Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 84th CONGRESS, FIRST SESSION

SENATE

TUESDAY, MARCH 15, 1955

(Legislative day of Thursday, March 10, 1955)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Eternal God, out of our partial and fragmentary conceptions, knowing that we see as but through a glass darkly, we turn to Thee who dwellest in the effulgence of perfect light. We come with the consciousness that to abide in Thee is to find our own completeness and to stand fast forever. We Thy children on this wandering island in the sky, a speck amid the vastness of space, would look up to Thee in faith and hope for this dedicated moment. We come asking that Thou mightest make real to use the universe within, where Thou hast taught us that the kingdom of heaven is to be found. There lie our fortune and destiny; for there truth may walk in shining garments and goodness grow glorious, and all that is excellent and beautiful, august, unselfish, and of high repute may make our inner lives even as the garden of the Lord. So help us this and every day to live more nearly as we pray. We ask it in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. JOHNSON of Texas, and by unanimous consent, the reading of the Journal of the proceedings of Monday, March 14, 1955, was dispensed with.

MESSAGES FROM THE PRESIDENT

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

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. JOHNSON of Texas, and by unanimous consent, the Subcommittee on Constitutional Amendments of the Senate Committee on the Judiciary was authorized to meet until 12 o'clock noon today during the session of the Senate.

Mr. NEELY. Mr. President, I ask unanimous consent that the subcommittee of the Committee on Labor and Public Welfare which is investigating the causes of unemployment in certain industries may hold hearings as frequently as is necessary during the next 3 weeks, while the Senate is in session.

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

ORDER FOR TRANSACTION OF ROUTINE BUSINESS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that immediately following the quorum call there may be the customary morning hour for the transaction of routine business, under the usual 2-minute limitation on speeches.

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

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

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

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. I ask unanimous consent that the order for the quorum call be rescinded.

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

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

REPORT ON EXCHANGE STABILIZATION FUND

A letter from the Acting Secretary of the Treasury, transmitting, pursuant to law, a report on the Exchange Stabilization Fund, for the fiscal year ended June 30, 1954 (with an accompanying report); to the Committee on Banking and Currency.

FEES PAYABLE TO THE PATENT OFFICE

A letter from the Secretary of Commerce, transmitting a draft of proposed legislation to fix the fees payable to the Patent Office, and for other purposes (with accompanying papers); to the Committee on the Judiciary.

OPERATION AND MAINTENANCE OF CERTAIN FLOOD-CONTROL PROJECTS BY LOCAL INTERESTS

A letter from the Secretary of the Army, transmitting a draft of proposed legislation to provide for the operation and maintenance of certain flood-control projects by local interests (with an accompanying paper); to the Committee on Public Works.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the PRESIDENT pro tempore:

Two joint resolutions of the legislature of the State of Nevada; to the Committee on Appropriations:

"Assembly Joint Resolution 9

"Joint resolution memorializing Congress to adopt a program and appropriate funds for a loan fund for the benefit of university students who are engaged in carrying out the universal military training program

"Whereas in pursuance of the universal military training program, it will be necessary to provide financial assistance to needy students who are endeavoring to complete the training necessary to prepare them to become efficient members of a protective military and naval force; and

"Whereas many of our youth who would aspire to complete the requisites of university training which are an integral part of the universal military training program would be unable to realize their aspirations because of financial need: Now, therefore, be it

"*Resolved by the Assembly and Senate of the State of Nevada (jointly)*, That the Congress of the United States be, and it hereby is, memorialized to enact legislation immediately which would provide funds and an adequate administration for a university Federal loan fund which would make available loans in the sum of $2,000 each for those engaged in the universal military training program who have entered a university and who are in need of financial aid. The loan should be made at the interest rate of 2 percent, payable in 20 equal annual installments, payment being made in the borrower's regular, annual Federal income tax return; and be it further

"*Resolved*, That duly certified copies of this resolution be transmitted by the secretary of state of the State of Nevada to the President of the Senate of the United States of America; the Speaker of the House of Representatives of the United States of America; each of the United States Senators from the State of Nevada; and the Member of Congress from the State of Nevada."

"Assembly Joint Resolution 19

"Joint resolution memorializing Congress to appropriate funds for the completion of advance planning of and for the construction of the Pine and the Mathews flood control dams in Lincoln County, Nev.

"Whereas the grave necessity having been recognized, there has been in the planning stage since 1940 the construction by the Federal Government of two flood control dams in Lincoln County, Nev; and

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"Whereas the construction of these two dams, one to be constructed in Pine Canyon in Lincoln County, Nev., and the other to be constructed in Mathews Canyon in Lincoln County, Nev., can no longer be delayed without seriously endangering life and property in the areas surrounding the proposed dam sites; and

"Whereas the construction of these two dams was authorized by the Flood Control Act of 1950 and advanced planning commenced, but the planning and construction was delayed and postponed by the Korean war; and

"Whereas your resolutionists affirm that at the time of this joint resolution there is imminent danger of flood damage from waters gathered in the Pine and Mathews watersheds; and

"Whereas the legislature of the State of Nevada has been urged by many citizens and civic groups in the area concerned to memorialize the Congress of the United States to take affirmative action toward the completion of these two flood control projects: Now, therefore, be it

"*Resolved by the Assembly and Senate of the State of Nevada (jointly)*, That the Congress of the United States be, and it hereby is, memorialized by the legislature of the State of Nevada to appropriate funds and take other proper action necessary for completion of advance planning and for the construction of flood control dams in Pine Canyon and Mathews Canyon, Lincoln County, Nev.; and be it further

"*Resolved*, That a duly certified copy of this resolution be transmitted by the secretary of state of the State of Nevada to the Speaker of the House of Representatives, the President pro tempore of the Senate, and to the United States Senators and Congressman from the State of Nevada."

A joint resolution of the Legislature of the State of Nevada; to the Committee on Finance:

"Assembly Joint Resolution 31

"Joint resolution memorializing the Congress of the United States to allow the 1934 Trade Agreements Act to expire on June 12, 1955, so that the regulation of foreign trade and the laying of tariffs and import fees will immediately vest in Congress as the Constitution requires and thereby stop the lowering of the American standard of living by the importation of foreign-made goods

"Whereas the Legislature of the State of Nevada is aware of the fact that the selective so-called free-trade policy, adopted by the State Department of the United States under the provisions of the Trade Agreements Act of 1934, is lowering the American living standard through the lowering of wages and is causing unemployment and a subsequent decline of the demand for minerals, agricultural products and other commodities produced in the State of Nevada; and

"Whereas the indiscriminate lowering of import fees and tariffs, without regard to the differential between the costs of production due largely to the difference in living standards of this Nation and foreign competitive nations, has a demoralizing effect on the mining and agricultural markets of this country and thereby causes unemployment and loss of labor; and

"Whereas the State of Nevada is in a particularly vulnerable position in attempting to compete with foreign sweatshop labor because the products produced in Nevada, such as livestock, wool, tungsten, lead, zinc, copper, magnesite, chemicals, manganese, mercury, silicon and many others, are readily importable at a lower cost from sources outside of this country under the so-called reciprocal trade act, all to the great detriment and economic hardship of this State; and

"Whereas many mining companies in the State of Nevada are practically shut down and almost all of the zinc miners are out of work and the cattle industry is being endangered because our ranchers cannot compete with the importation of hides, beef, or live cattle from Argentina or Mexico; and

"Whereas the haphazard lowering of the floor under wages and investments represented by the tariffs and import fees destroys American workingmen and shifts their jobs to foreign soil; and, as a result, many of our mines, mills, and factories have been closed and our farm production saved only by subsidies; and

"Whereas those industries which depend upon the power of Hoover Dam and Davis Dam are in danger because similar products are being imported at a price less than production costs in this State; and

"Whereas the Nevada wool industry has found it impossible to compete with the importation of wool from Australia, New Zealand and elsewhere; and, for the first time, the wool industry of Nevada is only being saved from destruction by the use of subsidies; and

"Whereas it is essential to the protection of the American standard of living that world trade should only be on the basis of fair and reasonable competition and based on the principle that foreign products produced by underpaid labor should not be admitted to this country on terms which endanger the living standard of our workers, farmers, and miners; and

"Whereas article I, section 8 of the Constitution of the United States requires that Congress should lay duties, imposts, and excises and regulate foreign commerce, but the Congress of the United States has abrogated its constitutional duties by virtue of the Trade Agreements Act of 1934 by transferring the duty of fixing tariffs to the executive department of the Government which has, in turn, carried out policies inconsistent with the welfare of American agriculture, industry, and commerce; and

"Whereas the free-trade policies fostered by the State Department under the 1934 Trade Agreements Act have resulted in our dependence upon foreign nations across one or both major oceans for many of the materials and minerals which we would need to fight a war and to prepare our own defense and thus stifled the initiative to explore, develop and produce such needed materials in our own country; and after having become dependent on foreign sources for critical materials the foreign countries have been able to cause us great embarrassment by manipulation of export permits and fees so that we must bow to their demands and submit to international blackmail; and

"Whereas the United States has in the last several decades only been able to prosper because of war or the threat of war and under this cover of war the industrially inexperienced State Department has been wrecking the national economy by the simple expedient of tampering with tariff or import fees so as to open the door to foreign commodities, which in turn prevents the flow of venture capital into the business stream of the Nation even in time of emergency since investors know that when the emergency is over their investment will be destroyed through foreign sweatshop labor competition; and

"Whereas it is mandatory to the future economical growth and development of this country, and Nevada in particular, that the 1934 Trade Agreements Act be allowed to expire on June 12, 1955, so that Congress can immediately recover its constitutional responsibility to regulate foreign trade through the adjustment of tariffs and import fees, and with such an expiration of the act the so-called trade agreements already made and in effect will in no way be affected but will continue in effect for their full terms: Now, therefore, be it

"*Resolved by the Assembly and Senate of the State of Nevada (jointly)*, That the Legislature of the State of Nevada most respectfully memorializes the Congress of the United States to stop the dreadful deterrent to American economic well-being and the lowering of our standard of living and that it return to its traditional and constitutional method of fixing tariffs based on the principle of protecting American industry, agriculture and commerce by allowing the 1934 Trade Agreements Act to expire by its own force and limitation on June 12, 1955; and be it further

"*Resolved*, That until the expiration of the agreement, the Department of State should exercise its powers in fixing tariffs only in accordance with the traditional principles of American policy as set forth in this resolution until such time as the responsibility for regulating foreign commerce be vested where it belongs, in the Congress of the United States; and be it further

"*Resolved*, That the Congress of the United States after June 12, 1955, should set up a flexible import fee which would be based upon fair and reasonable competition administered by a reorganized and experienced tariff commission functioning much in the same manner as the long-established Interstate Commerce Commission so that the market for foreign goods in this country would be based on a fair and reasonable competition with our own agricultural, industrial and mining production; and be it further

"*Resolved*, That copies of this resolution, duly certified by the secretary of state of the State of Nevada, be promptly transmitted by him to the President and Vice President of the United States, the Speaker of the House of Representatives, the President pro tempore of the Senate, and the Secretary of State and the Secretary of Commerce, and to the United States Senators and Congressman from Nevada."

Two joint resolutions of the Legislature of the State of Nevada; to the Committee on Interior and Insular Affairs:

"Senate Joint Resolution 6

"Joint resolution memorializing the Congress of the United States to enact legislation to encourage local and State development of small irrigation and reclamation projects

"Whereas during the sessions of the 83d Congress of the United States, proposed legislation was introduced to authorize the Secretary of the Interior to participate with water users' organizations or other public bodies organized under State law, in the construction of water resource development projects for irrigation and reclamation; and

"Whereas such proposed legislation contained provisions that project plans should be submitted to the Secretary of the Interior by such organizations, showing allocated costs of various units of the project, and if approved by the Secretary of the Interior and the governor of the State, or his agent, the Secretary of the Interior, subject to certain provisions specified in the bills, could contribute funds equal to the allocation for nonreimbursable functions under reclamation law; and

"Whereas by such proposed legislation, the Secretary of the Interior was to be authorized to make loans with a maximum repayment term of 40 years to such local groups for work on reclamation projects; and

"Whereas the 83d Congress of the United States failed to enact into law any bill of this type giving relief and assistance to small irrigation and reclamation projects to accomplish the reclamation of arid and semi-arid lands: Now, therefore, be it

"*Resolved by the Senate and Assembly of the State of Nevada, jointly*, That the Congress of the United States, now assembled in Washington, D. C., enact into law pro-

visions to supplement the Federal reclamation laws, as recommended by the National Reclamation Association, and incorporated in the small-projects bills, which apply in the 17 Western States, and particularly in the State of Nevada, to accomplish the reclamation of arid and semiarid lands, permitting States and their agencies, including interstate bodies, to undertake the construction, operation, and maintenance of projects to supply water for irrigation and municipal purposes, to drain lands in connection with irrigation, and to generate or furnish pumping power, all in cooperation with the Secretary of Interior in connection with the financing of such project works when national benefits from functions considered nonreimbursable under reclamation law will result therefrom; and be it further

"Resolved, That duly certified copies of this resolution be transmitted by the secretary of state of the State of Nevada to the Speaker of the House of Representatives, the President pro tempore of the Senate, the Secretary of the Interior, and to our United States Senators and the Congressman from the State of Nevada."

"Assembly Joint Resolution 18

"Joint resolution memorializing Congress and the Department of the Interior to give attention to the development of Lehman Caves National Monument and to take such action as is deemed necessary to bring this national monument to the standard of other national monuments

"Whereas Lehman Caves, in the eastern part of the State of Nevada, are widely recognized in speleological and other scientific circles as one of the most interesting and exceptional limestone caverns in the entire world, having unequaled flowstone decorations of exceeding profusion and variety, and limestone formations of unique and exquisite design; and

"Whereas this magnificent natural wonder was purchased with public funds of the county of White Pine, State of Nevada, and presented to the Federal Government in the trust and understanding that under its patronage the caves would be protected, developed, and administered as a national monument, accessible to the people of our Nation for their education and enjoyment; and

"Whereas Lehman Caves National Monument is the only national monument in the State of Nevada; and

"Whereas the number of visitors to Lehman Caves National Monument, coming from every State and from throughout the world, has increased beyond the ability of present personnel and facilities to accommodate them in a manner conducive to a maximum enjoyment of the monument's attractions: Now, therefore, be it

"Resolved by the Assembly and Senate of the State of Nevada, jointly, That the Congress of the United States and the Department of the Interior be, and are, memorialized by this legislature to expedite, in such a manner as they may deem proper, the development of the Lehman Caves National Monument by the appropriation of funds, the assignment of additional personnel, and a general expansion of the facilities of the monument, so that the rapidly increasing numbers of visitors may be accommodated in an adequate way and in accordance with the standards expected in a unit of the national park system of the United States; and be it further

"Resolved, That a duly certified copy of this resolution be transmitted by the secretary of state of the State of Nevada to the Speaker of the House of Representatives, the President pro tempore of the Senate, the Secretary of the Interior, and to the United States Senators and Congressman from the State of Nevada."

A resolution of the Legislature of the State of Nebraska; to the Committee on Appropriations:

"Legislative Resolution 13

"Whereas the economy of the State of Nebraska is dependent primarily on the production of food and fiber products from its lands; and

"Whereas Nebraska is blessed with the priceless asset of an abundant underground water supply in much of its area; and

"Whereas the productivity of much of Nebraska has already been materially increased by means of pump irrigation and rural electrification; and

"Whereas the United States Bureau of Reclamation has recently initiated a special rate for electric power used for irrigation pumping, by which large quantities of surplus power available during the summer months from the Missouri River Basin project can be put to beneficial use for irrigation and reclamation purposes; and

"Whereas there is 30,000 kilowatts of firm power allocated to Nebraska for 1956, and additional blocks of firm power will also become available in subsequent years, as the other power developments on the Missouri River are completed; and

"Whereas there is and will be a need of such additional amounts of firm electric power in Nebraska in 1956 and subsequent years for defense purposes and for rapidly increasing electrical requirements for farms and ranches, agricultural processing, and homes; and

"Whereas to effect delivery of such low-cost power from the hydroelectric plants on the Missouri River to areas of Nebraska where it can be most effectively used requires the construction of a 230,000-volt transmission line capable of carrying some 150,000 kilowatts of power from the Fort Randall hydroelectric power plant to the vicinity of Grand Island, Nebr.; and

"Whereas the United States Bureau of Reclamation has built many similar transmission lines in other States in the Missouri Basin; and

"Whereas the members of the Nebraska Legislature being interested in all programs which further expand the economy of the State, are vitally interested in the development of additional pump irrigation as well as its agricultural production and processing throughout the State: Now, therefore, be it

"Resolved by the members of the Nebraska Legislature in 67th session assembled:

"1. That the 84th Congress of the United States be memorialized to provide appropriations for the construction of the 230,000-volt transmission line from Fort Randall to Grand Island in such amounts as may be necessary to complete construction of such line in 1956.

"2. That copies of this resolution suitably engrossed, be transmitted by the clerk of the legislature to the Vice President of the United States as presiding officer of the Senate of the United States, to the Speaker of the House of Representatives of the United States, and to each Member from Nebraska in the Congress of the United States."

A joint resolution of the Legislature of the State of South Dakota; to the Committee on the Judiciary.

"Senate Joint Resolution 5

"An application to the Congress of the United States pursuant to article V of the Constitution of the United States for a convention for proposing an amendment to the Constitution of the United States

"Resolved by the Senate of the State of South Dakota (the House of Representatives concurring), That the Legislature of the State of South Dakota, pursuant to article V of the Constitution of the United States, hereby makes application to the Congress of the United States to call a convention for proposing the following article as an amendment to the Constitution of the United States in lieu of article V:

" 'ARTICLE —

" 'SECTION 1. The Congress, whenever two-thirds of both Houses shall deem it necessary, shall propose amendments to this Constitution, or on the application of the legislatures of two-thirds of the several States shall call a convention for proposing amendments; or the legislature of any State, whenever two-thirds of each house shall deem it necessary, may propose amendments to this Constitution by transmitting to the Secretary of State of the United States and to the secretary of state of each of the several States a certified copy of the resolution proposing the amendment, which shall be deemed submitted to the several States for ratification when certified copies of resolutions of the legislatures of any 12 of the several States by two-thirds of each house shall have been so transmitted concurring in the proposal of such amendment; which, in any case, shall be valid to all intents and purposes as part of this Constitution when ratified by the legislatures of three-fourths of the several States: *Provided,* That no State, without its consent, shall be deprived of its equal suffrage in the Senate.

" 'SEC. 2. The act of proposal, concurrence in a proposal, or ratification of an amendment, shall not be revocable.

" 'SEC. 3. A proposal of an amendment by a State shall be inoperative unless it shall have been so concurred in within 7 years from the date of the proposal. A proposed amendment shall be inoperative unless it shall have been so ratified within 15 years from the date of its submission, or shorter period as may be prescribed in the resolution proposing the amendment.

" 'SEC. 4. Controversies respecting the validity of an amendment shall be justiciable and shall be determined by the exercise of the judicial power of the United States';

"Resolved further, That such amendment shall be valid to all intents and purposes as part of the Constitution of the United States when ratified by the legislatures of three-fourths of the several States;

"Resolved further, That as the power of the sovereign States to propose amendments to the Constitution of the United States by convention under article V has never been exercised and no precedent exists for the calling or holding of such convention, the State of South Dakota hereby declares the following basic principles with respect thereto: That the power of the sovereign States to amend the Constitution of the United States under article V is absolute; that the power of the sovereign States to propose amendments to the Constitution by convention under article V is absolute; that the power of the sovereign States extends over such convention and the scope and control thereof and that it is within their sovereign power to prescribe whether such convention shall be general or shall be limited to the proposal of a specified amendment or of amendments in a specified field; that the exercise by the sovereign States of their power to require the calling of such convention contemplates that the applications of the several States for such convention shall prescribe the scope thereof and the essential provisions for holding the same; that the scope of such convention and the provisions for holding the same are established in and by the applications therefor by the legislatures of the two-thirds majority of the several States required by article V to call the same, and that it is the duty of the Congress to call such convention in conformity therewith; that such convention is without power to transcend, and the delegates to such convention are without power to act except within, the limitations and provisions so prescribed;

"*Resolved further*, That such convention shall be called and held in conformity with the following limitations and provisions, and that the Congress, in the call for such convention, hereby is requested to and shall prescribe:

"(1) That such convention shall be held in the city of Philadelphia, in the State of Pennsylvania, on the first Monday of the first December following transmission to the Senate and the House of Representatives of the Congress of the United States of applications for such convention by the legislatures of two-thirds of the several States and, in honor of the Nation's founders and for invocation, shall convene at Constitution Hall, at Independence Square, at the hour of 10 o'clock in the morning of such day, and thereupon adjourn to more commodious quarters within said city for session as the convention shall determine;

"(2) That the several States shall have equal suffrage at such convention; that each of the several States shall be entitled to 3 delegates thereat and that each of such delegates shall be entitled to 1 vote; that the delegates to such convention from the several States shall be the highest officer of the senate and the highest officer of the house of representatives of their respective legislatures at the time of such convention, except that in States where the lieutenant governor is president of the senate, the president of the senate pro tem or other highest officer from the membership of the senate shall be such delegate from the senate and in States having a unicameral legislature the 2 highest officers of its legislature shall be such delegates, which 2 delegates in each of the several States shall jointly designate a citizen of such State at large who shall be the third delegate from such State to such convention; that in case of a vacancy in the office of any delegate during such convention, not otherwise filled pursuant to law or by legislative act or as herein provided, such vacancy shall be filled by the governor of such State from the senate or house of its legislature or the State at large, respectively, as the case may be; that during such vacancy and during the absence of a delegate from the floor of the convention the delegates present from such State shall be empowered to exercise the vote of the absent delegate or delegates from such State; that the legislature of any State may choose its delegates to such convention, other than hereinabove designated, in which case the delegates so chosen shall be certified to the convention by the secretary of state of such State and shall constitute the delegates of such State at such convention in lieu of the delegates otherwise hereinabove designated.

