R. 8830. An act to amend the records at the port of New York to show the admission of Steve Zegura, and B. Dragomir Zegura as aliens admitted for permanent residence;
H. R. 8906. An act to record the lawful admission to the United States for permanent residence of Nicholas G. Karas;
H. R. 9024. An act relating to the status of retired officers of the Army, Navy, Marine Corps, and Coast Guard of the United States, and to amend section 113 of the Criminal Code;
H. R. 9123. An act to approve Act No. 65 of the Session Laws of 1939 of the Territory of Hawaii, entitled "An act to amend Act No. 29 of the Session Laws of Hawaii, 1929, granting to J. K. Lota and associates a franchise for electric light, current, and power in Hanalei, Kauai, by including Moloaa within such franchise";
H. R. 9124. An act to approve Act No. 214 of the Session Laws of 1939 of the Territory of Hawaii, entitled "An act to amend Act No. 105 of the Session Laws of Hawaii, 1921, granting franchise for the manufacture, maintenance, distribution, and supply of electric current for light and power within Kapaa and Waipouli, in the district of Kawaihau on the island and county of Kauai, by including within said franchise the entire district of Kawaihau, island of Kauai";
H. R. 9264. An act to provide for uniformity of allowances for the transportation of household goods of civilian officers and employees when transferred from one official station to another for permanent duty;
H. R. 9636. An act authorizing the conveyance to the Commonwealth of Virginia of a portion of the naval reservation known as Naval Proving Ground, Dahlgren, Va.;
H. R. 9688. An act to provide for the advancement on the retired list of any officer of the Navy or Marine Corps retired pursuant to the provisions of section 13 or 15 (e) of the act of June 23, 1938;
H. R. 9898. An act to further amend section 13a of the National Defense Act so as to authorize officers detailed for training and duty as aircraft observers to be so rated, and for other purposes;
H. R. 10036. An act for the relief of John A. Kames;
H. R. 10080. An act to amend section 3493 of the Internal Revenue Code, formerly section 404 of the Sugar Act of 1937;
H. R. 10191. An act for the relief of Anthony Borsellino;
H. R. 10295. An act to amend the act of June 23, 1938 (52 Stat. 944); and
H. R. 10405. An act to provide for adjusting the compensation of persons employed as masters at arms and guards at navy yards and stations, and for other purposes.

ADJOURNMENT

Mr. McCORMICK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock p. m.) the House adjourned until tomorrow, Wednesday, October 2, 1940, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. FULMER: Committee of conference on the disagreeing votes of the two Houses. H. R. 4088. A bill to amend the Commodity Exchange Act (Rept. No. 3004). Referred to the Committee of the Whole House on the state of the Union.

Mr. STEAGALL: Committee on Banking and Currency. S. 1318. A bill relating to the exclusion of certain deposits in determining the assessment base of banks insured by the Federal Deposit Insurance Corporation; with amendment (Rept. No. 3006). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. RANDOLPH: Committee on the District of Columbia. H. R. 8665. A bill to provide for the issuance of a license to practice chiropractic in the District of Columbia to Lou Davis; without amendment (Rept. No. 3003). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 10440. A bill for the relief of the First National Steamship Co., the Second National Steamship Co., and the Third National Steamship Co.; without amendment (Rept. No. 3005). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. MAAS:

H. R. 10592. A bill providing for the advancement on the retired list of certain officers of the line of the United States Navy; to the Committee on Naval Affairs.

By Mr. GEYER of California:

H. R. 10593 (by request). A bill to amend that portion of the act of March 3, 1893, which relates to the employment of detectives in Government service; to the Committee on the Judiciary.

By Mr. McARDLE:

H. Res. 619. Resolution to investigate the rates of the public utilities companies of Washington, D. C.; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. McGRANERY:

H. R. 10594. A bill for the relief of Pawel Deutsch and his wife, Irene; to the Committee on Immigration and Naturalization.

By Mr. KEE:

H. R. 10595. A bill for the relief of Frank Sheppard; to the Committee on Claims.

By Mr. KING:

H. R. 10596. A bill for the relief of Ideal Service Station; to the Committee on Claims.

By Mr. LESINSKI:

H. R. 10597. A bill for the relief of Ettore Cordovado; to the Committee on Immigration and Naturalization.

H. R. 10598. A bill for the relief of Gertrud Selma Feuerring and sons, Rafael and Joseph; to the Committee on Immigration and Naturalization.

H. R. 10599. A bill for the relief of Melton Mai, his wife, Lilli Luise, and daughters, Mary Clothilde Mai and Eleonara Mai; to the Committee on Immigration and Naturalization.

By Mr. LEWIS of Ohio:

H. R. 10600. A bill granting a pension to Mary Jane Martin; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

9338. By Mr. WELCH: Petition of the California Legislature, Assembly Joint Resolution No. 1, urging the control of predatory animals in national parks; to the Committee on Merchant Marine and Fisheries.