"(3) That such convention shall be limited and restricted specifically to the consideration and proposal of such amendment to article V, the choosing of officers and adoption of rules of procedure for the conduct of such convention and the maintenance of order thereat, the determination of any issue respecting the seating of delegates, adjournment from day to day and to a day certain and from place to place within said city as may be convenient, and adjournment sine die; and such convention shall not be held for any other purpose nor have any other power, and the delegates thereto shall have no power other than within the limitations herein prescribed;

"(4) That a permanent record shall be made of the proceedings of such convention, which shall be certified by the secretary of the convention, the original of which shall be placed in the Library of Congress and printed copies of which shall be transmitted to the Senate and the House of Representatives of the Congress to the Secretary of State of the United States, and to each house of the legislature and to the secretary of state of each of the several States;

"(5) That the powers of such convention shall be exercisable by the States, represented at such convention by duly constituted delegates threat, by majority vote of the States present and voting on such proposal, and not otherwise;

"*Resolved further*, That this application shall constitute a continuing application for such convention under article V of the Constitution of the United States until the legislatures of two-thirds of the several States shall have made like applications and such convention shall have been called and held in conformity therewith, unless the Congress itself propose such amendment within the time and the manner herein provided;

"*Resolved further*, That proposal of such amendment by the Congress and its submission for ratification to the legislatures of the several States in the form of the article hereinabove specifically set forth, at any time prior to 60 days after the legislatures of two-thirds of the several States shall have made application for such convention, shall render such convention unnecessary and the same shall not be held; otherwise such convention shall be called and held in conformity with such applications;

"*Resolved further*, That as this application under article V of the Constitution of the United States is the exercise of a fundamental power of the sovereign States under the Constitution of the United States, it is requested that receipt of this application by the Senate and the House of Representatives of the Congress of the United States be officially noted and duly entered upon their respective records, and that the full context of this resolution be published in the official publication of both the Senate and the House of Representatives of the Congress; and

"*Resolved further*, That certified copies of this resolution be transmitted forthwith to the Senate and the House of Representatives of the Congress of the United States, to each Senator and Representative in the Congress from this State, and to the Secretary of State of the United States, and to each house of the legislature and to the secretary of state of each of the several States, attesting the adoption of this resolution by the legislature of this State.

"Adopted by the Legislature of the State of South Dakota on February 15, 1955.

"L. R. HOUCK,
"*President of the Senate.*

"Attest:

"NIELS P. JENSEN,
"*Secretary of the Senate.*

"NILS A. BOE,
"*Speaker of the House.*

"Attest:

"W. J. MATSON,
"*Chief Clerk.*"

A joint resolution of the Legislature of the State of Utah; to the Committee on Interstate and Foreign Commerce:

"Senate Joint Resolution 15

"Joint resolution memorializing Congress to establish and enact a uniform time system for the entire United States of America

"*Be it resolved by the Thirty-first Legislature of the State of Utah:*

"Whereas various cities and States of these United States of America have adopted various time systems such as 'Daylight Saving Time,' beginning and ending at various dates during the year or continuing throughout the year; and

"Whereas the various systems have become so numerous and different that serious hardships and inequities have resulted to the citizens, various businesses, and industries, both local and interstate; and

"Whereas the confusion is increasing as smaller and smaller units adopt individual time systems; and

"Whereas the resulting confusion is now destroying many businesses, curtailing the development of other business, causing unnecessary expense to all interstate businesses, and affecting the health of certain citizens: Now, therefore, be it

"*Resolved*, That the Legislature of the State of Utah urge the Congress of the United States of America to enact and establish a uniform time system for these United Sates of America; and be it further

"*Resolved*, That certified copies hereof be transmitted by the secretary of state to the President and Vice President of the United States of America, the Speaker of the House of Representatives of said Congress, and the four Members of the congressional delegation from Utah."

A resolution of the House of Representatives of the Legislature of the State of Utah; ordered to lie on the table:

"Whereas there is a bill pending in the United States Senate granting a $20 income tax exemption per person, which bill was passed by the House of Representatives; and

"Whereas tax benefits of $7 billion in 1954 were granted to large corporations which did not benefit the wage earner and people in low incomes; and

"Whereas we feel that the present bill is meritorious and should be passed: Now, therefore, be it

"*Resolved*, That the following members of the Utah House of Representatives go on record as favoring the bill, and urge that the Senate pass said bill now pending and that a copy of this resolution be sent to the President of the Senate and the Speaker of the House, the President of the United States, and to the congressional delegation of the State of Utah in Washington, D. C.

"Charles W. Rommey, Wendell Grover, M. Blaine Peterson, Leland Ivers, Albert Barnes, Carl H. Taylor, Lloyd C. Murdock, Chas. W. Spence, Walker L. Russell, Maurice Jensen, Elizabeth Vance, Ed J. McPolin, W. G. Larson, Albert J. Cope, Allen L. Hodgson, Robert J. Henderson, Arlo Messinger, Edna J. Cagin, Edmond Barson, John W. Kemburg, Clarence Palmer, George H. Seaver, T. C. Hebertson, H. Cochran, R. C. Howe."

A joint resolution of the Legislature of the Territory of Alaska; to the Committee on Appropriations:

"House Joint Memorial 14

"*To the Honorable Douglas McKay, Secretary of the Interior; the Honorable E. L. Bartlett, Delegate to Congress from Alaska; and to the Congress of the United States:*

"Your memorialist, the Legislature of the Territory of Alaska in 22d regular session assembled, respectfully submits that:

"Whereas there is a need to rehabilitate the reindeer industry of Alaska on a sound long-term basis; and

"Whereas it is desirable to provide a basic economy and employment for the native people of remote areas of Alaska; and

"Whereas it is essential to implement the food resources of the native people during reoccurring yearly periods of seasonal nonactivities; and

"Whereas there is now evidence of herd increases as the result of the program of the Alaska Native Service, Bureau of Indian Affairs.

"Now, therefore, your memorialist the Legislature of the Territory of Alaska respectfully requests that additional funds be made available by the Department of the Interior to assist the present native owners of reindeer herds and to aid additional interested

Eskimos in acquiring and establishing herds for the expansion of this particular industry.

"And your memorialist will ever pray.

"Passed by the house February 21, 1955.

"WENDELL P. KAY,
"Speaker of the House.

"Attest:

"JOHN T. MCLAUGHLIN,
"Chief Clerk of the House.

"Passed by the senate March 3, 1955.

"JAMES NOLAN,
"President of the Senate.

"Attest:

"KATHERINE T. ALEXANDER,
"Secretary of the Senate."

A joint resolution of the Legislature of the Territory of Alaska; to the Committee on Interior and Insular Affairs:

"Senate Joint Memorial 7

"To the President of the United States; the President of the Senate and the Speaker of the House of Representatives of the Congress of the United States; the Secretary of the Interior; the Secretary of Defense; the Secretary of Commerce; the Secretary of the Army; the Secretary of the Navy; all Members of the Senate and the House Armed Services Committees and E. L. Bartlett, the Territorial Delegate in Congress:

"Your memorialist, the senate and house of representatives of the Legislature of the Territory of Alaska, in 22d session assembled, respectfully submits that;

"Whereas the strategic location of the Territory of Alaska dictates the wisdom of its continued and accelerated defense and development as the rampart of national security; and

"Whereas such defense and development can, with adequate concern and appropriations by the Federal and Territorial Governments, be accomplished most effectively by existing forces of all categories of competive private enterprise and skilled labor now available in the Territory of Alaska; and

"Whereas many agencies and instrumentalities of Federal Government have been, and continue to be, in active competition with private enterprise and labor in the Territory of Alaska to the constant detriment of the free economic system without which this territory cannot hope to survive and progress.

"Now, therefore, your memorialist respectfully urges that the President of the United States, and the Congress of the United States, appropriately declare through proper departments and instrumentalities of the Federal Government in the Territory of Alaska that it is the dedicated purpose and policy of the Federal Government to nurture, sustain, and encourage private enterprise and labor in joint efforts in the defense and development of the Territory of Alaska and furthermore it shall immediately be incumbent upon all Federal agencies concerned to profess, advocate, and promulgate the philosophy of a free, competitive economy through private enterprise and labor.

"And your memorialist will ever pray.

"Passed by the senate February 15, 1955.

"JAMES NOLAN,
"President of the Senate.

"Attest:

"KATHARINE T. ALEXANDER,
"Secretary of the Senate.

"Passed by the house March 1, 1955.

"WENDELL P. KAY,
"Speaker of the House.

"Attest:

"JOHN T. MCLAUGHLIN,
"Chief Clerk of the House."

A resolution adopted by the Riverside (Calif.) Real Estate Board, favoring the enactment of legislation to provide sufficient funds for the San Bernardino Federal Housing Administration service office; to the Committee on Appropriations.

A resolution adopted by the American Lithuanian Council, Los Angeles, Calif., chapter, relating to the liberation of Lithuania; to the Committee on Foreign Relations.

A resolution adopted by the North Hollywood (Calif.) Chamber of Commerce, Inc., relating to the Government regulation of the price of natural gas; to the Committee on Interstate and Foreign Commerce.

The petition of W. F. Powers, and sundry other citizens of the State of New York, favoring the enactment of Senate Joint Resolution 1, relating to the treatymaking power; to the Committee on the Judiciary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. KILGORE, from the Committee on the Judiciary, without amendment:

S. 39. A bill for the relief of Santislavas Racinskas (Stacys Racinskas) (Rept. No. 63);

S. 128. A bill for the relief of Francis Bertram Brennan (Rept. No. 64);

S. 129. A bill for the relief of Miroslav Slovak (Rept. No. 65);

S. 131. A bill for the relief of Bohumil Suran (Rept. No. 66);

S. 143. A bill for the relief of Kurt Glaser (Rept. No. 67);

S. 167. A bill for the relief of Ernesto DeLeon (Rept. No. 68);

S. 195. A bill for the relief of Giuseppe Minardi (Rept. No. 69);

S. 243. A bill for the relief of Szjena Peison and David Peison (Rept. No. 70);

S. 271. A bill for the relief of June Rose McHenry (Rept. No. 71);

S. 323. A bill for the relief of Luigi Orlando (Rept. No. 72);

S. 348. A bill for the relief of Charalampos Socrates Iossifoglu, Nora Iossifoglu, Helen Iossifoglu, and Efrossini Iossifoglu (Rept. No. 73);

S. 349. A bill for the relief of Aron Klein and Zita Klein (nee Spielman) (Rept. No. 74);

S. 350. A bill for the relief of Siegfried Rosenzweig (Rept. No. 75);

S. 351. A bill for the relief of Ellen Henriette Buch (Rept. No. 76);

S. 352. A bill for the relief of Isaac Glickman, Reghina Glickman, Alfred Cismaru, and Anna Cismaru (Rept. No. 77);

S. 375. A bill for the relief of Alexy W. Katyll and Ioanna Katyll (Rept. No. 78);

S. 378. A bill for the relief of Giuseppina Latina Mozzicato and Giovanni Mozzicato (John Mozzicato) (Rept. No. 79);

S. 386. A bill for the relief of Sandra Lea MacMullin (Rept. No. 80);

S. 394. A bill for the relief of Ali Hassan Waffa (Rept. No. 81);

S. 409. A bill for the relief of Inge Krarup (Rept. No. 32);

S. 412. A bill for the relief of Jan Hajdukiewicz (Rept. No. 83);

S. 416. A bill for the relief of Anastasia Alexiadou (Rept. No. 84);

S. 429. A bill for the relief of Franciszek Janicki and his wife, Stefania Janicki (Rept. No. 85);

S. 432. A bill for the relief of Aniceto Sparagna (Rept. No. 86);

S. 465. A bill for the relief of Ernest Ludwig Bamford and Mrs. Nadine Bamford (Rept. No. 87);

S. 466. A bill for the relief of Capt. George Gafos, Eugenia Gafos, and Adamantios George Gafos (Rept. No. 88);

S. 471. A bill for the relief of Aina Brizga (Rept. No. 89);

S. 474. A bill for the relief of Maria Elena Venegas and Sarah Lucia Venegas (Rept. No. 90);

S. 481. A bill for the relief of Gerard Lucien Dandurand (Rept. No. 91);

S. 585. A bill for the relief of Dr. Chang Ho Cho (Rept. No. 92);

S. 632. A bill for the relief of Jan R. Cwiklinski (Rept. No. 93);

S. 640. A bill for the relief of Roger Ouellette (Rept. No. 94);

S. 734. A bill to amend title 18, United States Code, section 871, to provide penalties for threats against the President-elect and the Vice President (Rept. No. 95);

S. 735. A bill for the relief of Sarah Kabacznik (Rept. No. 96);

S. 891. A bill for the relief of Chokichi Iraha (Rept. No. 97); and

S. 1021. A bill for the relief of Leo A. Ribitzki, Mrs. Charlotte Ribitzki, and Marion A. Ribitzki (Rept. No. 98).

By Mr. KILGORE, from the Committee on the Judiciary, with an amendment:

S. 163. A bill for the relief of Philopimin Michalacopoulos (Mihalakopoulos) (Rept. No. 99);

S. 244. A bill for the relief of Anna C. Giese (Rept. No. 100);

S. 245. A bill for the relief of Ahmet Haldun Koca Taskin (Rept. No. 101);

S. 246. A bill for the relief of Marina Bernardis Zivolich and Mirko Zivolich (Rept. No. 102); and

S. 503. A bill for the relief of Cirino Lanzafame (Rept. No. 103).

By Mr. KILGORE, from the Committee on the Judiciary, with amendments:

S. 309. A bill for the relief of Rosette Sorge Savorgnan (Rept. No. 104).

By Mr. HAYDEN, from the Committee on Appropriations, without amendment:

H. J. Res. 252. Joint resolution making an additional appropriation for the Department of Justice for the fiscal year 1955, and for other purposes (Rept. No. 106).

SUSPENSION OF DEPORTATION OF CERTAIN ALIENS—REPORT OF A COMMITTEE

Mr. KILGORE. Mr. President, from the Committee on the Judiciary, I report an original concurrent resolution, favoring the suspension of deportation of certain aliens, and I submit a report (No. 105) thereon.

The PRESIDENT pro tempore. The report will be received, and the concurrent resolution will be placed on the calendar.

The concurrent resolution (S. Con. Res. 17) was placed on the calendar, as follows:

Resolved by the Senate (the House of Representatives concurring), That the Congress favors the suspension of deportation in the case of each alien hereinafter named, in which case the Attorney General has suspended deportation for more than 6 months:

T-2672008, Alcala-Jimenez, David.
A-8258497, Bernhus, Christopher Olsen.
A-8258490, Bernhus, Ellen Olea.
A-8258491, Bernhus, Anne Mathilde.
A-8258492, Bernhus, Nils Christian.
A-8031685, Brown, Frank Naaman.
0300-201464, Cernilogar, Mario or Mario Merkle.
A-3442862, Dapello, Giuseppe or Joseph.
A-9746898, De Roche, Lawrence Henry.
0300-405108, Eronen, Tynne Katariina or Tynne Katerina Koski (nee Talvite).
A-7712697, Forbes, Reginald.
A-8078862, Juarez-Chavez, Evaristo Jose.
A-6435718, Koslevsky, David or David Coster.
0300-351695, Lemos, Christos Panelis.
A-5801906, Molnar, Louis.
A-6153079, Mukoyama, Chiyoka K.
A-6153075, Mukoyama, Luis Reiichiro.
A-6153076, Mukoyama, Jorge Shojiro.
A-6153077, Mukoyama, Teresa Misuzu.

A-6153078, Mukoyama, Federico Takumi.
T-2760652, Naka, Hajime.
A-6154907, Noguni, Kamata.
A-6154905, Noguni, Nobuko.
A-6154904, Noguni, Hiroshi.
A-6154903, Noguni, Sadao.
A-6154906, Noguni, Yoshiko (Victoria).
A-7115197, Perides, Emanuel E.
A-3817461, Persoelis, Costas.
A-5401551, Popetz, Traian or Thomas Popetz.
0900-55372, Quilici, Cesare Ermanno.
T-1496855, Rodriguez-Unciano, Alicia.
A-5333372, Rulffs, Albert Richardt Cornelus.
A-5284140, Shimotsu, Teru.
A-2658933, Tomaszek, Hugo Nicolas.
A-6777797, Tsu, Wan-P'ei Chang or Wan-Pei Pauline Chang or Un Pui Cheung.
A-7130708, Urias, Josefa Carrasco Vda De.
A-5609541, Valadez, Pedro.
A-3781283, Yamauchi, Kiyoko or Kiyoko Takemori.
0402/13555, Benedikty, John.
A-3485407, Chang, Pearl Chin-Ju.
A-6045012, Chauvet, Norma or Marie Raymonde Norma Chauvet.
A-4957901, Choy, Ming Chow or Wing Chow or George Choy.
A-5950851, Connelly, Richard or Connolly or Connely.
A-6849528, Douglas, Frederick Charles or Frederick Douglas.
A-4037689, Fernades, Caetano or Cyril Fernandez.
A-9550591, Fraga-Rey, Juan.
A-5656987, Grisiuk, John or Jan Grisiuk or Ignat Sliva or Jenat Silva.
A-7439189, Laca, Fernando Ignacio.
E-093560, Metti, Philip Jacob.
A-5919881, Piiparinen, Mauri.
A-5570728, Rai, Lal Singh.
A-3247861, Retter, Friederich.
E-078907, Rodriguez, Leopoldo Cantu.
E-086948, Salgado, Mario.
A-6922766, Stagner, Rose Louise Pearson.
A-9727441, Tin, Chin or Lee San or Lee San.
0900-64111, Velasquez-Estrada, Celestino.
E-061647, Wilman, Rosa Salazar de.
1409-10532, Aguirre-Gomez, Pedro.
1409-10531, Aguirre, Catarina Ramirez De.
V-172461, Andreoli, Carlo.
A-1613805, Bieh, William or Wilhelm Herman.
A-1010587, Brown, John or Charles Brown.
A-6165969, Carter, Martha Antonia (nee Tablas Landa).
T-2760659, Cervantes-Diaz, Jose Luis.
A-8031923, Chiara, Gian Paolo.
A-7601311, Das, Abinash Chandra.
A-9511929, Fredriksen, Erik Emanuel.
A-6531519, Carcia-Orozco, Daniel.
A-6944242, Grossman, Chaskiel.
V-556765, Grosman, Fanni.
A-8196295, Gutierrez-Carlos, Federico.
A-8088726, Hansen, William Leonard.
T-303640, Isomoto, Masanao or Masanao Nojima.
0300-302349, Kui, Fung Ming or Harris Fung.
A-7961879, Kynard, Edna Sonia or Edna Sonia Artemenko.
A-2191134, Martin, Juan Rodrigues or Juan Rodrigues or John Martin.
A-4632828, Meron, Joseph.
A-2244858, Nitta, Sadakazu or Kazushige Yoshida.
0900/64623, Orozco-Torres, Jose.
A-7203339, Partridge, Josephine (nee Godinez) formerly Laborra.
A-3580428, Rafal, Pedro Corpos.
A-1171058, Suliman, Vait.
T-2671954, Villalobos-Ruiz, Eustaquio.
TX1496942, Villalobos, Ramona.
TX1496943, Villalobos, Sacarias.
T-1496944, Villalobos, Maria Felis or Felix.
T-1496945, Villalobos, Marina.
A-6357958, Voikos, Sophia Arthur.
A-5993267, Wong, Jimmie Justo, formerly Justo De Jesus.
A-5541529, Chung, Raymond or Kuang Wu or Raymond K. Wu or Chung Kwong Wu or Kuang Chung Wu.
E-084932, Colmelo, Antonio Dominguez or Antonio Emilio Rivero.
A-3112391, Drayer, Hyman.
T-2671873, Froberg, Wilhelmina formerly Kollmann.
T-2671874, Froberg, Maria formerly Kollmann.
A-1740189, Gutierrez, Demetrio or Demetrio Machado Gutierrez.
0900-39076, Juarez, Pedro Alonzo or Manuel Alonzo or Manuel Moreno or Tomas Pizano.
0900-39376, Alonzo, Antonia Almaguer de.
A-5581921, Shimotsu, Itaro.
A-4496136, Trotta, Michele or Mike.
E-057313, Cameron, Elsie.
A-6028662, Contreras - Chavarria, Jose Angel.
A-6027750, Contreras, Esperanza De La Rosa De.
A-6162219, Eto, Some.
A-6162248, Eto, Yoshimitsu.
A-6162246, Eto, Nobuko.
A-9635249, Foo, Kut Chong.
1500/45912, Garcia, Margarita.
1500/47966, Garcia, Luis.
A-4885164, Glatter, George.
E-6167, Gum, Ho.
0300-376815, Ho, Zee Kwei or How or Zee Swei Young.
A-6421265, Lewis, Norberta Oquias.
0300-308151, Liu, Hsing Hui.
A-3559629, Magallanes, Josefina Aquiniga (nee Vasquez).
A-6153080, Mukoyama, Koshiro.
A-5328243, Pina, Jose.
A-6075197, Rose, Sr., George Edward.
A-6075199, Rose (nee Switzer), Ada Phyllis.
A-3793462, Schroeder, Alfons.
A-5265690, Schroeder, Clara Cecilia (nee Hoedt).
A-6345970, Simotas, Rose.
0300-9214, Spinozzi, Umberto.
A-6585178, Squeglia, Carmela or Carmela Volpe formerly Saggesse.
E-8309, Squires, Lionel Allen or Kenneth Inness.
0300-400307, Ten, Yuen or Yung Ten Yueh or Youen Loung.
A-2722769, Tsang, Fan F. or Tom Qui Tsang or Sam S. Tsang or Am-Ton.
A-6839003, Williams, Carolyn Elizabeth Waldron.
A-4477561, Wilson, Mary formerly Solomon (nee Grossman).
A-5031118, Zentack, Michael (Mike).
A-5311563, Zentack, Sophie.
A-2900415, Vartanian, Mary.
A-4878124, Ball, Marjorie Isabel, also known as Marjorie Hurley, Marjorie Flores, and Marjorie Barclay.
E-095789, Bobek, Giuseppe or Joseph.
A-6799994, Caffrey, Lena Serafina or L. Serafini Perchiazzi, also known as Serafina Perchiazzi Johnson.
0901/20233, Escobedo-Herera, Salvador.
A-7138225, Fischer-Stern, Andrea.
B-061661, Gonzalez-Castillo, Guillermo.
A-1384235, Hui, William Lien-Chia.
A-6855176, Jack, Yee Monor Yee Jack, also known as Charley Leung Yee.
E-082880, Trematore, Anthony Frank.
A-7197918, Vieyra-Mondragon, Jose.
A-7138224, Fischer-Stern, Janos.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session,

The following favorable reports of nominations were submitted:

By Mr. JOHNSTON of South Carolina, from the Committee on Post Office and Civil Service:

One hundred and twenty postmasters.

By Mr. KILGORE, from the Committee on the Judiciary:

Lama A. DeMunbrun, of Kentucky, to be United States marshal for the western district of Kentucky, vice Loomis E. Cranor, retired.

BILLS INTRODUCED

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

By Mr. RUSSELL (for himself and Mr. SALTONSTALL) (by request):

S. 1441. A bill to provide running mates for certain staff corps officers in the naval service, and for other purposes;

S. 1442. A bill to amend section 640 of title 14, United States Code, concerning the interchange of supplies between the Armed Forces;

S. 1443. A bill to provide for the examination preliminary to promotion of officers of the naval service;

S. 1444. A bill to facilitate the procurement of doctors of medicine and doctors of dentistry for the Armed Forces by providing grants and scholarships for education in the medical and dental professions, and for other purposes; and

S. 1445. A bill to increase the annuities of certain retired civilian members of the teaching staffs of the United States Naval Academy and the United States Naval Postgraduate School; to the Committee on Armed Services.

(See the remarks of Mr. RUSSELL when he introduced the above bills, which appear under a separate heading.)

By Mr. LEHMAN:

S. 1446. A bill to provide that a special gold star shall be added to the flag of the United States, in honor of the members of the Armed Forces who have died in the service of their country; to the Committee on the Judiciary.

(See the remarks of Mr. LEHMAN when he introduced the above bill, which appear under a separate heading.)

By Mr. CURTIS:

S. 1447. A bill to amend the Fair Labor Standards Act so as to clarify the meaning of the term "outside buyer of poultry, eggs, cream, or milk, in their raw or natural state"; to the Committee on Labor and Public Welfare.

By Mr. BEALL:

S. 1448. A bill for the relief of Matrona G. Karpuk; to the Committee on the Judiciary.

By Mr. GOLDWATER:

S. 1449. A bill for the relief of Mrs. Bedia Ducilla Lamb; to the Committee on Finance.

By Mr. LANGER:

S. 1450. A bill for the relief of Mary C. Frederick; to the Committee on the Judiciary.

By Mr. MAGNUSON (for himself and Mr. JACKSON):

S. 1451. A bill authorizing the project for the improvement of the Sammamish River in the State of Washington; to the Committee on Public Works.

By Mr. BUTLER:

S. 1452. A bill to amend title III of Public Law 815, 81st Congress, in order to prevent a reduction in payments on any application filed under such title on account of school construction contracts entered into by the applicant after the final date for filing such application; to the Committee on Labor and Public Welfare.

S. 1453. A bill to authorize the issuance of a special series of stamps commemorative of the 300th anniversary of the arrival of the first Jewish people in America; to the Committee on Post Office and Civil Service.

By Mr. FULBRIGHT (by request):

S. 1454. A bill to provide that all United States currency shall bear the inscription "In God We Trust"; to the Committee on Banking and Currency.

By Mr. MAGNUSON (by request):

S. 1455. A bill to amend the Flammable Fabrics Act to exempt from its application scarves which do not present an unusual hazard; and

S. 1456. A bill to amend sections 212, 219 (a), 221 (a), and 410 (a) of the Communications Act of 1934, as amended; to the Committee on Interstate and Foreign Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the above bills, which appear under separate headings.)

By Mr. CLEMENTS (for himself, Mr. SCOTT, and Mr. SCHOEPPEL):

S. 1457. A bill to redetermine the national marketing quota for burley tobacco for the 1955–56 marketing year, and for other purposes; to the Committee on Agriculture and Forestry.

PROPOSED LEGISLATION FOR THE ARMED SERVICES

Mr. RUSSELL. Mr. President, on behalf of myself, and the Senator from Massachusetts [Mr. SALTONSTALL], by request, I introduce, for appropriate reference, five bills relating to the armed services. Each of these bills is requested by the Department of Defense and is accompanied by a letter of transmittal from the appropriate military department explaining the purpose of the bill. I ask unanimous consent that the letters of transmittal be printed in the RECORD immediately following the listing of the bills.

The PRESIDENT pro tempore. The bills will be received and appropriately referred; and, without objection, the letters of transmittal will be printed in the RECORD.

The bills, introduced by Mr. RUSSELL (for himself and Mr. SALTONSTALL), by request, were received, read twice by their titles, and referred to the Committee on Armed Services, as follows:

S. 1441. A bill to provide running mates for certain staff corps officers in the naval service, and for other purposes.

(The letter accompanying Senate bill 1441 is as follows:)

DEPARTMENT OF THE NAVY,
Washington, D. C., February 14, 1955.

Hon. RICHARD M. NIXON,
President of the Senate,
United States Senate,
Washington, D. C.

MY DEAR MR. PRESIDENT: There is forwarded herewith a draft of legislation "To provide running mates for certain staff corps officers in the naval service, and for other purposes."

This proposal is a part of the Department of Defense legislative program for 1955, and the Bureau of the Budget has advised that there would be no objection to the presentation of this proposal for the consideration of the Congress. The Department of the Navy has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

PURPOSE OF THE LEGISLATION

The purpose of this proposed legislation is to remedy certain inequities which have developed in the assignment of line running mates to lieutenants (junior grade) in the staff corps of the Navy.

The inequities which this proposal seeks to correct arise from the provisions of paragraph (3) of section 311 (d) of the Officer Personnel Act of 1947, as amended, which control the assignment of running mates to lieutenants (junior grade) of a staff corps, other than officers appointed under the act of April 18, 1946 (60 Stat. 92), which act authorized the appointment of Reserve officers in the Regular Navy, and those transferred to a staff corps as lieutenants (junior grade). Lieutenants (junior grade) coming within those provisions of paragraph (3) of section 311 (d), who have dates of rank within a single calendar year, are assigned running mates from among line lieutenants (junior grade), with dates of rank in the same year, in the order of their lineal precedence in the staff corps. The individual line running mates are determined by a fanning process prescribed by paragraph (3) of section 311 (d) which provides, in effect, that the line officers designated as running mates must be at approximately regular intervals throughout the entire line list of lieutenants (junior grade), with dates of rank in the same calendar year. This process was intended to assure an even distribution of running mates so that appropriate numbers of staff corps officers would be found in the zone for promotion wherever the zone is terminated for the line.

While this process may have achieved its designed effect, the inequities which have arisen under its application are considered to outweigh its beneficial effects. Officers who are originally appointed in a staff corps as ensigns or who transfer from the line to a staff corps in the grade of ensign are those adversely affected by the process. These officers when promoted to lieutenant (junior grade) are assigned line running mates by the fanning process. Officers, however, originally appointed as ensigns in the line, from the same graduating class, who delay their transfer to a staff corps until after promotion to lieutenant (junior grade), are assigned as their line running mates the line officer who was next senior to them at the time of their transfer to a staff corps.

The application of these different procedures for assigning line running mates has resulted in a situation where a Naval Academy graduate, or a graduate of the officer candidate training program established by the act of August 13, 1946 (ch. 962, 60 Stat. 1057), known as a Holloway plan graduate, has, in some instances, been assigned as a running mate a line lieutenant (junior grade) who, by order of merit among all such graduates in the same calendar year was far below him on the lineal list, while another staff corps officer who was below him on the lineal list as an ensign but who transferred to a staff corps as a lieutenant (junior grade) has been assigned as a running mate a line lieutenant (junior grade) who was senior to the line officer assigned to the more senior staff corps ensign.

The proposed legislation would amend paragraph (3) of section 311 (d) of the Officer Personnel Act of 1947, as amended, so as to take care of the assignment in the future of line running mates when graduates of the Naval Academy and from the Holloway plan, who transfer to a staff corps, are promoted to the grade of lieutenant (junior grade). The amendment provides that each officer appointed in the grade of ensign in the Navy under the act of August 13, 1946, or upon graduation from the Naval Academy, who is serving as an officer in a staff corps at the time of his promotion to lieutenant (junior grade), shall, when promoted to that grade, be assigned as his running mate the line lieutenant (junior grade), with date of rank in the same calendar year, who would be next senior to the staff corps officer had that officer been originally appointed in the grade of ensign in the line and continued in the line to the date of his promotion. With regard to staff corps officers appointed from those same sources who were assigned line running mates on promotion to lieutenant (junior grade) under paragraph (3) of section 311 (d) of the Officer Personnel Act of 1947, provision is made for the assignment to them of new line running mates in the same manner as provided in the proposed amendment to paragraph (3) of section 311 (d) of the Officer Personnel Act of 1947. No back pay or allowances would accrue to any officer by reason of the reassignment of his line running mate.

The proposed assignment of new line running mates to those staff corps officers previously assigned line running mates under the present provisions of paragraph (3) of section 311 (d) of the Officer Personnel Act of 1947 will involve a rearrangement of their precedence in their staff corps. The rearrangement will adversely affect those officers who have, by reason of having transferred to a staff corps in the grade of lieutenant (junior grade), gained precedence over officers who were more senior to them as ensigns but who were appointed originally in or transferred to a staff corps in the grade of ensign. It is considered, however, that they have no right to retain that advantage. Another small group who may be adversely affected by the rearrangement are the officers who as a result of the fanning process were assigned running mates who are senior to the running mates who would now be assigned them. This adjustment would be slight and would not affect the relative precedence of these staff corps officers with relation to other officers of the staff corps.

COST OF BUDGET DATA

Enactment of this proposed legislation would involve no additional cost of the Government.

Sincerely yours,

C. S. THOMAS.

S. 1442. A bill to amend section 640 of title 14, United States Code, concerning the interchange of supplies between the Armed Forces.

(The letter accompanying Senate bill 1442 is as follows:)

DEPARTMENT OF THE AIR FORCE,
Washington, February 17, 1955.

Hon. RICHARD M. NIXON,
President of the Senate.

DEAR MR. PRESIDENT: There is forwarded herewith a draft of legislation to amend section 640 of title 14, United States Code, concerning the interchange of supplies between the Armed Forces.

This proposal is a part of the Department of Defense legislative program for 1955 and the Bureau of the Budget has advised that there would be no objection to its transmittal to the Congress for consideration. The Department of the Air Force has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

PURPOSE OF THE LEGISLATION

This proposed legislation would clarify the authority of the Air Force to interchange military stores, supplies, and equipment of every character, including real estate owned by the Government between the Army, Navy, and Coast Guard by amending section 640 of the Coast Guard Act (14 U. S. C. 640) to include the Air Force.

The act of July 11, 1919 (ch. 9, 41 Stat. 132), as amended (10 U. S. C. 1274), formerly authorized the Army, Navy, and Coast Guard to "interchange, without compensation therefor, * * * military stores, supplies, and equipment of every character, including real estate owned by the Government * * *". Pursuant to the authority contained in the National Security Act of 1947 and transfer orders issued thereunder, the act of July 11, 1919, was made applicable to the Department of the Air Force, thereby permitting the interchange between the three military departments and the Coast Guard.

In codifying the act of July 11, 1919, as amended, into the Coast Guard Act, the Air Force was inadvertently omitted from section 640 of title 14. In addition the act of

July 11, 1919, was repealed by the act of October 31, 1951 (Public Law 247, 82d Cong.). This latter act did not repeal section 640 of the Coast Guard Act providing for the interchange of properties between Army, Navy, and Coast Guard.

Since it appears that the omission of the term "Air Force" in the Coast Guard Act was through inadvertence, and because of the repeal of the act of July 11, 1919, there is no specific legislation authorizing the Air Force to interchange properties with the other military departments and the Coast Guard. However, it is noted that under section 202 (c) of the Federal Property and Administrative Services Act of 1949 (ch. 288, 63 Stat. 384), as amended (40 U. S. C. 483), provision is made for the reassignment of property within an executive agency when it is "no longer required for the purposes of the appropriations from which it was purchased." It is considered appropriate and advisable, however, to permit the Air Force to effect the interchange of properties under section 640 of title 14, United States Code, thereby establishing uniformity in the interchange of properties of all kinds between all military departments and the Coast Guard.

COST AND BUDGET DATA

This proposal would cause no increase in costs to the Government.

Sincerely yours,

JAMES H. DOUGLAS,
Acting Secretary.

S. 1443. A bill to provide for the examination preliminary to promotion of officers of the naval service.

(The letter accompanying Senate bill 1443 is as follows:)

DEPARTMENT OF THE NAVY,
Washington, D. C., February 19, 1955.

Hon. RICHARD M. NIXON,
President of the Senate,
United States Senate,
Washington, D. C.

MY DEAR MR. PRESIDENT: There is forwarded herewith a draft of legislation, to provide for the examination preliminary to promotion of officers of the naval service.

This proposal is part of the Department of Defense legislative program for 1955 and the Bureau of the Budget has advised that there would be no objection to the presentation of this proposal for the consideration of the Congress. The Department of the Navy has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

PURPOSE OF THE LEGISLATION

The purpose of this proposed legislation is to revise provisions of law governing the examination for promotion of officers of the naval service, to meet changed conditions.

Section 1496 of the Revised Statutes provides that no officer shall be promoted to a higher grade on the active list of the Navy until his mental, moral, and professional fitness to perform all of his duties at sea has been established to the satisfaction of a board of examining officers appointed by the President. This section of the Revised Statutes is made applicable to officers of the Marine Corps by sections 114 (a) and 314 (a) of the Officer Personnel Act of 1947, as amended.

When section 1496 of the Revised Statutes was enacted, officers of the Navy and Marine Corps were promoted to the next higher grades by seniority and the examination conducted by a naval examining board was the only means of determining the officer's qualification for promotion. Under the selection process established by the Officer Personnel Act of 1947, officers in grades above that of ensign in the Navy and second lieutenant in the Marine Corps are selected for promotion to the next higher grades after a review by a selection board of the officer's entire record from the time of his initial entry into the service and after a comparison of his record with that of all other officers of his grade under consideration by the selection board. Because of the requirements of section 1496 of the Revised Statutes an officer who has been selected for promotion must, before he can be promoted to the grade for which selected, be examined by a naval examining board to determine his mental, moral, and professional qualifications to perform all the duties at sea of that grade. This examination results in some duplication of the functions of a selection board. Further, many officers are assigned duties exclusively in some particular specialty and have no opportunity to become qualified to perform all duties at sea because of the increasing specialization of duties in the Navy. The requirement of section 1496 of the Revised Statutes, that an officer must be found qualified to perform all duties at sea of the grade to which he is to be promoted, therefore has become difficult to comply with.

The proposed legislation would retain the statutory nature of the examining boards but the present statutory responsibility of the examining boards for establishing the criteria for qualification of an officer for promotion would be placed in the Secretary of the Navy, thus affording more flexibility of administration.

For officers in grades above that of ensign and below that of captain, the proposed revision of section 1496 of the Revised Statutes provides that no officer in those grades shall be promoted to the next higher grade on the active list until he shall have demonstrated to the satisfaction of an examining board such professional qualifications as the Secretary of the Navy may prescribe. As officers in these grades are considered for promotion by a selection board, an examination other than professional is considered unnecessary. For officers of the grade of ensign, who are promoted without selection on completion of 3 years' service, the proposed revision provides that no officer of that grade shall be promoted permanently to the next higher grade on the active list until he shall have demonstrated to the satisfaction of a board of examining officers such mental, moral, and professional qualifications as the Secretary of the Navy may prescribe.

The proposed legislation also provides that the Secretary of the Navy shall issue regulations governing the procedures to be followed by the examining boards and which will assure a full and fair hearing to officers whose cases are before an examining board. The miscellaneous provisions of law which prescribe the procedures to be followed by examining boards, their reports, and the approval of the reports, would be repealed.

COST AND BUDGET DATA

Enactment of this proposal would result in no increase in the budgetary requirements of the Department of Defense.

Sincerely yours,

C. S. THOMAS.

S. 1444. A bill to facilitate the procurement of doctors of medicine and doctors of dentistry for the Armed Forces by providing grants and scholarships for education in the medical and dental professions, and for other purposes.

(The letter accompanying Senate bill 1444 is as follows:)

DEPARTMENT OF THE ARMY,
Washington, D. C., February 23, 1955.

Hon. RICHARD M. NIXON,
President of the Senate.

DEAR MR. PRESIDENT: There is forwarded herewith a draft of legislation, "To facilitate the procurement of doctors of medicine and doctors of dentistry for the Armed Forces by providing scholarships for education in medical and dental professions, and for other purposes," and a sectional analysis thereof.

This proposal is a part of the Department of Defense legislative program for 1955 and the Bureau of the Budget has advised that it has no objection to the submission of this proposal for the consideration of the Congress. The Department of the Army has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted.

PURPOSE OF THE LEGISLATION

The purpose of the proposed legislation is to facilitate the long-range procurement of physicians and dentists as career officers in the military services by providing scholarships for education in the medical and dental professions to be administered under regulations prescribed by the Secretary of Defense.

Current methods of procurement of career officers in the fields of medicine and dentistry are not sufficiently productive to replace career officers lost by attrition and to reach authorized strengths. For example, current yearly losses in regular medical officers are exceeding gains despite the operation of military intern and residency programs and other active direct procurement programs. At this time there is an overall shortage of approximately 2,300 regular medical officers in the three military departments. A comparable situation exists in respect to regular dental officers. As a result of these deficiencies the number of these professional personnel in the regular components of the military departments is insufficient to insure the basic necessities of the military medical and dental functions for the authorized Regular Military Establishment. Another result of this shortage has been the necessity to bring larger numbers of physicians and dentists to duty involuntarily through operation of the "doctor draft" law, not only to compensate for troop strength increases due to the existing national emergency but in addition to balance the deficit that should be filled by regular officers. The impact of these levies in withdrawing professional personnel from civilian pursuits has decreased medical and dental services available to civilians throughout the Nation.

The proposed legislation provides a voluntary scholarship plan for selected students in medical and dental schools. Participants would be paid a monthly retainer fee to cover a part of their personal expenses incident to school attendance. Schools would be paid an amount to cover the usual tuition, fees, and laboratory expenses.

Students who participate for 1 school year or fraction thereof must agree to serve on active duty for 3 years. Students who participate for more than 1 school year must agree to serve on active duty for 4 years. However, 2 years of active duty, not including time spent in internship or residency training, will satisfy active duty requirements of the Universal Military Training and Service Act, as amended. The proposed legislation provides that a scholarship participant, upon reimbursement to the Government of all funds expended in his behalf, may be released from the scholarship program prior to graduation. Subsequent to graduation and after serving 3 years of active duty, he may be relieved of any additional obligation for active duty agreed to under this program upon reimbursement to the Government of all funds expended in his behalf.

Based on allocated strengths and existing shortages of career medical and dental officers in the military departments, it is tentatively proposed to offer sufficient scholarships through this means to provide a maximum of 300 graduates from schools of medicine and 126 graduates from schools of dentistry at the end of the second year of operation of the plan, and the same number of graduates each year thereafter to provide gradual increments until allocated strengths are reached. It is estimated that under the best of circumstances the program will be operative for 10 years at these numbers.

COST AND BUDGET DATA

To maintain the number of scholarship participants mentioned above and based upon present tuition rates, it is estimated that the maximum cost that would result from the enactment of this proposal would be approximately $2,542,000 for fiscal year 1956.

Sincerely yours,

ROBERT T. STEVENS,
Secretary of the Army.

S. 1445. A bill to increase the annuities of certain retired civilian members of the teaching staffs of the United States Naval Academy and the United States Naval Postgraduate School.

(The letter accompanying Senate bill 1445 is as follows:)

DEPARTMENT OF THE NAVY,
Washington, D. C., February 22, 1955.

Hon. RICHARD M. NIXON,
President of the Senate,
United States Senate,
Washington, D. C.

MY DEAR MR. PRESIDENT: There is forwarded herewith a draft of legislation "To increase the annuities of certain retired members of the teaching staffs of the United States Naval Academy and the United States Naval Postgraduate School."

This proposal is part of the Department of Defense legislative program for 1955, and the Bureau of the Budget has advised that it has no objection to the submission of this proposal for the consideration of the Congress. The Department of the Navy has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

PURPOSE OF THE LEGISLATION

The purpose of this proposed legislation is to authorize cost-of-living increases in the annuities of those civilian members of the teaching staffs of the Naval Academy and the Naval Postgraduate School, now on the retired list, comparable with the cost-of-living increases given persons retired under the civil-service retirement system in 1948 and 1952.

The retirement annuities for the civilian members of the teaching staffs of the Naval Academy and the Naval Postgraduate School are provided by the act of January 16, 1936 (49 Stat. 1092), as amended (34 U. S. C. 1073 et seq.), which is administered by the Department of the Navy.

Under the act of January 16, 1936, the civilian members of the teaching staffs of the Naval Academy and the Naval Postgraduate School are required to carry, as part of their contract of employment, an annuity policy having no cash surrender or loan provisions. These contracts are carried with the Teachers Insurance and Annuity Association of America. Each civilian faculty member is required to register with the Navy Allotment Office a monthly allotment equivalent in amount to 10 percent of his monthly salary and for each monthly allotment so registered the Department of the Navy is required to credit the employee's pay account with an additional sum equivalent to 5 percent of his monthly salary. The annuities provided by the act, as it was amended by the act of November 28, 1943 (57 Stat. 594), are at the rate of 1 3/7 percent of the employee's average salary during any 5 consecutive years multiplied by the number of years of service, not exceeding 35 years, and where the annuity purchased from the Teachers Insurance and Annuity Association does not equal that amount, the Department of the Navy is required to pay such additional sum as will bring the annuity to that total.