SENATE

WEDNESDAY, OCTOBER 2, 1940

(Legislative day of Wednesday, September 18, 1940)

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

The Chaplain, Rev. ZeBarney T. Phillips, D. D., offered the following prayer:

Almighty God, who art from everlasting, from whose presence there is no removal or withdrawing: We bless Thee for this lovely world of sight and sound and for the world of the unseen and eternal. Two worlds are ours; let us not neglect the one as we cultivate the other; as we walk by sight let us also walk by faith, the faith that causeth light to shine in darkness, and maketh e'en the dullest, barest place to glow with mystic beauty. May the challenge to the higher life of the spirit find quick and full response in the heart of everyone assembled here today. Let purest thought be quickened into action; and do Thou make each life more serviceable to Thee, the Nation, and the world. Let every citizen of our own America be solemnly aware of this great truth, that in a universe so vast and ageless the life of one man can be justified only by the measure of his sacrifice.

We ask it in the name of Him who gave Himself an eternal sacrifice for us—Jesus Christ, Thy Son, our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day of Tuesday, October 1, 1940, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had considered and failed to pass the bill (S. 3936) to extend the provisions of the act of May 22, 1934, known as the National Stolen Property Act.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H. R. 8150) providing for the barring of claims against the United States.

The message further announced that the House had severally agreed to the amendments of the Senate to the following bills and joint resolution of the House:

H. R. 6687. An act to authorize the levy of State, Territory, and District of Columbia taxes upon, with respect to, or measured by sales, purchases, or use of tangible personal property or upon sellers, purchasers, or users of such property measured by sales, purchases, or use thereof occurring in United States national parks, military and other reservations or sites over which the United States Government may have jurisdiction;

H. R. 9736. An act to amend section 355 of the Revised Statutes, as amended, to authorize the Attorney General to approve the title to low-value lands and interests in lands acquired by or on behalf of the United States subject to infirmities, and for other purposes;

H. R. 10061. An act to consolidate certain exceptions to section 3709 of the Revised Statutes and to improve the United States Code; and

H. J. Res. 467. Joint resolution to exempt from the tax on admissions amounts paid for admission tickets sold by authority of the committee on inaugural ceremonies on the occasion of the inauguration of the President-elect in January 1941.

CALL OF THE ROLL

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

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Connally	Holt	Schwartz
Andrews	Danaher	Hughes	Schwellenbach
Ashurst	Davis	Johnson, Calif.	Sheppard
Austin	Downey	Johnson, Colo.	Shipstead
Bailey	Ellender	King	Smathers
Bankhead	Frazier	McKellar	Stewart
Barbour	George	McNary	Thomas, Idaho
Barkley	Gerry	Maloney	Thomas, Okla.
Bridges	Gibson	Mead	Thomas, Utah
Brown	Gillette	Murray	Townsend
Bulow	Glass	Norris	Truman
Burke	Green	Nye	Tydings
Byrd	Guffey	O'Mahoney	Vandenberg
Byrnes	Gurney	Overton	Van Nuys
Capper	Hale	Pepper	Wagner
Caraway	Harrison	Pittman	Walsh
Chavez	Hayden	Radcliffe	Wheeler
Clark, Idaho	Herring	Reed	White
Clark, Mo.	Hill	Russell	Wiley

Mr. BARKLEY. I announce that the Senator from Washington [Mr. BONE] and the Senator from Kentucky [Mr. CHANDLER] are absent because of illness.

The Senator from Mississippi [Mr. BILBO], the Senator from Ohio [Mr. DONAHEY], the Senator from New Mexico [Mr. HATCH], the Senator from Oklahoma [Mr. LEE], the Senator from Illinois [Mr. LUCAS], the Senator from Nevada [Mr. MCCARRAN], the Senator from Arkansas [Mr. MILLER], the Senator from Indiana [Mr. MINTON], the Senator from West Virginia [Mr. NEELY], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Illinois [Mr. SLATTERY], and the Senator from South Carolina [Mr. SMITH], are necessarily absent.

Mr. AUSTIN. I announce that the Senator from Oregon [Mr. HOLMAN], the Senator from Massachusetts [Mr. LODGE], the Senator from Ohio [Mr. TAFT], and the Senator from New Hampshire [Mr. TOBEY] are necessarily absent.

The VICE PRESIDENT. Seventy-six Senators have answered to their names. A quorum is present.

SUPPLEMENTAL ESTIMATE, LEGISLATIVE ESTABLISHMENT (S. DOC. NO. 302)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting a supplemental estimate of appropriation for the legislative establishment, Senate, fiscal year 1941, amounting to $15,000, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

MEMORIAL

The VICE PRESIDENT laid before the Senate the following memorial of the Senate of the State of Arizona, which was referred to the Committee on Finance:

A memorial relating to the payment of old-age benefits to persons engaged in or in sympathy with subversive activities

To the Congress of the United States of America:

Your memorialist respectfully represents:

In the Emergency Relief Appropriation Act for the fiscal year 1941, enacted by the third session of the Seventy-sixth Congress, aliens, Communists, members of Nazi bund organizations, and persons advocating the overthrow of the Government of the United States are prohibited from employment on any work project under the Work Projects Administration.

The people of Arizona and, it is believed, the overwhelming majority of the people of the entire Nation, are wholeheartedly in accord with the spirit of that provision.

No similar provision is included in title I of the Social Security Act relating to the payment of old-age assistance. On the other hand, sections 302 and 304 thereof provide that the Social Security Board shall withhold payments to any State which imposes "any citizenship requirement which excludes any citizen of the United States."

Of late the insidious work of the so-called "fifth column" has been unpleasantly brought to the attention of the people of America through the activities of said "fifth column" in other countries and through incidents and exposures in this country. Members of