When the act of January 16, 1936, was originally enacted the only retired annuities it provided for persons thereafter employed as civilian members of the teaching staffs of the Naval Academy and the Naval Postgraduate School were those purchased from the Teachers Insurance and Annuity Association. For the civilians who were members of the teaching staffs of those schools on January 16, 1936, however, provision was made that where, upon reaching retirement age, the purchased annuity was not sufficient to provide an annuity of $1,200 a year, the difference would be made up by the Department of the Navy. Because of the inadequacy of the purchased annuities, the act of January 16, 1936, was amended by the act of November 28, 1943 (57 Stat. 594), to adopt the minimum annuity retirement provisions then governing civil-service retirement annuities, that is, an annuity equal to the average annual basic salary received by the employee during any 5 consecutive years of allowable service, at the option of the employee, multiplied by the number of years of service, not exceeding 35 years, and divided by 70. At that time provision was also made that the Department of the Navy should pay to the retired civilian faculty members such amounts as when added to the purchased annuities would make up a total annuity determined by this minimum formula. These amendments, however, were applicable only to persons retired after November 28, 1943, and did not affect the annuities of the civilian faculty members retired before that date. This latter group continued to receive annuities of $1,200 a year.

Although cost-of-living increases were given in 1948 and in 1952 to persons then in a retired status under the civil-service retirement system, no similar increases were given to the civilian faculty members of the Naval Academy and Naval Postgraduate School then in a retired status. The act of February 28, 1948 (62 Stat. 52) gave to persons in a retired status under the civil-service retirement system on the effective date of that act, April 1, 1948, an increase in their annuities not to exceed $300 a year. The act of July 16, 1952 (66 Stat. 722) provided a further increase not to exceed $324 a year for persons then in a retired status under the civil-service retirement system, with the limitation that no annuity should be increased beyond $2,160.

The subject proposed legislation would provide cost-of-living increases in the annuities of retired members of the civilian faculties of the Naval Academy and the Naval Postgraduate School comparable with those granted under the act of February 28, 1948, and the act of July 16, 1952, to retirees under the civil-service retirement system. It would provide an increase of $300 a year to those civilian faculty members retired before April 1, 1948. There are now 10 members who were so retired. It would also give, in addition to that increase, an increase of $300 a year to all civilian faculty members now on the retired list, with the limitation that this further increase shall not operate to increase any annuity to an amount in excess of $2,160. With that limitation six members would receive this latter increase.

COST AND BUDGET DATA

Enactment of this proposed legislation would result in an annual additional cost of $4,800, which represents a $600-a-year increase in 6 annuities and a $300-a-year increase in 4 annuities.

Sincerely yours,

C. S. THOMAS.

INCLUSION OF GOLD STAR IN AMERICAN FLAG TO HONOR MEMBERS OF ARMED FORCES WHO DIED IN SERVICE

Mr. LEHMAN. Mr. President, I introduce, for appropriate reference, a bill providing for the inclusion in the American flag of a special gold star honoring the members of our Armed Forces who have died in the service of their country.

This bill is being introduced upon the suggestion and at the request of the Western New York Council and Auxiliaries of the American War Dads.

The PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 1446) to provide that a special gold star shall be added to the flag of the United States, in honor of the members of the Armed Forces who have died in the service of their country, introduced by Mr. LEHMAN, was received, read twice by its title, and referred to the Committee on the Judiciary.

AMENDMENT OF FLAMMABLE FABRICS ACT, RELATING TO EXCLUSION OF CERTAIN SCARVES

Mr. MAGNUSON. Mr. President, by request of the Secretary of Commerce, I introduce, for appropriate reference, a bill to amend the Flammable Fabrics Act to exempt from its application scarves which do not present an unusual hazard. I ask that there be printed in the RECORD a letter from the Secretary of Commerce, explaining the purpose of the bill.

The PRESIDENT pro tempore. The bill will be received, and appropriately referred; and, without objection, the letter will be printed in the RECORD.

The bill (S. 1455) to amend the Flammable Fabrics Act to exempt from its application scarves which do not present an unusual hazard, introduced by Mr. MAGNUSON, by request, was received, read twice by its title, and referred to the Committee on Interstate and Foreign Commerce.

The letter presented by Mr. MAGNUSON is as follows:

THE SECRETARY OF COMMERCE,
Washington, March 8, 1955.

The Honorable RICHARD M. NIXON,
President of the Senate,
United States Senate,
Washington, D. C.

DEAR MR. PRESIDENT: There are attached two copies of a draft of proposed legislation to amend the Flammable Fabrics Act to exempt from its application scarves which do not present an unusual hazard, which the Department of Commerce recommends be enacted.

The Department of Commerce during the 83d Congress urged that the Congress amend the Flammable Fabrics Act in two respects, (1) modify the burning rate time for plain surface fabrics, so as to permit continued production and sale of lightweight cotton fabrics such as organdies and lawns, and (2) amend the definition of wearing apparel so as to exclude scarves made of plain surface fabrics. Congress modified the burning rate time as recommended but did not adopt the proposed exemption for plain surface scarves.

PURPOSE OF PROPOSED BILL

The attached draft of proposed legislation would exclude from the definition of wearing apparel in the Flammable Fabrics Act scarves made of plain surface fabrics.

In 1949 and 1950 there appeared on the market a number of items of wearing apparel, such as sweaters, cowboy suits, and masquerade costumes made of fabrics which exhibited a rapid and intense burning when accidentally ignited. A number of serious accidents resulted to persons wearing so-called "torch sweaters," and in other cases children were fatally burned when their cowboy suits and masquerade costumes were

accidentally ignited. In order to correct this situation and to safeguard the public against future hazards resulting from flammable clothing, the representatives of the textile and clothing industries asked the Bureau of Standards of the Department of Commerce to develop a commercial standard of flammability for wearing apparel. This standard when developed was adopted and adhered to by virtually all responsible firms in these industries. The Flammable Fabrics Act passed in 1952 incorporated the commercial standards developed by the Bureau of Standards as the basic test of flammability under the act. Following passage of the act it came to the attention of the executive agencies of the Government concerned with the enforcement of the act that some traditional fabrics, such as silks and lightweight cottons, which had been in use for many years without any record of injury to wearers, would be excluded from the market under the standards established in the act, and as a result a number of textile establishments in the United States and silk producers in Japan would be seriously affected. Some mills in New England which had produced organdies and lawns were forced to close.

Because of the fact that these fabrics had had no history of dangerous flammability it seemed clear that these were not the types of fabrics that the Flammable Fabrics Act was aimed at. We therefore requested the Bureau of Standards and interested persons in industry to consider this problem and recommend appropriate modification of the statute and the commercial standard so as to permit continued production and sale of these types of fabrics. As a result of these discussions the Department of Commerce recommended a slight modification in the burning rate time for plain surface fabrics and exclusion of plain surface scarves. As pointed out above, the modification of the burning rate time was adopted by the Congress but no action was taken on the proposed exclusion of scarves.

The definition of wearing apparel contained in section 2 (d) of the Flammable Fabrics Act defines article of wearing apparel as "any costume or article of clothing worn or intended to be worn by individuals except hats, gloves, and footwear." A further definition of hats, gloves, and footwear is also provided. It is our opinion that it would be appropriate to exclude from this definition of articles of wearing apparel scarves made of plain surface fabrics. To the best of our knowledge plain surface scarves have never presented any serious hazard to wearers, and consequently no danger to the public would result from excluding such scarves from the definition of wearing apparel. On the other hand, scarves made of raised surface fabrics which burn with an intense flame should be considered hazardous and should be required to meet the flammability test provided in the act.

This Department therefore recommends the enactment of the attached draft bill which would amend the definition of articles of wearing apparel in section 2 (d) of the Flammable Fabrics Act to exclude plain surface scarves.

COST

Enactment of this legislation should reduce the cost of administering the act by the amount which is presently spent in investigations and testing of these particular articles.

Sincerely yours,

SINCLAIR WEEKS,
Secretary of Commerce.

AMENDMENT OF COMMUNICATIONS ACT OF 1934

Mr. MAGNUSON. Mr. President, by request of the Federal Communications Commission, I introduce, for appropriate reference, a bill to amend sections 212, 219 (a), 221 (a), and 410 (a) of the Communications Act of 1934, as amended. I ask unanimous consent that a letter from the Commission, explaining the objectives of the bill, be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the letter will be printed in the RECORD.

The bill (S. 1456) to amend sections 212, 219 (a), 221 (a), and 410 (a) of the Communications Act of 1934, as amended, introduced by Mr. MAGNUSON, by request, was received, read twice by its title, and referred to the Committee on Interstate and Foreign Commerce.

The letter, presented by Mr. MAGNUSON, is as follows:

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D. C., February 28, 1955.

The VICE PRESIDENT,
United States Senate,
Washington, D. C.

DEAR MR. VICE PRESIDENT: The Federal Communications Commission wishes to recommend for the consideration of the Senate four amendments to the Communications Act of 1934, as amended, relating to its regulatory authority over communications common carriers, enactment of which, it is believed, will substantially relieve the administrative burdens of such regulation on both the Commission and the carriers subject to its jurisdiction without in any way detracting from the essential regulatory authority of the Commission. These amendments are to sections 212, 219 (a), 221 (a), and 410 (a) of the act, respectively. A draft bill incorporating each of the amendments is attached.

Section 212 of the Communications Act presently makes it unlawful for any person to hold the position of officer or director of more than one carrier subject to the act, unless the dual holding is first authorized by Commission order upon a showing, in a manner to be prescribed by the Commission, that neither public nor private interests will be adversely affected thereby. An objective of Congress in enacting this requirement—the prevention of the exercise of indirect control over ostensibly competing carriers through such interlocking directorates—is, we believe, clearly salutary. But the all-embracing language of the section makes it applicable to dual holdings within an integrated communications system under common ownership and control as well as to interlocking relations between the competitive systems to which the section must have been primarily intended to apply. The result has been that in recent years the Commission has been called upon to consider a substantial number of requests by officers or directors of one company of a commonly owned and controlled system, such as the Bell System of the American Telephone & Telegraph Co., to serve as well in a similar capacity with respect to another company within the system. The Commission has felt that in such situations, where the dual holding cannot have any effect upon the ultimate control or management policy of either of the companies, the determination as to whether a particular individual can best serve the interests of the system by concentrating his efforts in one of the constituent companies or by making his talents available to more than one is a detail of carrier management which can and should be left to the discretion of the carrier itself. It has, accordingly, regularly issued orders approving such requests. It is believed, however, that in the interests of efficiency and avoidance of unnecessary effort by both the Commission and the carrier personnel involved, it would be advisable to amend section 212 to make possible elimination of unnecessary applications and Commission orders in such situations. This would be accomplished by amending section 212 to add the following proviso at the end of the first sentence:

"Provided, That the Commission may authorize persons to hold the position of officer or director in more than one such carrier, without regard to the requirements of this section, where it has found that 1 of the 2 or more carriers directly or indirectly owns more than 50 percent of the stock of the other or others, or that 50 percent or more of the stock of all such carriers is directly or indirectly owned by the same person."

In addition, certain language changes will be required in the second sentence of the section, as revised, in view of the insertion of the new proviso. These are set out in full in the draft bill attached hereto.

The need for an amendment to section 219 (a) of the act arises partly out of an apparent ambiguity of the existing language and partly out of the development and growth of certain new types of limited or specialized common carriers in the communications field concerning the operation of which a somewhat lesser degree of annual information may be necessary in order to insure effective Commission regulation. The first sentence of this section presently authorizes the Commission to require the filing of annual reports by all carriers subject to the act, a provision taken over from the Interstate Commerce Act, as amended. However, the second sentence of the section, which was added at the time the Communications Act of 1934 was adopted, speaks in mandatory terms and provides that such annual reports "shall show in detail" a long list of specific types of information. The absolute nature of these requirements is, apparently, stressed by the language of the third and last sentence of the subsection which authorizes the Commission, by regulation, to require that additional information be contained in such annual reports. And while the legislative history relating to the section is by no means extensive, what there is tends to reinforce the interpretation of the section which would make mandatory the inclusion in any annual report required to be filed by the Commission of all of the detailed information specified in the second sentence of the section.

Experience in recent years, especially with respect to certain types of specialized common carriers which have been established in the mobile and maritime services, has indicated that some of the information required by the second sentence of the section is unnecessary and serves little or no regulatory function. Accordingly, this section should be amended to make clear that the Commission has authority to tailor the annual reports required from particular types of carriers to the peculiar needs of the Commission with respect to each service and type of carrier. This would be accomplished by amending the second sentence of the section by inserting the words "Except as otherwise required by the Commission" at the beginning of the sentence so that it will read: "Except as otherwise required by the Commission, such annual reports shall show in detail."

It is presently provided in section 221 (a) of the act that the Commission must hold public hearings upon all applications for authority to consolidate telephone properties or for authority for one telephone company to acquire the property of another or the control of another. It is believed that this mandatory hearing requirement should be eased, as many of the applications being received are of such minor significance that hearings are not justified. This is particularly true since in a large number of these cases all conceivable parties in interest are actively in favor of the merger. The Con-

gress on August 2, 1949, made an amendment, similar to what the Commission is recommending, to section 5 (2) (b) of the Interstate Commerce Act by adding to a clause making public hearings mandatory in cases involving consolidations, mergers, and acquisitions of control of railroads a proviso that such hearings need not be held where the Commission "determines that a public hearing is not necessary in the public interest." In its 66th annual report for the fiscal year ended October 31, 1952, the Interstate Commerce Commission, commenting upon the results of the amendment of August 2, 1949, stated that during the year under report it "found that public hearings were not necessary in 32 out of 35 proceedings under section 5 (2)." It is believed that similar savings in time-consuming procedures would be realized in the Federal Communications Commission if section 221 (a) were similarly amended, as set forth in detail in the appendix. This amendment would permit the Commission to dispense with the hearing in any case where, after notifying all parties in interest and considering their views, the Commission determines that such a hearing is not necessary in the public interest. The new language proposed is patterned after language now in sections 220 (i) and 309 (a) of the act and the amendment of August 2, 1949, to section 5 (2) (b) of the Interstate Commerce Act.

In the Communications Act Amendments, 1952, Congress rewrote section 409 (a) of the act so as to provide that adjudicatory hearings should be conducted only by the Commission or by one or more examiners. This had the effect of forbidding the hearing of adjudicatory matters by a single member of the Commission. With section 409 (a) so rewritten it was necessary to make certain amendments to section 410 (a) to bring it into conformity with the new language of section 409 (a). In amending section 410 (a) Congress provided that certain questions might continue to be referred to a joint board composed of a member, or members selected from each of the States affected. In stating the jurisdiction and powers conferred upon such a joint board it was stated in the amendment adopted that any such board should have all the jurisdiction and powers conferred by law upon the Commission, whereas the language replaced gave these joint boards only the same powers as possessed by a single member of the Commission when designated by the Commission to hold a hearing. It would seem that the new delegation of jurisdiction and powers is undesirably broad.

In any event, with the wording of section 410 (a) inserted by the Communications Act Amendments, 1952, it does not seem likely that the Commission would ever find it desirable to refer any matter to a joint board. It is believed that if the second sentence of section 410 (a) were changed to give joint boards the same jurisdiction that is now conferred on an examiner, it would be more nearly what Congress must have intended and would make the section more usable to the Commission in the administration of the act.

The consideration of these amendments by the Senate will be greatly appreciated. The Commission will be most happy to furnish any additional information that may be desired by the Senate or by any committee to which this material is referred. The Bureau of the Budget has advised the Commission that it has no objection to the submission of this letter.

GEORGE C. MCCONNAUGHEY,
Chairman
(By direction of the Commission).

DISAPPROVAL OF SALE OF CERTAIN RUBBER-PRODUCING FACILITIES IN CALIFORNIA

Mr. THYE. Mr. President, I submit, for appropriate reference, a resolution disapproving the sale of certain rubber-producing facilities in California. I ask unanimous consent that a statement, prepared by me, relating to the resolution, be printed in the RECORD.

The PRESIDENT pro tempore. The resolution will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The resolution (S. Res. 78), submitted by Mr. THYE, was referred to the Committee on Banking and Currency, as follows:

Resolved, That the Senate does not favor the sale of the butadiene manufacturing facility at Torrance, Calif., Plancor 963; the styrene manufacturing facility at Los Angeles, Calif., Plancor 929; and the synthetic rubber (GR-S) facility at Los Angeles, Calif., Plancor 611, as recommended in the report of the Rubber Producing Facilities Disposal Commission.

The statement, presented by Mr. THYE, is as follows:

STATEMENT BY SENATOR THYE

I am today submitting a resolution, under the provisions of Public Law 205, 83d Congress, relating to the report of the Rubber Producing Facilities Disposal Commission.

The resolution states that the Senate does not favor the sale of the butadiene manufacturing facility at Torrance, Calif., Plancor 963; the styrene manufacturing facility at Los Angeles, Calif., Plancor 929; and the synthetic rubber (GR-S) facility at Los Angeles, Calif., Plancor 611, as recommended in the report of the Rubber Producing Facilities Disposal Commission.

It is my understanding that the law requires a separate bid for each facility to be sold.

The three plants referred to in my resolution were bid under a lump sum proposal which did not conform to the law.

This failure to comply with the full intent of the law with respect to the sale of these three plants restricted the opportunity for taking full advantage of provisions for negotiation on the sale price of individual plants.

It also tended to discriminate against bidders who were interested only in individual plants and whose proposals could not be properly explored because of the lump-sum proposal for the three plants with no breakdown as to the price bid for each plant as required in the law.

Under the terms of Public Law 205, either House of Congress has authority to indicate its disapproval of procedures undertaken by the Rubber Producing Facilities Disposal Commission in the sale of the Government-owned rubber plants to private industry.

The adoption of the resolution, after consideration by a Subcommittee of the Senate Committee on Banking and Currency, which has already conducted extensive hearings on this subject, will permit consideration of new legislation relating to the disposal of the three plants identified in the resolution. It will not affect the pending sale of 21 other plants recommended for sale by the Commission and the bids for which were in full compliance with the law.

Mr. HUMPHREY. Mr. President, I submit a resolution, disapproving the sale of certain rubber-producing facilities in California, and ask for its appropriate reference.

I also send to the desk a letter which pertains to the body of this resolution. It is a copy of a letter addressed to the Senator from Arkansas [Mr. FULBRIGHT] chairman of the Senate Committee on Banking and Currency, by the Minnesota Mining & Manufacturing Co., signed by the President, Mr. H. P. Buetow. The letter protests the sale of one of our synthetic-rubber plants to the Shell Chemical Corp. The resolution which I have submitted would ask that that particular transaction be set aside to allow for competitive bidding on those facilities.

The PRESIDENT pro tempore. The resolution will be received and appropriately referred; and, without objection, the letter will be printed in the RECORD.

The resolution (S. Res. 79), submitted by Mr. HUMPHREY, was referred to the Committee on Banking and Currency, as follows:

Whereas the Rubber Producing Facilities Disposal Act of 1953, Public Law 205, 83d Congress, provided for the disposal of the Government-owned rubber-producing facilities, pursuant to the provisions of said act; and

Whereas in the recommended sale of the butadiene manufacturing facility at Torrance, Calif., Plancor 963; the styrene manufacturing facility at Los Angeles, Calif., Plancor 929; and the synthetic rubber (GR-S) facility at Los Angeles, Calif., Plancor 611, the Rubber Producing Facilities Disposal Commission has not conformed to the provisions and procedures established by the said act; and

Whereas the said purported sale by the Rubber Producing Facilities Disposal Commission was in violation of the provisions and procedures established and required by Public Law 205, 83d Congress; and

Whereas section 23 (a) of the Rubber Producing Facilities Disposal Act of 1953 provides for the introduction of this form or resolution: Now, therefore, be it

Resolved, That the Senate does not favor the sale of the butadiene manufacturing facility at Torrance, Calif., Plancor 963; the styrene manufacturing facility at Los Angeles, Calif., Plancor 929; and the synthetic rubber (GR-S) facility at Los Angeles, Calif., Plancor 611, as recommended in the report of the Rubber Producing Facilities Disposal Commission.

The letter presented by Mr. HUMPHREY is as follows:

MINNESOTA MINING &
MANUFACTURING CO.,
February 22, 1955.

Hon. J. W. FULBRIGHT,
Chairman, Senate Committee on Banking and Currency,
Senate Office Building,
Washington, D. C.

DEAR SENATOR FULBRIGHT: We are writing this letter to you as one of several unsuccessful bidders for the purchase of Government-owned rubber producing facilities on the west coast.

Our company, together with our wholly owned subsidiary Midland Rubber Corp., submitted a proposal to purchase Plancor 611, a copolymer plant located at Torrance, Calif.

In our opinion, the proposal to purchase Plancors 611, 929, and 963 submitted by the Shell Chemical Corp., and recommended for acceptance by the Rubber Producing Facilities Disposal Commission did not comply with Public Law 205, 83d Congress (known as the Rubber Producing Facilities Disposal Act of 1953) in that the proposal by Shell did not state the amount proposed to be

paid for each of the facilities, and was therefore, improperly considered by the Commission.

If our interpretation of the act is correct, the recommended sale of these plants to the Shell Chemical Corp. should be disapproved.

Public Law 205, 83d Congress, authorizes the disposal of the Government-owned rubber producing facilities. Section 7 (b) of this act provides as follows:[1]

"(b) Proposals shall be in writing, and shall contain, among other things * * *—

"(4) The amount proposed to be paid for each of the facilities, and, if such amount is not to be paid in cash, then the principal terms of the financing arrangement proposed."

Pursuant to the above statute, the Rubber Producing Facilities Commission (hereinafter referred to as the "Commission") issued certain instructions and information, entitled "Release No. 1."[2] Paragraph 4 of these instructions provides as follows:

"4. Proposals shall state the amount proposed to be paid for each of the facilities. Where a proposal contemplates acquisition of several facilities for integrated operation, it shall state separately the aggregate amount proposed to be paid for such facilities on such an integrated basis, and the amount otherwise proposed to be paid for each of the facilities in question on an individual basis. * * *"

Pursuant to an official advertisement published on November 18, 1953, by the Commission, entitled "Invitation for Proposals,"[3] the Shell Chemical Corp. submitted a proposal for the purchase of 3 of these plants, namely, Plancors 611, 929, and 963,[4] in which Shell stated in paragraph 10, entitled "Purchase Price":

"The aggregate amount we propose to pay for Plancors 611, 929, and 963, together, is $27 million.

"We do not state the amounts we propose to pay for any of the facilities on an individual basis as we do not propose to purchase individual facilities."

The Commission itself, in its report to Congress, recognized that Shell had refused to submit a bid on each facility as required by Public Law 205, and stated as follows in discussing the sale of the styrene plant:[5]

"At the same time there were 3 proposals for the west coast copolymer plant, including the package bid of Shell Chemical Corp., amounting to $30 million, the styrene plant, the butadiene plant at Torrance, Calif., and the copolymer plant. Shell stated at the outset that its interest was only in the acquisition of all three plants for integrated operation. It wanted no single plant and no combination of two. It represented that its proposal was calculated solely on this basis and consequently declined to assign figures to each of the three facilities. Shell's packaged price represented the highest aggregate amount offered to the Commission for the three plants."

In our opinion, the Shell Chemical Corp. proposal was not in compliance with section 7 (b) (4) of Public Law 205, 83d Congress, or paragraph 4 of release No. 1 by the Rubber Producing Facilities Disposal Commission, in that the Shell proposal did not state the amount proposed to be paid for each of the facilities on an individual basis but only the amount proposed to be paid for three facilities on an integrated basis.

Because the Shell proposal did not conform to the standards prescribed by Congress, it was invalid and improperly considered by the Commission. It is immaterial whether or not the Shell proposal constituted the highest bid for these three plants because the proposal itself was invalid. Its acceptance by the Commission gave Shell an undue advantage not permitted by the law.

Accordingly the Senate or the House should pass a resolution in accordance with section 2[illegible] (b) of Public Law 205 declaring that the Senate or the House does not favor the sale of Plancors 611, 929, and 963, as recommended in the report of the Commission.

Legislation should be passed which would enable the Rubber Producing Facilities Disposal Commission to receive proposals and negotiate new contracts for sale of Plancors 611, 929, and 963, under the same terms and condition prescribed in Public Law 205.

Respectfully.

H. P. BUETOW, *President.*

[1] See p. 8 (a) of the report to Congress by the Rubber Producing Facilities Disposal Commission.

[2] See p. 5 (a) of the report to Congress.

[3] See exhibit A of the appendix to report to Congress.

[4] See pp. 156–157 of the supplement to the report to Congress.

[5] See p. 28 of the report to Congress.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. MONRONEY:

Address delivered by Robert B. Anderson, Deputy Secretary of Defense, at Oklahoma City, Okla., on March 9, 1955.

By Mr. WILEY:

Editorial from Wall Street Journal concerning the impact of the St. Lawrence Seaway on State and municipal projects.

NOTICE OF HEARINGS ON SUNDRY NOMINATIONS BY FOREIGN RELATIONS COMMITTEE

The PRESIDENT pro tempore. As a Senator and chairman of the Committee on Foreign Relations, the Chair desires to say that the Senate received today a list of 66 persons for appointment as Foreign Service officers of various classes. The list is printed elsewhere in the proceedings of today. Notice is hereby given that these nominations will be considered by the Committee on Foreign Relations, at the expiration of 6 days.

EXCERPTS FROM ADDRESS BY THE VICE PRESIDENT BEFORE THE WORLD AFFAIRS COUNCIL

Mr. KNOWLAND. Mr. President, I ask unanimous consent to have printed in the body of the RECORD excerpts from the address delivered by the Vice President of the United States before the World Affairs Council, in Los Angeles, Calif., on March 14. The address dealt with the Vice President's trip through Latin America.

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

EXCERPTS FROM THE ADDRESS OF THE VICE PRESIDENT OF THE UNITED STATES BEFORE THE WORLD AFFAIRS COUNCIL, LOS ANGELES, CALIF., MARCH 14, 1955

IMPORTANCE OF THE AREA

We usually hear of Latin America only when there is an earthquake, flood, hurricane, or revolution in that area. We get prompt and efficient coverage of such legitimate news items, as we should. But another story, much bigger, more exciting, and more important is not being adequately told in the United States. This is the story of an old and honored civilization awakening, of a potential economic giant being unshackled, of the way being paved for inevitable development which may bring to Latin America more progress in the last half of this century than the United States itself experienced during the first half of the century.

In these days when we are justifiably concerned by what is happening in Asia and in Europe, we sometimes have a tendency to underestimate the vital importance of Latin America.

Strategically, the republics in the American hemisphere are our closest neighbors. Therefore, they can be, as they are now, essential friends, or they could be potentially dangerous enemies.

Economically, Latin America buys more from the United States than all of Europe put together, and more than Asia, Africa, and Oceania combined.

Politically, the countries of the Western Hemisphere form together a bulwark of the free world, supporting free-world principles and opposing Communist encroachment. If we did not know it before, we learned this at the 10th Inter-American Conference last year at Caracas. And we find the clear principles guiding the American republics constantly demonstrated at the United Nations. Our countries seldom fail to act virtually as a unit on issues of free-world importance.

From the population standpoint, there are 10 million more people in Latin America today than there are in the United States, and at the present rate of growth in that area, which is twice the world rate, there will be 600 million people in Latin America by the end of this century.

For these and other reasons, it can truly be said that what helps one of the countries in the Americas helps all, and what hurts one, in the end, will hurt all.

WEAKNESS OF PAST POLICY

Our policy toward Latin America in the past has been characterized by stops and starts, by big talk and little action. On too many occasions, a report is made advocating a program for progress in Latin America; everybody gets excited for a few days or weeks; and then the report is quietly pigeonholed and for the most part forgotten. United States policy toward Latin America must have consistency, continuity, and follow-through. This administration recognizes the necessity for that type of policy and we are determined to carry it forward. Dr. Milton Eisenhower's trip to South America and our visit to Central America is clear-cut evidence of the vital importance the administration attaches to developing a more effective policy for Latin America.

THE INTER-AMERICAN HIGHWAY

The program which the United States has followed in the past with regard to construction of the Inter-American Highway is characterized by the weaknesses I have just described. For 15 years, our Government has been publicly committed to aid in the construction of the highway. We have already invested 54 millions of dollars in it. At the present rate appropriations are being made it will take from 15 years to a quarter of a century to complete it. Until it is completed, the taxpayers of the United States and of the other participating countries will not receive the full benefit of what is in concept, and will be on completion, a magnificent program.

The highway is of importance economically because it will open up huge sections of the countries through which it passes which have hitherto been inaccessible. This will inevitably bring a great demand for United States machinery, equipment, and other products, with an obvious benefit to United States industry. It will also make it possible for thousands of American tourists to visit our neighbors to the south. An indi-

cation of what a shot in the arm this would be to the economy of those countries is the fact that tourism today provides Mexico a larger dollar income than any other industry.

The highway would have great value in promoting political stability. Many of the tensions and misunderstandings which existed in the past have been due to completely inadequate communications which have prevented the free movement of persons and goods and the full exchange of points of view across national borders.

The highway could be of great benefit militarily and strategically. The last war showed the urgent need for other means of transporting material quantities of foodstuffs and supplies to the areas now dependent on sea transport. If, despite all our efforts, another war should come, the absence of overland communications from the United States to the Canal Zone could be disastrous.

Under an accelerated program of construction, it would be possible to finish the highway within 3 to 5 years. The sooner it is completed, the sooner it can begin to pay for itself. Since returning to Washington, I have been strongly urging an accelerated program of appropriations for this purpose, and though the final decision has not yet been made, I can say that I have been greatly encouraged by the reactions I have received from those in the administration with whom I have discussed the problem.

PROSPECTS FOR PEACE AND POLITICAL STABILITY

There is substantial evidence that the Inter-American area is entering an era of greater internal stability and peaceful relations. I was able to witness first hand the culmination of the efforts of the Organization of American States to settle the dispute that had arisen between Nicaragua and Costa Rica, two countries whose people are friends, and whose leaders expressed to me personally their determination to attempt to find peaceful solutions of the differences between them. The OAS and the leaders of both countries are to be congratulated for the example they have set for the whole world to see of finding peaceful solutions to difficult problems.

Panama is still grieving over the senseless assassination of President Remon, a man who will go down in history as one of the greatest leaders of that country. But I am convinced that President Arias and the members of his Government will successfully steer Panama through this crisis and continue the regime of stability and progress which President Remon had so auspiciously inaugurated.

Honduras, which has been plagued by over 100 revolutions in its history, seemed headed for another governmental crisis when no candidate for the presidency received a majority of the vote in the last election. But Vice President Lozano, as Chief of State, has stepped into the breach and is doing one of the most outstanding jobs in the hemisphere in dealing effectively with the problems of the people, and in creating an economic climate which will attract the new investment which is so essential for progress.

President Ruiz Cortines of Mexico is, in my judgment, one of the greatest leaders our friends and neighbors south of the border have ever had. He is honest and able, and he has a burning desire to raise the standards of living of his fellow countrymen. Mexico has, without question, reached the stage of political maturity, and, under President Ruiz Cortines' wise policies, economic progress is bound to follow.

THE COMMUNIST DANGER

Communism has reached and passed its high-water mark in the inter-American area. The danger is still present underground because, though the Communists are few in number, they are well organized, and in many of these countries a well-organized minority always has a chance to overthrow the government and impose its rule upon the majority of the people.

Guatemala is a monument to Communist failure, both in Latin America and throughout the world. The Communists were in power for 10 years there, and never has a government promised so much and done so little.

The Communists promised the laboring man free organization of unions and fair labor laws. But under the law adopted in 1947 they set up Government-dominated labor organizations dedicated to serving the interests of the Communist international labor organization in Moscow rather than those of the workingman. Non-Communist labor leaders were jailed and exiled. Leaders of workers who attempted to organize the thousands of unemployed were beaten up and jailed. High wages and benefits were promised, but prices went up so fast that what wage increases were granted were completely eaten up by high prices.

In education, the Communists promised to build more schools, but, using only political planning, they squandered large investments in overambitious and poorly located structures, many of which could never be used because of lack of teachers. Textbooks and courses were revised to express the Communist doctrine. Non-Communist teachers were forced out of the profession. It is no accident that some of the strongest opposition to Communists in Guatemala City was in the organization of university students who observed the perversion of true education to Communist purposes.

The Communists promised health and hospital care. Instead of filling the needs, they actually defeated them. The appropriations for public health were substantially below those of neighboring countries such an Panama, Costa Rica, and Cuba. Substantial programs for malaria control, sanitation, and other projects were dropped because United States agencies were cooperating with the Guatemalan Government. Hospital space was not increased. The President Roosevelt Hospital, a 1,000-bed structure commenced in 1942, was still unfinished in 1954 when Castillo Armas came into power. This hospital which the Communists failed to finish in 12 years will be completed and fully in operation within 1 year under the Castillo Armas government.

The Communists promised to construct thousands of houses. Yet, in 9 years, virtually the only housing projects which were completed were several fine mansions for the use of top government officials.

The Communists promised new roads. But, after 9 years, despite huge expenditures of funds supposedly for highway construction, the national highway network in Guatemala was in the worst condition in history when the Castillo Armas government came into power.

They promised agrarian reform, but they made the farmers, in effect, tenants of the state without ever gaining title to the plots parceled out to them. The interests of the peasants were subordinated to those of the Communist Party. The result was in essence a collectivist farm system under which farm workers exchanged a new and tougher master, the tyrannical Communist state for their former landlords.

They squandered the national inheritance consisting of state-owned coffee plantations by putting them in the hands of their party favorites, thereby causing drastic decline in productivity and the loss of millions in income to the nation.

As a result of their systematic hostility to business enterprise, they discouraged normal economic expansion and drove into exile abroad an estimated $50 million of domestic private capital.

To cap it all off, when Arbenz abdicated, he took with him a million dollars in cash from the already sacked national treasury. Proportionately, incidentally, this would be like the President of the United States skipping off with a billion dollars of the taxpayers' money.

It is impossible for one who has not visited Guatemala even to imagine the hatred of the people in all walks of life for the Communist regime. This record explains in part the reason for that hatred, and the strong support for Castillo Armas among the people, despite the difficulties he has encountered since coming to power.

Guatemala is not yet out of the woods, but it has a fine people, rich undeveloped natural resources, and an honest, dedicated courageous leader in President Castillo Armas. I am convinced that the Castillo Armas government can do more good for the people in 2 years than the Communist government did in 10 years. Castillo Armas' objective was summed up when he told me, "We have proved that we can beat the Communists with guns; now we must prove that we can do better than they did in providing social justice for the people of Guatemala."

In no place in the world are the stakes for free peoples higher than they are in Guatemala. Here the whole world will have a chance to make a direct comparison between what a Communist government could do for an underdeveloped country as compared with what a free government can do. The free world cannot afford a failure, and I am confident that success will crown our cooperative efforts to succeed.

PROSPECTS FOR ECONOMIC DEVELOPMENT

Trade with the United States is the most important single factor in the economic development of Latin America. Interest in trade in Latin America far exceeds any interest in grants, loans, or technical assistance.

From our standpoint we must bear in mind that virtually every dollar we pay for products of Latin America is in turn spent in the United States for the products we sell to them. Reducing our imports from Latin America would mean less dollars for our exports to that area.

President Eisenhower has placed greater emphasis than ever this year on the importance of a gradual selective reduction in artificial barriers to free trade. In visiting middle America I saw the physical proof of the importance of this policy to the members of the American family. The American people must face squarely the question of whether we will continue to import from our sister American republics even though this means at times competition with American producers in some industries. The importance of vigorous inter-American trade to our own well-being is such that I believe we will not falter in making the correct decision.

Latin America needs capital.

The major source for capital is not from government grants or loans, but from private investors, both from within the country concerned, and from without. To attract private investors, the interested governments must create conditions which will give confidence to them. A test as to whether a government is successful in doing this may be found in the extent to which its own people are investing their savings in the economic development of their own country. If confidence among domestic investors exists, the only added factor needed to attract foreign investors is assurance of nondiscriminatory treatment.

Capital is available today in the hands of private investors in Latin America, in the United States, and elsewhere in the world, in quantities sufficient to expand the rate of new investment far beyond anything we have seen to date. To attract these private investors is a job that must be done by the local governments, and I have been encouraged that the governments of most of the countries I visited are aware of this and

are moving constructively to meet this objective.

In addition to private capital, there are some projects such as roads, irrigation systems, and port facilities for which government capital must be provided. It is to the interests of the people of the United States for our Government to make available large sources of credit for this type of investment which often are beyond the economic capacity of the governments of this hemisphere.

At the Rio Conference, we assured the Republics of the hemisphere that through the Export-Import Bank our Government would do its utmost to satisfy applications for development loans which satisfy certain sound and logical conditions. The project must be sound and in the interest of the two countries, and it must be one for which capital would not normally be available from private sources, or through the International Bank. I returned to Washington convinced that this intensified lending policy is wise and essential, and that it will substantially accelerate sound economic development in Latin America without our Government invading those fields of business and finance where private enterprise is normally active.

I also returned convinced that our Government's aid to Latin America should be primarily in the form of loans, rather than grants, and I found this to be the prevailing opinion among the heads of state in the countries which I visited.

The United States technical aid point 4 program is working well in the countries which I visited. The people in these countries have an amazing ability to learn quickly, and they are willing to work hard in order to learn. The small amount that we are contributing for technical advice and assistance will pay in the end enormous dividends in increased productivity for the countries involved.

There may be some in the United States who ask the understandable question, Why should we interest ourselves in the progress of Latin America? There are a number of reasons.

From their standpoint, the end we seek in economic development is to provide more jobs at better salaries, and a greater volume of goods at reasonable prices. This means that people lead better and fuller lives, and are able to give their children the kind of education that will make them better citizens.

From our standpoint, political stability in the Americas, we know, is as essential to us as to them, and political stability depends to a great extent on economic stability. And, as the economic well-being of these countries improves, we benefit directly, because they are able to sell more to us, and that means that they can buy more from us. The best proof of this is that Canada, with its high standard of living, is our best customer in the world today.

EXCHANGE AND LIBRARY PROGRAMS

I believe that our exchange and library programs in this area are among the most effective of any I have seen in the world, and I think that they could, with profit to both the United States and the other interested countries, be substantially expanded.

PUERTO RICO

Unfortunately, many Americans think of Puerto Rico primarily in connection with the attempt of a group of fanatics to kill Members of Congress last year.

Visiting Puerto Rico was one of the most rewarding experiences of the entire trip. Puerto Ricans are proud of their United States citizenship, proud of their autonomy, written by themselves under their constitution and ratified by the United States Congress, and justifiably proud of the way in which they are dealing effectively with problems of education, housing, public health, agriculture, and development of natural resources.

Puerto Rico is the absolute refutation of all the Communist propaganda about the United States as an oppressive, imperialist power with a policy of colonial enslavement. I was privileged to meet several of the thousands of Puerto Ricans who fought so gallantly in Korea in our forces. In one factory which I visited, the majority of the workers were Korean veterans.

Under the leadership of their dynamic, forward-looking Governor Muñoz-Marín, Puerto Ricans are proving what can be done to conquer poverty by people who have vision and determination, and who make the maximum use of very limited natural resources.

FREE TRADE UNION LEADERSHIP

I was encouraged by the development of free trade union leadership in many of the countries which I visited. It is generally becoming recognized that the answer to Communist union leadership is not the negative alternative of no unions at all, but the constructive alternative of encouraging the developing free trade union leadership. Governments and employers alike are begining to realize that it is not a question of whether or not workers are going to organize, but how. The development of strong free trade union leaders is one of the most effective ways to defeat Communist objectives in this area.

AMERICAN GOVERNMENT PERSONNEL IN THE AREA

As was the case in my trip to Asia, I came back with a fine impression of American Government personnel serving in the area. Among career State Department personnel, for example, I found in instance after instance men and women working under very trying physical conditions cheerfully and industriously, dedicating their lives to mutual understanding in the hemisphere. This work is worthy of the finest talents of our people, and I hope that the career service will attract the most representative young men and women in America. There is an important and a stimulating job for them to do, and one from which, if well done, they can obtain the utmost in satisfaction and in a feeling of worthwhile accomplishment.

ONE HUNDRED THIRTY-FIFTH ANNIVERSARY OF ADMISSION OF MAINE TO THE UNION

Mr. PAYNE. Mr. President, today marks the 135th anniversary of the admission of the State of Maine into the Union. The movement for separation of the District of Maine from Massachusetts, and its establishment as a separate State, reached a successful climax when President James Monroe signed the Maine statehood bill on March 3, 1820. An act of the Massachusetts legislature set March 15 as the effective date of the separation.

Last week it was my privilege to participate here in our Nation's Capitol in placing a wreath on the statue of Maine's first governor, William King. Governor King was one of the principal leaders in the separation movement, and was a younger brother of Rufus King who was a member of the Constitutional Convention, the Federalist Presidential candidate in 1816, Ambassador to Great Britain twice, and represented the State of New York in the United States Senate from 1789 to 1796, and again from 1813 to 1825.

Every Member of this great body is naturally proud of his home State, and I am especially proud of Maine.

There is nothing that is able to surpass the perfect beauty of Nature, and the State of Maine is a land which Nature has favored abundantly. Surging seas, crystal lakes, towering trees, fertile soils, and snow-capped peaks—all these natural attributes gloriously adorn the State which so appropriately has been christened "Vacationland."

Every year the mysterious majesty of the State lures millions of visitors. They marvel at the diversities that lie between the surging seas and the pine-crested hills, and they return again and again to capture its beauty.

As if imbued with the thoughts expressed by one of Maine's outstanding poets, Henry Wadsworth Longfellow, they seem to be repeating:

> Ah! What pleasant visions haunt me
> As I gaze upon the sea!
> All the old romantic legends,
> All my dreams, come back to me.

But Maine is far more than vacationland. Its industries, agriculture, and fisheries have made an enormous contribution to the growth of our Nation. Its institutions of higher learning are world renowned.

And the land is also reflected in the spirit and character of its people, giving them those qualities that are deeply rooted in the fundamental traditions. From earliest days, Maine men have remained close to Nature by conquering lashing seas, tilling rugged lands, and clearing towering forests. From this heritage have emerged men who have gone forth to establish enviable records in every endeavor of life in every corner of the earth.

Wherever they may be, State of Mainers have retained the indomitable individualism which causes people to refer to them simply as Down East Yankees.

On the 135th anniversary of its admission into the Union I salute the State of Maine and its more than 900,000 citizens, of whom I am indeed proud to be one.

PROPOSED DEDICATION OF A MONUMENT TO CLOSER RELIGIOUS THOUGHT AND EFFORT

Mr. DIRKSEN. Mr. President, a group of public spirited citizens have organized the Bald Knob Christian Foundation, Inc., in southern Illinois for the purpose of erecting a monument in the form of a cross more than 500 feet in height to be dedicated to closer religious thought and effort for all of the people of the Nation.

The site of this monument is to be the summit of a mountain presently called Bald Knob, and it is contemplated that the name will be changed and henceforth referred to as Mount Calvary. The design now under consideration will make this the largest standing cross in the world and its construction is to be carried on on a wholly private nonprofit basis by interested American citizens. It is expected that the project will cost about $3 million and a drive for funds

has just been launched by the General Federation of Women's Clubs of America. The site of the cross is in close proximity to the present center of population in the Shawnee National Forest in southern Illinois. It is planned also to equip the structure with shrines for all denominations. It is believed that at night when the cross is illuminated it will be visible over an area of 7,500 square miles. In connection with this project I ask unanimous consent to have included as a part of my remarks a release issued by the General Federation of Women's Clubs and also some fiscal data on the proposed cost.

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

WOMEN'S CLUBS COOPERATE IN DRIVE TO ERECT WORLD'S LARGEST CROSS

A fund drive aimed at raising $3 million and supported by the 5 million members of the General Federation of Women's Clubs, of which Mrs. Theodore S. Chapman, Jerseyville, Ill., is president, was initiated in Washington today (note release date above) to provide for the construction of a mammoth, 500-foot cross, the world's largest, dedicated to greater unity of Christian thought and effort, atop Bald Knob Mountain in southern Illinois near the population heart of America. The members of the 15,000 clubs of the General Federation of Women's Clubs are urged to become the channels through which all people in their communities have an opportunity to contribute.

The story of the cross, as it will be known, is the story of a devout rural mail carrier whose interest in humanity and in God are a legend in the 7,500-square-mile area in which the cross will be visible.

The mail carrier, Wayman Presley, a native farmer from the hills of Union County, near Cobden, Ill., has long been known for his interest in nature, and for his enthusiastic participation in youth activities. His 2-day hikes were popular among the poor youngsters in the area, and his resourcefulness in providing for them on these hikes won him the admiration of the adult population.

But it was while he was postmaster at Makanda, Ill., a post he acquired in 1934, that he began thinking more deeply about the religious aspects of life. The postmaster job was confining, and he longed to be out under the blue sky where he could enjoy nature and the beauty of the Illinois Ozarks. So he relinquished the postmaster job to become a rural mail carrier.

One Sunday in the spring of 1937 he was walking down a country road with a friend following services in the little Methodist church at Oak Grove. He had walked many times with this friend, and the two had spent pleasant hours strolling alongside the streams and the wandering Mississippi which flows nearby.

Often on these walks they had discussed the need for closer unity in thinking and effort among the many Christian denominations. Gradually the idea evolved that there should be some place where people of all denominations could meet occasionally for united worship.

As the two pondered this idea, their attention centered on the more prominent and impressive of the nearby mountains, Bald Knob. This, one of the highest and most scenic mountains in the Midwest, they agreed, would be an ideal site for such a meeting. Thus it was that a previously obscure mountain, 70 miles from the population center of the Nation, became truly the heart of an inspired religious activity.

Invitations went out, and a small but enthusiastic gathering of 250 people attended the first Easter sunrise service on Bald Knob in 1937. For this service three crude crosses, fashioned from railroad ties by members of the CCC from a nearby camp, were the only adornment the mountain boasted. Those crosses still stand.

For the second meeting a small electric cross was provided, power for which was supplied by a noisy tractor-driven generator. By the fifth year crowds of 10,000 were attending the sunrise services, and the local facilities were so overtaxed that publicity had to be curtailed until such time as land could be purchased and accommodations expanded.

The story of the initial fund-raising effort (for the original land purchase) among the not-too-rich members of the Bald Knob Foundation is heartwarming in itself. One farm woman sold a litter of pigs, and another made patchwork quilts to raise money. Presley, in order to meet a deadline on his option to buy the property, secured a "faith" loan of $10,000 from a Cairo bank, a loan that has been fully repaid.

The idea of the united mountaintop worship center had by this time inspired men and women in the area to the task of developing it even beyond the hopes of the two men who had originated the idea. One hundred and sixteen persons from 34 towns and 5 States, representing nearly every denomination and walk of life in the Midwest, contributed $100 each to a purchase fund, and now comprise the Bald Knob Christian Foundation, Inc., a nondenominational, nonprofit, State-chartered corporation whose purpose is to erect a cross and worship center on top of Bald Knob. Presley, the untiring mail carrier, was a natural for the appointment as executive secretary of the foundation.

The little group has since managed to assemble funds to build a foundation for the cross, and only recently 200 tons of concrete were poured to provide a foundation for a 2,000-ton structure.

Though a number of offers have been made to finance the building of the cross, or to raise funds ranging from a quarter of a million to $2,500,000 the foundation found most of them tainted with personal interest or other undesirable aspects. In order to avoid losing control of the cross, and to protect it from any type of commercialization, all offers were rejected.

Finally Presley went to Mrs. Chapman, president of the General Federation of Women's Clubs, the world's largest women's organization, to solicit her aid in obtaining responsible backing for the cross. After investigating his story, and learning of the wonderful work the Bald Knob group has been doing for almost two decades, she was able to pledge the interest and cooperation of the General Federation of Women's Clubs.

Through it's 15,000 clubs, donors in every part of the free world will be reached. But Mrs. Chapman urges anyone who wishes to contribute direct to mail his contribution to: The Cross, Cairo, Ill.

Present plans call for construction of a 500-foot cross, the tallest religious symbol in the world, in which shrines will be provided for all denominations. At the top of the cross, but so planned as to preserve the continuity of design, will be a forest ranger lookout post and an observation tower for visitors. The east and west faces of the cross are to be brilliantly illuminated so that it will stand out as a landmark for miles around. An elevator and stairway will provide access to the various levels where shrines and religious exhibits will be installed.

Paths leading up to the cross from parking areas and roads will be paved with stones from the paths where Jesus walked in the Holy Land, and cedars from the Forests of Lebanon will dot the lanscape. Long range plans call for a huge amphitheater on the slope of the mountain where the terrain conforms ideally to such usage. A seating capacity of 50,000 is anticipated, along with a stage large enough to accommodate an elaborate pageant.

Facilities providing for year-round use for church conventions and other religious gatherings are also being contemplated.

At present the site is marked by a 50-foot neon cross mounted on a United States Forestry Service lookout tower. Each night the cross blazons its message across 7,500 square miles to those who have already found that men can worship side by side in a common shrine, regardless of what their differences in belief may be.

The site for the cross, 187 acres in the Shawnee National Forest on the summit of Bald Knob, is owned by the foundation. The surrounding acreage is owned by the Forestry Service which has been completely cooperative in maintaining the road to the summit. Further security is afforded by written agreement with the Forestry Service assuring protection from commercialism, and a bill being initiated in Congress will dedicate a sufficient area around the site to make this protection permanent.

PHYSICAL DATA ON THE CROSS

DESIRED FEATURES PROPOSED BY CONSULTING ARCHITECT IN TENTATIVE PLAN

Size: Cross to measure 500 feet in height. Base width not yet determined, but will be so designed as to allow sufficient room for an entrance chapel, meditation rooms, etc.

Skeletal structure: To be of steel.

Foundation: Concrete.

Base: Stone exterior with reinforced concrete and interior stone finish has been recommended.

Cross: Several materials have been suggested, such as concrete, stainless steel, aluminum, porcelain enamel.

Space required in structure for lookout room for United States Forestry Service; observation floor for visitors; sufficient elevator wells to accommodate ultimate needs: stairway to summit; provisions for lighting at night (either through translucent or transparent materials, or by lighting from recessed outlets on the exterior); the various levels from the base to the observation floors to be so constructed and arranged as to provide display areas for religious articles and historical religious literature, art pieces, etc.; adequate heating, water, sanitary facilities, sewage, etc.

Miscellaneous requirements: Emergency lighting plant to meet CAA and safety requirements. Facilities for telephone and possibly radio and television broadcasting installations.

Additional accommodations: A caretaker's home and workshop will be constructed on the grounds, as will rest rooms and other necessary auxiliary, buildings, in addition to the amphitheatre on the east slope of the mountain. Plans for the amphitheatre have not yet jelled.

EXCHANGE OF CORRESPONDENCE BETWEEN SENATOR WILEY AND UNITED STATES COMMISSIONER OF PATENTS

Mr. WILEY. Mr. President, as virtually everyone realizes, the Nation's patent system is the indispensable pillar of United States free enterprise.

Unless the private patent system is maintained strong and sound, then all the great industrial arts of the American scene would be in jeopardy. The vast amount of United States research, the vast amount of capital expansion, the vast number of new products and services might be gravely imperiled.

For many years, it has been my pleasure to serve as chairman of the Senate

Judiciary Subcommittee on Patents, Trade-marks, and Copyright Law, and to work out patent codification and patent strengthening measures.

While I am no longer chairman of that subcommittee, I have been pleased to follow closely the important work which has been performed under the Eisenhower administration for strengthening the patent system. I have particularly followed closely patent developments with regard to peaceful application of atomic energy.

Recently I had an interesting exchange of correspondence with Commissioner Robert C. Watson, of the United States Patent Office. Commissioner Watson responded most promptly and graciously to suggestions which I had made to him on streamlining Patent Office work.

I believe that the American patent applicant and patent owner can look forward to ever-increased sympathetic attention and support on the part of the Patent Office and the administration as a whole.

Out of this support will, I trust, come a new flourishing of the inventive process in our country. I point out that we cannot afford to rest on our laurels either in peaceful or military inventions. We must tap the genius not only of our own citizens, but the genius of inventors throughout the world. The atom, electronics, automation—these are but a few of the vistas opening before us.

I ask unanimous consent that these letters be printed in the body of the CONGRESSIONAL RECORD.

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

MARCH 5, 1955.

Hon. ROBERT C. WATSON,
Commissioner, United States Patent Officer, Department of Commerce, Washington, D. C.

DEAR COMMISSIONER WATSON: I have noted the recent indications of the deep interest of your own office and of your associates elsewhere in the administration in helping to speed up patent searches and achieve other important modernization objectives in connection with the Patent Office.

As you know, I have long been very interested in helping to strengthen the vital patent system.

While I am no longer chairman of the Senate Judiciary Subcommittee on Patents, Trademarks, and Copyright Law, I continue to regard the work of your unit as one of the very important jobs being performed on behalf of our free enterprise system.

I assume that you and your staff have been exploring the possibilities of greater mechanizing of Patent Office operations. It seems to me that recording the vast amount of data in the Patent Office files on electronic machine cards would offer tremendous opportunities for savings and greater speed. (Thus, the present reported 3½-year lag in searches would be reduced.)

That would still, however, leave such major problems as better assuring the integrity of patents—to be successfully met. I have long been concerned about the tremendously high proportion of patent mortality in our Nation's courts. It seems to me that comprehensive steps should be taken to try to assure more protection to patent owners.

I would appreciate hearing from you on these matters.

Insofar as immediate tasks are concerned, I am particularly anxious to do everything possible to help generate American investment in new capital so as to assure sufficient job opportunities for the three-quarter of a million Americans entering the job market each year. All steps that can be taken to increase the number of valid patents in new machinery, processes, and plants will therefore be to the good.

With all good wishes, I am,
Sincerely yours,

ALEXANDER WILEY.

DEPARTMENT OF COMMERCE,
UNITED STATES PATENT OFFICE,
Washington, March 9, 1955.

The Honorable ALEXANDER WILEY,
United States Senate,
Washington, D. C.

DEAR SENATOR WILEY: I was indeed much interested and pleased to receive your letter of March 5th. Your long continued interest in the welfare of the patent system is well known to all of us and it will be a great pleasure for me to be in communication with you and to advise you what we are doing from time to time in the Patent Office by way of improvement and to tell you what we need in order to be able to operate with a fair degree of efficiency.

We have been and are now exploring the possibilities of utilization of the machine to Patent Office searching, following the recommendations of the Vannavar Bush committee. This is a long-term project as you probably know and I am by no means sure that the efforts which we are making will be fruitful for a number of years. However, we are doing everything that we can and I am sending you herewith a copy of the Bush report so that you may be advised, if you do not already have a copy, of the precise recommendations of that committee. I am also sending you herewith a copy of the Patent Office Report for the last fiscal year. This I believe you will find to be also of interest inasmuch as it points out some of our problems and many of our needs.

The better the patent of course the less likelihood of its invalidation in the courts. We would like to issue perfect patents, but of course the Patent Office has no facilities for investigating actual commercial trade practices and can only rely upon printed publications in establishing novelty. What we need more than anything else is a couple of decisions from the Supreme Court in which patents are sustained. By the time a patent gets to the Supreme Court of course a whole battery of lawyers have focused their attention on it and a whole corps of searchers have attempted to find anticipations.

I shall be happy to stop by your office at any time convenient to you to discuss these and other problems and of course I would be much pleased indeed if you could visit the Patent Office and see what we have over here. Incidentally now would be a very good time for you to spend a little while in the Patent Office as we have a very good exhibit in the lobby which features inventions of chemical and plastic nature. Some of these exhibits are of very great interest and I hope that you will be able to see them before they are removed, in about 2 weeks from now.

With kindest regards.
Sincerely yours,

ROBERT C. WATSON,
Commissioner.

VISIT BY MUNICIPAL DELEGATION WITH PRESIDENT ON NATURAL GAS PROBLEM

Mr. WILEY. Mr. President, I was pleased to hear yesterday from Mr. Bernard M. Shanley, Appointment Secretary to the President, that our Chief Executive will gladly meet with a delegation of municipal law officers for the purpose of hearing their and my viewpoint in opposition to the decontrol of natural gas production and distribution.

Earlier, I had heard from Mr. Gerald Morgan, special counsel to the President, who wrote me under date of March 10:

> The President is giving careful consideration to this whole question, with a view to achieving the maximum consumer protection.

Later, Mr. Morgan concluded:

> The President will certainly give the most earnest consideration to the views you have expressed.

It has been my consistent personal position ever since this issue first burst upon the congressional scene some years ago that the consumers of this Nation are definitey entitled to strong protection from skyrocketing increases in natural gas prices.

It has been my position that the booming natural-gas industry is entitled to a reasonable return on its investment; it is entitled to further optimum encouragement. But this does not mean giving it a blank check and thereby denying consumers their elemental rights as defined by the Supreme Court of the United States.

And so, I look forward now to our opportunity to sit down with the President and to go over this problem with him.

I wish to say that I have every confidence that the President will indeed explore this question from every standpoint of the national interest and will try to reach a decision which he believes will best serve the overall interests of our country.

With all his countless heavy responsibilities at home and abroad, we know that the burden of this decision, like countless other burdens, will be ably borne by him in a manner truly worthy of the occupant of the highest office of our land. And it will be similarly borne by his able personal staff in their important capacity of advising him.

I send to the desk now the text of the release which I issued yesterday afternoon when Mr. Shanley advised me of the scheduled appointment, and in which I listed the names of the various officials who will join with me in visiting the White House.

I append to it the text of two vital editorials. The first appeared in the March 4 issue of the Milwaukee Journal, and it presents the case against decontrol of production and distribution of natural gas.

The second appeared earlier in the February 28 issue of the New York Times; and it commented upon some of the other serious implications of the report of the Presidential Advisory Committee on Energy Supplies and Resources Policy.

I ask unanimous consent that these two editorials be printed in the CONGRESSIONAL RECORD, along with the preceding material.

May I say that the State of Wisconsin has always been in the forefront at Federal, State, and local levels in seeking to protect nationwide consumer interests. It is my privilege to continue this fight in the interest of all our citizens.

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

SENATOR WILEY ANNOUNCES VISIT BY MUNICIPAL DELEGATION WITH PRESIDENT ON NATURAL GAS ISSUE

Senator ALEXANDER WILEY, Republican, of Wisconsin, announced today that a delegation composed largely of municipal officers will meet with the President at the White House Friday, March 18, at 2 p. m.

The Wisconsin legislator stated that Bernard M. Shanley, appointment Secretary to the President, has just confirmed the scheduled appointment for the delegation.

The group will include, in addition to Senator WILEY, Charles S. Rhyne, general counsel, National Institute, Municipal Law Officers; Frank P. Zeidler, mayor of the city of Milwaukee; Anthony Celebrezze, mayor of the city of Cleveland; Harry Slater, first assistant city attorney, Milwaukee, Wis.; David M. Proctor, city counselor, Kansas City, Mo.; John C. Banks, city attorney, Denver, Colo.; John J. Mortimer, corporation counsel, Chicago, Ill.; William G. Callow, city attorney, Waukesha, Wis.; Peter Campbell Brown, city corporation counsel, New York, N. Y.; Ralph S. Jocher, director of law, Cleveland, Ohio; Abraham L. Freedman, city solicitor, Philadelphia, Pa.; Gov. Walter Kohler, of Wisconsin; James H. Lee, assistant corporation counsel, Detroit, Mich.

The senior Wisconsin Senator stated that he had requested the appointment in order that municipal officials could present at firsthand to the Chief Executive their objection to the recommendations by the National Committee on Fuel Policy pertaining to proposed exemption of gas production and distribution from Federal control.

[From the New York Times of February 28, 1955]

A NATIONAL FUEL POLICY

The report of the Presidential Advisory Committee on Energy Supplies and Resources Policy deserves wide attention and careful scrutiny. A sound national policy with regard to the fuel supplies is of great importance, yet the formulation of such a policy raises intricate and controversial problems affecting not only our domestic economy but also our foreign policy. Moreover, we may be standing at the threshold of a technological revolution as the possibilities of atomic energy's employment for peace begin to be exploited here and abroad.

Against this background, there is room for regret that the Committee apparently interpreted its mandate narrowly, confining its recommendations to immediate economic issues agitating the fuel industries. There is no mention, for example, of atomic energy in the report, despite the major impact this source of energy is likely to have on our fuel consumption pattern over the decades ahead.

It is difficult to avoid the conclusion that in making its recommendations the Committee was influenced primarily by the interests of domestic producers of different fuels. How else, for example, are we to explain the patent contradiction between the recommendations for coal and oil? For coal, the Committee denounces foreign discrimination against imports of United States coal. Discrimination, the Committee says, "would be judged to exist when United States coal imports are disallowed despite its availability at costs no higher than foreign coal." Yet, with respect to American imports of foreign oil, the Committee recommends discrimination against foreign oil whenever our petroleum imports exceed significantly the proportion they bore in 1954 to American oil production. This inconsistency can hardly make a good impression abroad.

It is disappointing, too, that in dealing with the coal industry's difficulties there is no reference to cost reduction by means of mechanization or of improved competitive position for coal through research aimed at more efficient utilization. Instead the Committee recommends that the Government try to force the railroad industry to lower coal transport rates.

There are, of course, many recommendations of the Committee which are sound. The steps suggested to assure an adequate coke supply in the event of an emergency, for example seem eminently sensible. Yet, overall, the Committee report suggests that a much wider point of view, and a much more adequate representation of consumer as well as producer interests in the report's formulation, might have produced a more generally acceptable set of recommendations.

[From the Milwaukee Journal of March 4, 1955]

CONTROL NATURAL GAS PRODUCER

More bad news for natural gas consumers—which includes thousands of Milwaukee and Wisconsin residents—comes in the recommendation of the President's fuel committee that the production and gathering of natural gas be relieved of Federal control.

This is what the gas and oil interests attempted to achieve when they succeeded in getting Congress to pass the Kerr bill several years ago—only to lose their fight when former President Truman vetoed the measure. It's what they tried to achieve when they carried their fight to the Supreme Court, only to have that tribunal rule that natural gas production was a proper area for control by the Federal Power Commission.

It's what they're trying to achieve right now in a nationwide propaganda campaign costing an estimated $1,500,000.

Milwaukee and Wisconsin officials are right when they say that the President's Commission has taken a stand that parallels that of the gas industry. Presumably, the Commission based its recommendations on the needs of national defense. This overlooks two important things:

First, the fact that consumers deserve protection in a monopoly area.

Second, that there is no reason why national defense needs cannot do properly and adequately protected under FPC control.

It makes no sense to say that consumers are adequately protected if the FPC controls prices of gas in pipelines and if States control prices to the consumer. There is another leg on the three-legged stool. What good does it do to control prices to the consumer and from the pipelines to the local distributor if both are to be at the mercy of unregulated producers?

When a distributor runs a pipeline to a gas field he becomes dependent upon the field's producer for his supplies. He can't pick up his pipe as though it were a garden hose and carry it off to another producer. The producer thus has what amounts to a monopolistic hold on the pipeline company.

It is the same hold that a utility has on a consumer whose stove, heating system or refrigerator it serves. It is logical to control the utility. It is equally logical to control the natural gas producer.

The Supreme Court saw that clearly when it ruled that producers were properly subject to FPC control. If the recommendation of the President's commission is followed, there can be only one result: Gas consumers will be at the mercy of producers who have thus far shown little but arrogance and selfishness and who can't be expected to miss the chance to tighten the screws with still higher prices.

The PRESIDENT pro tempore. Is there further morning business? If not, morning business is closed.

TAX RATE EXTENSION ACT OF 1955

The Senate resumed the consideration of the bill (H. R. 4259) to provide a 1-year extension of the existing corporate normal tax and of certain existing excise-tax rates, and to provide a $20 credit against the individual income tax for each personal exemption.

The PRESIDENT pro tempore. The question is on agreeing to the amendment, as modified, proposed by the Senator from Texas [Mr. JOHNSON], for himself and certain other named Senators, as a substitute for sections 2, 3, 4, and 5 of the bill.

Under the unanimous-consent agreement entered into on March 11, debate is limited to 4 hours, to be equally divided and controlled by the Senator from Texas [Mr. JOHNSON] and the Senator from Virginia [Mr. BYRD], respectively.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that I may now suggest the absence of a quorum, without having the time thus required charged to either side.

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

Mr. JOHNSON of Texas. Then, Mr. President, I suggest the absence of a quorum.

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

The Chief Clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. JOHNSON of Texas. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. JOHNSON of Texas. On the pending amendment in the nature of a substitute, as modified, it is my understanding that, under the unanimous-consent agreement, 2 hours are allotted to each side, the time to be under the control of the author of the substitute and the distinguished chairman of the committee, the Senator from Virginia [Mr. BYRD]. Is that correct?

The PRESIDENT pro tempore. The Senator is correct.

Mr. JOHNSON of Texas. I yield 15 minutes of my time to the distinguished Senator from Oregon [Mr. MORSE].

Mr. MORSE. Mr. President, I have prepared a rather lengthy speech on the tax issue, covering a great many questions. During the course of the remaining debate I shall necessarily have to give it on the installment plan basis, but I ask unanimous consent that my entire manuscript be inserted in the RECORD at this point in my remarks.

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

The speech prepared by Mr. MORSE is as follows:

Nothing could state more succinctly the difference of opinion between me and the administration than the minority views of the Senate Finance Committee on H. R. 4259, when it says:

"The issue can be drawn clearly and briefly.

"The present administration believes that tax policy should be shaped in such a manner as to encourage vast accumulations of capital on the theory that if the top is prosperous, some share of the prosperity will trickle down to others.

"In contrast, it is our belief that the national interest is best served by tax policies which insure individual Americans maximum possible purchasing power—the most potent force in shaping an America in which all our people will be prosperous.

"The conflict between these two philosophies is the only point truly at issue in our effort to secure a tax reduction for individual taxpayers—wealth in the hands of a few; purchasing power in the hands of many. We take our stand on the side of increased purchasing power and an expanding economy."

In making the tax cuts last year the Republican-controlled Congress justified the cuts and the deficit, both much larger than the cut now proposed and the expected deficit, on the ground that there would be increased capital expenditures, a greater gross national product and, in the long run, more revenue for the Government as well as giving the economy a needed boost. Let it be clear, then, that the administration, since it sponsored the 1954 Internal Revenue Code, and a majority of the Members of the 83d Congress, since they approved it, endorsed deficit spending as a useful tool, if used properly. The anguished cry concerning an unbalanced budget could not really, therefore, be the distinction between this year's tax proposals and the code passed last year. The point of difference must lie in difference of opinion over what is a proper tax policy. Let me say that tax policy in its simplest terms means: Who shall pay taxes and how much shall they pay. That is the real fight here. Which groups will pay taxes and how much will each of them pay.

Charges that the proposed tax cut is financially irresponsible and politically motivated have been made. I am sorry that anyone should be so unaware of the character of service that Mr. RAYBURN has rendered this Nation as to attach such a stigma to legislation he favors. It would appear to me that those using the term "irresponsible" should examine its meaning before giving vent to their feelings. If there is a sound purpose behind the proposed legislation, I would not call it irresponsible. Though I felt that the tax cut last year was not giving relief to the right segment of our national community, I did not characterize it as irresponsible.

The purpose of the administration-fostered tax cut was to bolster our economy, and that is the purpose behind the proposed legislation I am discussing today. Why should either be labeled "irresponsible"? Though either or both prove unsatisfactory methods for gaining the end sought, that failure does not warrant that either be the target of such an opprobrious comment. Shortly, I shall point out why I think the course chosen last year was in error and why I think that the present proposal is taking us in the right direction.

Like all phrases, the phrase "politically motivated" has two or more connotations. If it is political motivation to attempt to get the great majority of our people a square deal taxwise, then I am politically motivated and proud of it. If it is political motivation to enact legislation that will put more purchasing power into the hands of the majority of consumers so that our whole economy can benefit, then I am politically motivated and proud of it. I think Mr. RAYBURN would join me in these views.

Another charge leveled against this proposed income-tax cut for the benefit of lower bracket taxpayers has been that inflation will certainly be the result. I have taken the liberty to have placed on each of your desks a very recent article from U. S. News & World Report. I think that my friends across the aisle will recognize this magazine as a good, solid publication. I shall return to the article later, for other purposes, but it seems to me that there could not be a more complete refutation of the inflation argument made against the proposed cut than is found here. I ask you to glance briefly at the area blocked out in red, which pretty well summarizes the content of the whole article:

"What lies ahead for the United States dollar?

"Is it going to lose more purchasing power because of rising wages, rising prices?

"That's what happens when inflation takes hold—and talk about inflation is reviving.

"Inflation, in fact, already is threatening in Britain and most other European countries.

"But the situation is different in the United States.

"This country has lots of unused capacity to produce more goods, if people want them.

"Supply and capacity are bigger than demand for almost all things people use.

"There's not much chance of inflation when buyers are able to call the tune."

I would like to add a little comment here for the benefit of those who would claim that the tax cut would be inflationary and at the same time argue that the cut is so small that it wouldn't provide much purchasing power anyway. The simple fact is, the two stands are inconsistent. They may choose one tack or the other, but not both.

At the time that the Senate was considering the bill that eventually became the Internal Revenue Code of 1954, I voiced my opposition to it on three main grounds. My first ground was that the tax relief was going into the wrong channels if we really wanted to help get our economy out of the admitted slump it was in. I wanted greater tax reductions for our low income groups. The argument of the proponents of the bill was that by giving tax relief to corporations and coupon clippers, we would provide more funds for investment, increase our gross national product, and ultimately bring the Government in more revenue as well as the temporary ills the economy was suffering.

It was and still is my opinion that two things were wrong with this view. In the first place, I pointed out that inventories were piling up, that our real problem was one of making it possible for our people to consume what we produced in our existing plants and not building new ones. As you are able to see from the U. S. News & World Report article I referred to a bit ago, we are still not able to consume what we are potentially able to produce. My thought was that we needed to give our people more purchasing power so that they could consume what was produced. I still think that. Notice for a moment pages 26 and 27 of that article—production capacity in the automotive industry is 9 million cars—expected output is only 6.6 million cars. Capacity in steel is 125.8 million tons, but our mills will produce only 107.4 million tons. The great cotton growing areas of this country are able to supply us with 13.5 million bales of cotton but our economy will use only 9 million bales. Television sets could be produced at the rate of 12.4 million sets per year and yet we will produce only 9.2 million per year. Without going into the other items displayed here, for I intend to make this report part of the record, it is obvious that we simply must make it possible for our people to buy more. We all know that a company unable to sell what it has the capacity to produce will not expand capacity.

We know that farmers are also affected by inability to produce to their fullest possible extent. As a general rule we can state that prices will be lower if more units are grown or produced. We can also generalize and say that greater production will entail the hiring of a greater work force. Without question we can say that it would not be necessary for the Department of Agriculture to so severely curtail cotton and other acreage if our people had the purchasing power to buy more agricultural products. In short, more people would be at work and the farmers income would not be down if consumers had the wherewithall to purchase what could be produced.

In the second place, it was my view that the tax cuts of last year would not increase capital expenditures. Let me quote for you a paragraph from the February 1955 issue of the Conference Board Business Record:

"Two out of 3 companies indicate that their depreciation policy will have no influence on capital expenditures, even though one of the stated reasons for writing accelerated depreciation into the new code was to stimulate the expansion and modernization of plant and equipment. Factors other than depreciation, such as demand for products, advantages of technical improvements, and the availability of cash are expected to remain the dominant considerations. Among those companies that foresee stimulus to capital expenditures, the majority expect to increase outlays for modernizing their plants and equipment rather than expending plant facilities."

This is a publication of the National Industrial Conference Board, gentlemen, a publication by and for business men. The remarks are based on a survey made of some 167 manufacturing companies. Demand for products, they tell us, will be one of the primary considerations taken into account before capital expenditures will be made. Notice, demand for products is the first thing that is listed. Notice, further, that the article specifically refutes the administration's argument that accelerated depreciation allowances would influence capital expenditures. Nor should we overlook the closing lines, which state that those companies which will make capital expenditures will modernize and not expand plant facilities.

Let us examine, for a moment, the capital expenditures of corporations and some other related figures.

Mr. President, in making their case for more liberal depreciation allowances the President stated in his 1954 Economic Report this would "Provide strong inducements to investment." (p. 80). I shall demonstrate, Mr. President, that the liberalization of depreciation allowances has not provided the strong inducements to invest as was asserted by the President.

The President also stated in rationalizing the huge prospective revenue loss under this provision that, "The step proposed here should not entail any ultimate loss of revenue to the Treasury partly, because deductions for an asset would merely be shifted from later to earlier years and, more significantly, because of induced gains in the volume of investment, and in industrial productivity. (Ibid.)

Mr. President, the loss in revenue from this provision will be gigantic and the burden of meeting the revenue needs of the country will be shifted on to other groups. The prospective gains from increased productivity resulting from this provision thus far have proved illusory.

Mr. President, here are the facts about the relations between investment and depreciation allowances.

The recently transmitted Economic Report of the President for January 1955 contains a table titled "Sources and Uses of Corporate Funds, 1946–54." It appears at p. 193 of the report. According to this table corporate spending for plant and equipment in 1953 amounted to $24.1 billion. In 1954 this amount was reduced by $1.6 billion and totaled $22.5 billion. This reduction in corporate investment for plant and equipment

occurred in what the administration has called "one of our most prosperous years." (President's Economic Report, p. 11.)

Why did corporations cut back investments by $1.6 billion? We passed the liberalized depreciation allowances which were supposed to offer "strong inducements to investment." Perhaps it will be argued that there was not sufficient time for this stimulant to affect business finances. Unfortunately, this does not appear to have been true. Referring again to the table on p. 193 of the President's Economic Report we see that corporate depreciation and amortization allowances increased from $11.2 billion in 1953 to $12.5 billion in 1954. In brief, this source of internal funds provided corporations with an additional $1.3 billion in cash to finance investment in 1954. Yet as we have seen earlier investment actually declined by $1.6 billion.

What happens to the cash that is generated by repaid depreciation? According to the President's Economic Report, corporations in 1953 had increased their bank and mortgage indebtedness by $400 million. In 1954, they reduced their indebtedness to banks and mortgagors by $1 billion. As corporation internal sources of funds in the form of depreciation and amortization allowances have risen they have decreased their dependence upon external sources of financing including bank and mortgage borrowings.

Increased depreciation charges permit corporations to increase their ratio of dividend payments to stock holders out of after-tax profits. Thus in 1954 corporate dividend payments rose by $500 million (from $9.4 billion in 1953 to $9.9 billion in 1954), although corporate profits after taxes fell $500 million (from $18.3 billion in 1953 to $17.8 billion in 1954.)

Additional funds generated by the more liberal allowances for depreciation have also permitted corporations to rely less upon the organized capital markets thereby contributing to a shortage of new issues for investors to put their savings in. According to the President's Economic Report, net new security issues as a source of corporate funds declined by $800 million or more than 10 percent between 1953 and 1954 ($7.3 billion in 1953 compared with $6.5 billion in 1954).

Additional depreciation allowances have on balance merely provided corporations with additional internal sources of funds and decreased their reliance upon outside borrowing. To that extent the position of the individual equity investors has been strengthened. These added funds have also enabled corporations to maintain a higher rate of dividends than would otherwise be possible. And in future years as this source of funds grows they will provide an added assurance to stockholders that dividend payments will be maintained in good years as well as bad years. As far as investment is concerned the chief stimulus to investment is the expectation of additional sales. Despite the prospect of an additional $1.5 billion in depreciation in 1955 corporations are not planning to increase their investments from the reduced rate of 1954 according to the most recent survey made by McGraw-Hill. (Statement of Dexter Keezer, vice president, McGraw-Hill, p. 127, hearings on January 1955 Economic Report of the President.)

These figures conclusively demonstrate that the administration's theory that tax reductions for corporations and those being paid dividends on stock would make for greater capital expenditures was wrong. The condition of our economy has not materially improved. In fact, it has grown worse in some areas.

Later in this discussion, I will examine what the majority report of the House Committee on Ways and Means had to say on the depreciation clause and its effect on the economy and returns to the Treasury.

My second ground of opposition to the tax plan advanced by the Republican Congress last year was that it was an unneeded subsidy for big business in its provisions allowing accelerated depreciation. I have not changed my mind one bit on that subject. It was my opinion that small business and most of our farmers would get very little if any advantage from the new depreciation law.

I think that the best way to discover who is benefiting from the new law on depreciation is to determine who is using the accelerated depreciation provisions. The Conference Board Business Record, which I spoke of earlier, tells us, on page 71, that those companies in which the value of new equipment is small, in which normal capital investment is small, and those companies which buy secondhand equipment will not use the accelerated depreciation methods. I suggest to you that these examples I have cited do not describe large corporations.

As one small-business man put it:

"As builders of specialized packaging machinery, our point of competition is primarily at the engineering level—the skill and ingenuity required in solving problems of material packaging and handling—rather than at the production level. For this reason our having the ultimate in machine-tool capacity has little impact on our costs and the need for continued replacement of equipment does not exist."

It is the big outfit making large expenditures for new buildings or machinery, etc., that will make the real gain. I would quote to you from the January 1955 Harvard Business Review, page 72, on this same point:

"Of course the new depreciation provisions will have an uneven impact on different industries. Those industries and companies in which capital expenditures are relatively heavy compared to income will gain more from the new depreciation provisions than those industries and companies making relatively light capital expenditures. Thus, as noted earlier, retail establishments should have relatively little to gain in the way of tax benefits as compared to certain public utilities, railroads, and manufacturing industries. Similarly, companies expanding stand to gain more than those which are not expanding."

I would recommend that those of you who are interested read this article. Its author, Mr. Robert Eisner, gives the figures to back up his analysis. I inserted a copy of his article into the RECORD last Friday. Rather than get into the specific examples of how new accelerated depreciation rates will benefit those who use them, let me give you my third reason for opposing the tax cuts that were made last year.

First, though, I want to repeat what I said in the debate last year on the general subject of depreciation. I am not opposed to depreciation. I voted in favor of the depreciation provisions brought before the Senate other than the proposal made last year. I support reasonable depreciation allowances. Business needs them. I have also supported the emergency accelerated amortization provision, and will continue to do so for so-called emergency facilities. I am opposed to granting emergency acceleration to nonemergency facilities and that is one reason why I voted against the acceleration provisions introduced last year.

My third reason for opposing the bill that became our new Internal Revenue Code was that the accelerated depreciation provisions would result in an appalling loss of revenue to the Government. The majority report of the Committee on Ways and Means contended that:

"The changes made by your committee's bill merely affect the timing and not the ultimate amount of depreciation deductions with respect to a property. No accurate estimate can be made of the cost of this provision even in the early years of its application because of uncertainty concerning the extent to which the new declining-balance formula will be adopted and because of the difficulty in allowing for the effects of the increased investment resulting from the provision upon tax revenues. If there were no stimulus to investment and all eligible taxpayers adopted the new formula, the loss in the fiscal year 1955 would be about $375 million. In the second and immediately subsequent years there would be greater losses if the effect on investment were ignored but it is highly likely that by that time the stimulus which the new formula brings will have produced a volume of additional investment and taxable income which will result in there being no net revenue loss under this provision."

I would like to point out, before going any further, that it might interest those signing this majority report if they know that total outlays for new plants in the third quarter of 1953 reached almost $29 billion annually. A year later the total was down to $27 billion and in the first quarter of this present year, it is estimated to have sunk $26.03 billion. I would remind them, too, of the remarks concerning the effect of the new depreciation allowance on capital expenditure that I quoted from the Conference Board Business Record. Businessmen said that depreciation would have little if any effect on their outlay for capital expenditures. The stimulus which the new formula was supposed to bring is strangely lacking and does not promise to be forthcoming.

The minority report of this same Ways and Means Committee estimated that the depreciation provisions would cause a permanent loss of some $19 billion in revenue by about 1970 and that the loss would reach $2.2 billion in 1956. The views of the majority were accepted, though, and the provision was enacted.

I warned in the debate on the new tax code, that we were dealing with such a complex piece of legislation that we should not be rushed into passing it. It was my thought that only by giving the bill our mature consideration could we do the type of job that ought to be done on it. But the legislation was bulled right through.

Once again I would like to present some of the comments Mr. Eisner makes in the Harvard Business Review. Of his article, he says,

"This article will demonstrate, however, that the effect on corporate tax payments of application of these provisions will be tremendous, so tremendous indeed that one may begin to wonder whether those in Congress who voted the new tax law * * * quite knew what was transpiring."

At this point, Mr. President, I would like to extend an invitation to Mr. Eisner to join me in forming an "I-told-you-so society." Indeed, Mr. President, I think that we ought to invite Secretary of the Treasury Humphrey to join. I notice that in one of his recent discussions with a House committee neither he nor the committee members were exactly rushing to claim the credit for having enacted the reserve-fund provision of the 1954 Internal Revenue Code now that some unexpected serious losses of revenues are resulting from that provision, which is section 462.

Indeed, I understand that Mr. Humphrey's last position was, "Why blame me? You passed it; I didn't." I fully expect that there will be similar disclaimers of responsibility for section 167, the depreciation clause, when the American people discover, in fact, the American Congress discovers, what was involved. Without malice, Mr. President, I am inclined to ask whether or not there was any financial irresponsibility involved in the passage of the poor little orphan reserve-fund clause.

But let me share some more of Mr. Eisner's thoughts with you. Having analyzed the

three basic methods of depreciation, Mr. Eisner says:

"Unfortunately, many analysts of the new tax law cease at this point, concluding that the only difference between the old and new methods relates to whether depreciation charges come early or late, or whether tax payments come late or early. 'It all washes out in the end' is the cheerful and misleading conclusion which an amazing number of accountants apparently reach." (I would like to ask Mr. Eisner not to be harsh on his colleagues; after all, an amazing number of Congressmen and Senators reached the same conclusion.) "Such a conclusion is not only misleading; it is for all practical purposes flatly erroneous. Controllers, company presidents, or economists operating on the basis of such a conclusion would be making costly mistakes. They would have failed to turn from the elementary problem of a single property to the relevant problem of depreciation charges on all the properties of a going concern."

It is my opinion that this is one of the mistakes that the Congress of the United States made, Mr. President, in considering the provisions on depreciation.

Since I have already put this article into the RECORD, I will not quote the calculations that Mr. Eisner makes to prove his point. I want to state a few more of his conclusions that are pertinent to the quotation that I made earlier from the House report. He says:

"A notion of the magnitude of the figures involved may be had by applying them to a situation, certainly not uncommon among giant American companies, where additions run at an annual rate of $100 million * * * by the year 16 (1970 under the new tax law * * *) years-digits depreciation charges would be exceeding straightline charges by $24,230,000 for that year alone. Assuming that marginal tax rates are in the neighborhood of 50 percent, these increased charges would represent a tax saving of some $12 million. * * * contrary to a widespread notion, this saving would in no practical sense be a 'deferral' for it would be followed by additional savings in subsequent years. In no future years would lesser depreciation charges and high taxes cancel out the initial gains, so long as the depreciation provisions of the new tax law remain in effect.

"For the corporation whose additions run at $100 million annually, the sum of the excesses of years-digits depreciation charges over straight-line charges in the entire 34-year period of transition would amount to $538 million. Declining-balance charges would exceed straight line by as much as $294 million in the first 27 years but would thereafter be less than straight-line charges. However, after 44 years declining-balance charges would still be some $156 million ahead and would remain forever at least $50 million ahead."

* * * * *

"Not only to declining-balance and years-digits charges both rise above the straight-line figures during the first 34 years, but they both remain permanently higher. To the initial tax saving, then, should be added further tax savings, year after year indefinitely, so long as the depreciation provisions of the new tax law remain in effect, and so long as the assumption of long-run growth remains valid."

I notice, too, that Mr. Eisner differs with the majority report of the Committee on Ways and Means on the issue of how much revenue will be lost through the application of the new depreciation provisions. He estimates that by 1960 the loss will be about $3 billion per year, if tax rates on business remain the same. By 1965, he feels, the loss would be $5 billion a year and would continue to rise thereafter.

It is clear, then, Mr. President, that Mr. Eisner and the majority of the members of the Committee on Ways and Means do not share a common view of the depreciation clause.

What do businessmen and those who advise them on tax, accounting, and economic matters have to say about the advantages of the new depreciation provisions? The Conference Board Business Record found that those companies adopting the new depreciation rates did so for three reasons. They felt that the new provision:

Provides for more rapid recovery of capital funds.

Reduces current taxes.

Results in more realistic valuation of assets.

"RAPID RECOVERY OF CASH

"The more rapid recovery of cash under accelerated depreciation was the reason most frequently cited for changing from the straight-line method. Pointing to the extent of this acceleration, a foundry executive writes:

" 'This change in depreciation policy (he had changed to sum-of-the-years-digits method) will enable us to charge off against income 72.7 percent of the cost of the new asset during the first half of its life, which compares to 50 percent under our old method. The advantage of this is that the cost of the new asset will be returned to us in tax dollars at a faster rate than formerly.'

"The ability to 'preserve' and 'bolster' working capital is regarded as particularly important by those companies that are anticipating large capital expenditure programs. And a machine-tool producer writes:

" 'With our present plans to move our entire plant to a new location as soon as buildings are completed, we feel that by using the allowances in the new law, we will be able to pay off the loan on the new buiding over a shorter period of time.'

"Several companies noted that the present worth of the additional cash which accelerated depreciation would make available is a significant factor in making them choose this new method. One executive, for example, observed that even though the money was not needed in his business, the increased flow of cash could be invested profitably, thereby reducing the cost of the original investment in plant and equipment.

"REDUCED TAXES

"Some companies were motivated to change their policy because of a desire to gain an immediate reduction in taxes. These companies usually underscored the word 'immediate' by indicating that they were well aware of the fact that they were gambling on possible future increases in tax rates which might more than cancel out the immediate savings.

"And several cooperators agreed with one heating and plumbing manufacturer, who wrote that 'profits are fairly good at the present time, so we can bear the additional depreciation charges.'

"MORE REALISTIC VALUES

"It is the contention of some executives that accelerated depreciation 'recognizes true values,' 'gives a more realistic result in the calculation of the overall cost of machinery usage,' and 'is more realistic and commensurate with actual depreciation and obsolescence.' On this point a manufacturer of building materials and supplies writes: 'The greater deduction permissible in the earlier years seems to us to coincide with the economic facts, in that the greatest loss takes place in the early years. Too, the equipment is at its maximum efficiency at that time, and the higher maintenance costs in later years, combined with the lower depreciation charge, tend to equalize at a more realistic cost throughout the life of the equipment.' "

I would call to your attention, Mr. President, to something that ought not to be overlooked in the ultimate savings involved in this law. It is the factor of high-maintenance costs in the later years, mentioned in the last section just quoted. Those higher maintenance costs will help reduce the taxes, too, because they are deductible business expense.

I am almost inclined not to bring up this next matter. My reference is to the fact that some of the businesses interviewed were afraid that they were gambling in taking the big slice of depreciation now, in that they would run into higher taxes in later years. Mr. Eisner's article demonstrates that the gamble is not a large one. But not wanting it to be said that I denied anyone his slice out of the middle of the road—I assume that the 1954 Internal Revenue Code is the middle of the road legislation—I would direct these cautious companies to a very interesting little book.

I would like to call their attention to a book by Willard F. Stanley, of Prentice-Hall, the title of which is "New Rapid Tax Depreciation," subtitle, "How To Use It Profitably."

My reason for bringing this material forward now is just to demonstrate that my contentions concerning the depreciation clause are shared by Prentice-Hall and that the depreciation clause is a bonanza for big business. Notice, if you will, that I am quoting from the publication of a leading tax firm. One would hardly consider them irresponsible.

Let me read to you what Mr. Stanley has to say in his foreword:

"Federal income tax services and explanatory bulletins will explain your tax rights on this subject, but this book goes far beyond that by presenting all important factors to be considered in deciding whether to adopt one of the new alternative methods for rapid depreciation. * * *

"Chief among the important factors to be considered are:

"1. Financial assistance: Rapid depreciation will provide you with cash, by deferring taxpayments.

"2. Economic gain: Rapid depreciation will permit free use of the deferred tax money until you pay the taxes in later years.

"3. Tax savings: Rapid depreciation permits you to save taxes if you should dispose of new properties after the period of higher depreciation deductions has expired.

"Any one of these factors can result in substantial dollar benefits to you.

"For instance, if you are a medium-sized manufacturer spending $200,000 to modernize your plant with machinery having a life span of 5 years, you will have $20,000 more cash (over 10 percent of your cost) to use in paying for the new property by the end of the first year of its life, because of reduced taxes due to rapid depreciation.

"If you are a farmer buying $5,000 worth of new farm machinery with a 10-year life, you will have $250 more cash (5 percent) of your cost at the end of the first year after your new machinery is installed, and another $150 (3 percent) the second year, to apply toward paying for the machinery if you adopt rapid depreciation.

"Then if you are a somewhat larger corporation spending $1 million on expansion, with a 20-year average life expectancy for the new property, you will benefit by a net economic gain of about $80,000, assuming the cost of the money you save is taken at 5 percent.

"If you happen to be a utility company expanding at the rate of $20 million a year, with a life span of 33 years, your present net economic gain would be more than $1,600,000 for each year's expansion.

"If you buy new machinery for $500,000 with a 6-year life, by selling it to a wholly owned subsidiary you can establish a net tax saving of over $22,000 (4.4 percent of cost), assuming you are not filing consolidated returns.

"The accounting impact upon the value of your stock (if it is quoted in the market)

is another important phase which no one making a sound decision can afford to overlook. With a $12 million asset corporation the accounting treatment, under fairly average conditions, could raise or lower the average market value of your company's stock by from $500,000 to $1 million over the next 5 years.

"The chapter on economics discusses the objections likely to be raised to the adoption of rapid depreciation. We particularly emphasize the fear of higher tax rates in subsequent years when your deductions for tax depreciation will be lower because of the use of rapid depreciation. The chapter demonstrates how groundless this fear should be in the great majority of cases. These few examples illustrate the large dollar benefits accruing from the intelligent use of rapid depreciation."

I have read the chapter on economics carefully and I suggest that those companies which fear the rapid depreciation clause forget their fears and dig in before the Democrats catch up with section 167. Not wanting to be incomplete in my counsel, I would also have them pay particular heed to the possibility, discussed by Mr. Stanley under the heading "Tax Savings," of disposing of properties after the period of higher deductions has expired.

Mr. Stanley is an honest man, Mr. President. I judge that to be the fact because he opens the first chapter of the book with these stirring words:

"Uncle Sam has given a break to American business."

I will also agree with Mr. Stanley when he says that his book goes far beyond the ordinary explanatory bulletins, as he puts it, and well it might. His company is going to have a lot of satisfied customers. I would most strongly endorse this book to any Member of the Senate who would care to put in the little bit of effort that it would take to read it. I am sure that any reader would begin to understand some of the implications of the law that was passed by this body last year.

Mr. President, how woefully inadequate was the analysis offered in the paragraph that I quoted from the report of the Committee on Ways and Means. It is my sincere opinion that they, and we in accepting their counsel, made a serious mistake.

There were many errors in the tax bill that was passed last year. There were errors in policy and errors in computing the effect the law would have on revenue. The underlying policy error was that the act was based on the wrong theory of taxation. Relief should not have been given on dividend income, nor should it have given to the great corporations in the form of accelerated depreciation and the reserve fund clause. We should have put purchasing power in the hands of the lower income groups. The errors in computation lay in the calculations that were made concerning the amount of revenue that would be lost to the Treasury due to the effect of the depreciation and reserve fund provisions. That there were errors made in calculating the revenue effect of the reserve fund clause is no longer questioned. The only issue at present seems to be whether the executive branch or the Congress should be blamed.

I think that the errors made in figuring the effect on revenue of the depreciation clause were much more serious. The Journal of Accountancy, December 1954, page 741, carried a study by the American Institute of Accountants on accounting for depreciation under the new law. One of the things that they pointed out was that the declining-balance method could give three times the amount of depreciation that one would gain under the old straight-line approach.

Assume an asset worth $150, with a 5-year useful life assigned it and with a salvage value of $50. Under the straight-line method you could only charge depreciation against $100 worth of the property since you cannot depreciate against the amount set aside for salvage under that method. One-fifth of the $100, or $20, could be charged off the first year. Under the declining-balance method, though, depreciation is charged against the full $150 and not just the amount left after subtracting salvage. Furthermore, doubling the straight-line percentage would mean that in the first year you could depreciate 40 percent of $150, or $60.

Let me remind you, Mr. President, that these are not my figures. At no time in this discussion have I advanced my own calculations. I have attempted to bring to the attention of this body computations made by responsible and conservative bodies or individuals.

It is my opinion that we should correct the errors that I have discussed. We can do that by enacting certain new provisions in our tax laws and by repealing some of these enacted last year.

Mr. President, I support the $20 tax cut reported out by the minority of the Senate Finance Committee. In my mind it is a step in the right direction. It is a return to a sound theory of taxation; it will put purchasing in the hands of the lower income people.

We should repeal the depreciation law that was enacted last year and return to the old straight-line method of depreciation. We should repeal the tax cuts enacted last year on dividend income. We should repeal the reserve fund provision.

The corporate and excise taxes should be extended to July 1, 1957, if other relief can be given consumers of the country.

The most conservative estimates are that the repeal of the above mentioned provisions and the extension of the corporate and excise taxes would bring the Treasury $6.155 billion in revenue (to July 1, 1957). The tax cut proposed by the minority of the Finance Committee would only cost us $1.261 billion. Obviously, then, we can afford to enact the tax cut.

In closing, I want to report that the real problem in our economy today is not one of ability to produce but one of power to consume that which is and can be produced.

Our great need is not to increase our production facilities; the need is to put purchasing power into the hands of our lower income groups. We cannot escape the fact that consumers must have adequate purchasing power if our economy is to grow. Most of us would agree that without growth our economy cannot stay healthy. The concept that there must be a leveling off in our economy and attendant unemployment is fallacious. We can have a constantly expanding free-enterprise economy.

I am continuously amazed that some people hold the view that there must be a leveling off. I have more faith in our system than that. It seems to me that we must end the period of the rolling adjustment and put the economy back in gear. I do not believe that many of us would deny that our economy today still needs a boost in some areas. A construction boom and an upswing in the auto industry are primarily responsible for keeping the current slump from becoming much worse. We cannot rely on these two factors to carry us through.

I would quote once more from the article in U. S. News and World Report: "Workers, too, are in surplus. Latest reports show 3.3 million individuals classed officially as seeking work and unable to find work. Still others could be drawn into the labor force. There are also thousands of workers who are not working full time.

"What all this means is that there are few, if any, shortages, or threats of shortages, that might cause people to start a rush for goods that could send prices higher. Actually surpluses in many fields are putting a downward pressure on prices.

"Food is superabundant. Farmers are getting the lowest price for hogs in almost 5 years. Cattle prices are down from their peak. Milk and other dairy products are in surplus. Fruits and vegetables and other foods offer no problem of supply at all. Actually, hard times prevail in some farming areas."

I am sure that unemployed workers, farmers suffering from a loss of income and small-business men going bankrupt are all very happy to hear that there is no chance of inflation. If this is the type of economy that the administration favors, certainly it is correct to call it a big-business administration.

I do not for one moment think that such a situation is healthy for this Nation and its people. We have the ability to produce, let's use it.

Mr. MORSE. Mr. President, I am going to speak to the tax subject under the general topic, "Ability To Pay Is Still the Only Sound Basis for Levying Taxes on the American People."

Nothing could state more succinctly the difference of opinion between me and the administration than the minority views of the Senate Finance Committee on H. R. 4259 when it says:

> The issue can be drawn clearly and briefly. The present administration believes that tax policy should be shaped in such a manner as to encourage vast accumulations of capital on the theory that if the top is prosperous, some share of the prosperity will trickle down to others.
>
> In contrast, it is our belief that the national interest is best served by tax policies which insure individual Americans maximum possible purchasing power—the most potent force in shaping an America in which all our people will be prosperous.
>
> The conflict between these two philosophies is the only point truly at issue in our effort to secure a tax reduction for individual taxpayers—wealth in the hands of a few; purchasing power in the hands of many. We take our stand on the side of increased purchasing power and an expanding economy.

Let me make clear my reasons for accepting the position of the minority. The tax cut proposed this year will cost the Government $1.261 billion in revenue and, if not compensated for in some other manner, will help create a budget deficit of approximately $3.5 billion. The tax cuts enacted last year totaled some $2.5 billion and the deficit was about $4.5 billion.

In making the tax cuts last year the Republican-controlled Congress justified the cuts and the deficit, both much larger than the cut now proposed and the expected deficit, on the ground that there would be increased capital expenditures, a greater gross national product and, in the long run, more revenue for the Government as well as giving the economy a needed boost. Let it be clear, then, that the administration, since it sponsored the 1954 Internal Revenue Code, and a majority of the Members of the 83d Congress, since they approved it, endorsed deficit spending as a useful tool, if used properly. The anguished cry concerning an unbalanced budget could not really, therefore, be the distinction between this year's tax proposals and the Code passed last year. The

point of difference must lie in difference of opinion over what is a proper tax policy. Let me say that tax policy in its simplest terms means: Who shall pay taxes and how much shall they pay. That is the real fight here. Which groups will pay taxes, and how much will each of them pay?

Charges that the proposed tax cut is financially irresponsible and politically motivated have been made. I am sorry that anyone should be so unaware of the character of service that Mr. RAYBURN has rendered this Nation as to attach such a stigma to legislation he favors. It would appear to me that those using the term "irresponsible" should examine its meaning before giving vent to their feelings. If there is a sound purpose behind the proposed legislation, I would not call it irresponsible. Though I felt that the tax cut last year was not giving relief to the right segment of our national community, I did not characterize it as irresponsible, and do not now.

The purpose of the administration-fostered tax cut was to bolster our economy, and that is the purpose behind the proposed legislation I am discussing today. Why should either be labeled irresponsible? Though either or both prove unsatisfactory methods for gaining the end sought, that failure does not warrant that either be the target of such an opprobrious comment. Shortly, I shall point out why I think the course chosen last year was in error and why I think the present proposal is taking us in the right direction.

Like all phrases, the phrase "politically motivated" has two or more connotations. If it is political motivation to attempt to get the great majority of our people a square deal taxwise, then I am politically motivated and proud of it. If is is political motivation to enact legislation that will put more purchasing power into the hands of the majority of consumers so that our whole economy can benefit, then I am politically motivated and proud of it. I think Mr. RAYBURN would join me in these views.

Another charge leveled against this proposed income tax cut for the benefit of lower bracket taxpayers has been that inflation will certainly be the result. I have taken the liberty to have placed on the desk of each Senator a copy of a very recent article from U. S. News & World Report. I think my friends across the aisle will recognize this magazine as a good, solid publication. I shall return to the article later, for other purposes, but it seems to me that there could not be a more complete refutation of the inflation argument made against the proposed cut than is found here. I ask Senators to glance briefly at the area blocked out in red, which pretty well summarizes the content of the whole article.

What lies ahead for the United States dollar?

Is it going to lose more purchasing power because of rising wages, rising prices?

That's what happens when inflation takes hold—and talk about inflation is reviving.

Inflation, in fact, already is threatening in Britain and most other European countries.

But the situation is different in the United States.

This country has lots of unused capacity to produce more goods, if people want them.

Supply and capacity are bigger than demand for almost all things people use.

There's not much chance of inflation when buyers are able to call the tune.

I should like to add a little comment here for the benefit of those who would claim that the tax cut would be inflationary and at the same time argue that the cut is so small that it would not provide much purchasing power anyway. The simple fact is, the two stands are inconsistent. They may choose one tack or the other, but not both.

At the time the Senate was considering the bill which eventually became the Internal Revenue Code of 1954, I voiced my opposition to it on three main grounds. My first ground was that the tax relief was going into the wrong channels if we really wanted to help get our economy out of the admitted slump it was in. I wanted greater tax reductions for our low-income groups. The argument of the proponents of the bill was that by giving tax relief to corporations and coupon clippers, we would provide more funds for investment, increase our gross national product, and ultimately bring the Government in more revenue as well as help the temporary ills the economy was suffering.

It was and still is my opinion that two things were wrong with this view. In the first place, I pointed out that inventories were piling up, that our real problem was one of making it possible for our people to consume what we produced in our existing plants and not building new ones. As can be seen from the U. S. News & World Report article to which I referred a while ago we are still not able to consume what we are potentially able to produce. My thought was that we needed to give our people more purchasing power so that they could consume what was produced. I am still of that opinion. Notice for a moment pages 26 and 27 of the article, where it is stated that the production capacity in the automotive industry is 9 million cars and the expected output is only 6.6 million cars. Capacity in steel is 125.8 million tons, but our mills will produce only 107.4 million tons. The great cotton-growing areas of this country are able to supply us with 13.5 million bales of cotton, but our economy will use only 9 million bales. Television sets could be produced at the rate of 12.4 million a year, and yet we will produce only 9.2 million a year. Without going into the other items displayed here, for I intend to make this report a part of the record, it is obvious that we simply must make it possible for our people to buy more. We all know that a company unable to sell what it has the capacity to produce will not expand capacity.

The argument which was made last year, that the enactment of the tax bill then pending would lead to plant expansion has been proved to be fallacious, and the same argument in the course of this debate will likewise prove to be fallacious. The pending tax bill will not bring about an expansion of plants; nor will plants produce more merchandise than the buyers of America have the money with which to buy.

We know that farmers are also affected by inability to produce to their fullest possible extent. As a general rule it can be stated that prices will be lower if more units are grown or produced. We can also generalize and say that greater production will entail the hiring of a greater work force. Without question we can say that it would not be necessary for the Department of Agriculture to curtail cotton and other acreage so severely if our people had the purchasing power to buy more agricultural products. In short, more people would be at work and the farmers income would not be down if consumers had the wherewithall to purchase what could be produced.

Mr. President, I want to emphasize that the real problem in our economy today is not one of ability to produce, but one of power to consume that which is and can be produced.

Our great need is not to increase our production facilities; the need is to put purchasing power into the hands of our lower-income groups. We cannot escape the fact that consumers must have adequate purchasing power if our economy is to grow. Most of us would agree that without growth our economy cannot stay healthy. The concept that there must be a leveling off in our economy and attendant unemployment is fallacious. We can have a constantly expanding free enterprise economy.

I am continuously amazed that some people hold the view that there must be a leveling off. I have more faith in our system than that. It seems to me that we must end the period of the rolling adjustment and put the economy back in gear. I do not believe that many of us would deny that our economy today still needs a boost in some areas.

In many sections of the country serious unemployment exists. Between three and a half and four million men are out of work in America.

A construction boom and an upswing in the auto industry are primarily responsible for keeping the current slump from becoming much worse. We cannot rely on these two factors to carry us through.

I quote once more from the article in U. S. News & World Report:

Workers, too, are in surplus. Latest reports show 3.3 million individuals classed officially as seeking work and unable to find work. Still others could be drawn into the labor force. There are also thousands of workers who are not working full time.

What all this means is that there are few, if any, shortages, or threats of shortages, that might cause people to start a rush for goods that could send prices higher. Actually, surpluses in many fields are putting a downward pressure on prices.

Food is superabundant. Farmers are getting the lowest price for hogs in almost 5 years. Cattle prices are down from their peak. Milk and other dairy products are in surplus. Fruits and vegetables and other foods offer no problem of supply at all. Actually, hard times prevail in some farming areas.

Mr. President, let the Secretary of the Treasury read that article in U. S. News & World Report and then try to continue

to fool the American people into thinking that the economic picture is sound and rose colored. The sad fact is that today, as a year ago today, there are serious economic disjointments in the Nation's economy and that it is necessary to increase the purchasing power of the mass consumers. Our presentation of the facts in this debate seeks to accomplish that end.

It is just as sound today as it was a year ago when the Senator from Georgia [Mr. GEORGE] stood on the floor of the Senate and urged, for example, an increase in the exemption of most of the consumers of the United States.

The theory was sound then and the theory we are fighting for in the minority views happens to be the theory which the Senator from Georgia held a year ago. If it was sound then, the Senator from Georgia cannot present any economic facts that will show there has been any great change in the economic problems of American consumers.

The PRESIDENT pro tempore. The time of the Senator from Oregon has expired.

Mr. MORSE. Mr. President, I ask for 1 additional minute.

Mr. JOHNSON of Texas. I yield an additional minute to the Senator from Oregon.

Mr. MORSE. Let me say to the Senator from Georgia that if the facts were sound last year, the same needs still exist this year. It is still necessary to come to the aid of the people in the low income brackets. That is exactly what the minority proposal would accomplish.

I am sure that unemployed workers, farmers suffering from a loss of income and small-business men going bankrupt are all very happy to hear that there is no chance of inflation. If this is the type of economy the administration favors, certainly it is correct to call it a big business administration.

I do not for one moment think that such a situation is healthy for this Nation and its people. We have the ability to produce. Let us use it.

Let us proceed to levy taxes on the basis of ability to pay, and let it not be said that the people with low incomes cannot have their voice heard in the Congress of the United States. I urge the adoption of our amendment.

Mr. President, I ask unanimous consent that the article published in the U. S. News & World Report, from which I have quoted, be printed in the RECORD at this point in my remarks.

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

IS INFLATION ON ITS WAY BACK?—FEW SIGNS OF IT—LOTS OF GOODS, MORE PRICES DOWN THAN UP

What lies ahead for the United States dollar?

Is it going to lose more purchasing power because of rising wages, rising prices?

That's what happens when inflation takes hold—and talk about inflation is reviving.

Inflation, in fact, already is threatening in Britain and most other European countries.

But the situation is different in the United States.

This country has lots of unused capacity to produce more goods, if people want them.

Supply and capacity are bigger than demand for almost all things people use.

There's not much chance of inflation when buyers are able to call the tune.

Talk of inflation again is in the air. Inflation of wage rates is about to take a new turn. Stock-market values are more inflated than they were only a few months ago. Tax cuts are being urged that might inflate the Government's deficit.

All through Western Europe, too, signs of inflation are developing. Demand for goods in Britain, in Germany, in France, and other countries is tending to run ahead of supply. Great Britain is moving to impose controls on inflation.

The inflation threat in the United States, however, is found on closer examination to have little foundation at the present time.

People think of inflation as a period of rising prices. It is viewed as a time when the dollar is losing purchasing power. Inflation of this type comes when demand for goods runs ahead of the supply of goods, when people are rushing to turn money into goods. This kind of situation in the United States is associated with war periods.

Dollar stays stable. Right now the dollar is stable in value. If anything, the dollar buys a trifle more today than it did a year ago, almost as much as 2 years ago. Actually, when measured by prices to consumers, the dollar has been fairly stable in value since 1951.

The reason for this can be understood in part by a glance at the following table:

A brake on inflation—ability to produce goods far exceeds present demands

Autos:	
Expected output	6.6 million cars
Production capacity	9 million cars
Steel:	
Expected output	107.4 million tons
Capacity	125.8 million tons
Cotton:	
Expected use	9 million bales
Capacity	13.5 million bales
TV sets:	
Current output	9.2 million per year
Capacity	12.4 million per year
Electric ranges:	
Current output	92% of 1947–49
Capacity	166% of 1947–49
Refrigerators:	
Current output	78% of 1947–49
Capacity	177% of 1947–49
Vacuum cleaners:	
Current output	73% of 1947–49
Capacity	136% of 1947–49
Furniture:	
Current output	115% of 1947–49
Capacity	132% of 1947–49

There you can see how much more could be produced to meet public demands than actually is being produced. Large unused capacities are indicated in almost all lines of industry and agriculture.

Workers, too, are in surplus. Latest reports show 3.3 million individuals classed officially as seeking work and unable to find work. Still others could be drawn into the labor force. There also are thousands of workers who are not working full time.

What all this means is that there are few, if any, shortages, or threats of shortages, that might cause people to start a rush for goods that could send prices higher. Actually, surpluses in many fields are putting a downward pressure on prices.

SUPPLIES OUTSTRIP DEMAND

Food is superabundant. Farmers are getting the lowest prices for hogs in almost 5 years. Cattle prices are down from their peaks. Milk and other dairy products are in surplus. Fruits and vegetables and other foods offer no problem of supply at all. Actually, hard times prevail in some farming areas.

The Government had on hand, at the beginning of the year, $7.2 billion worth of farm products that is being held off the market in order to support prices. Most of this is in wheat, corn, and cotton, but holdings also include butter, dried milk and various other foods. An inflation of food prices seems to be out of the question at this time.

Supplies also are depressing prices in a good many other fields.

Automobile production and sales are running close to record levels just now, but dealers have to attract customers with price concessions. The practice of offering high prices on turned-in cars, or sharp cuts for cash sales, is widespread. Dealers with factory franchises are complaining of competition from so-called "bootlegging," which means new cars sold at cut rates by used-car dealers.

The rise of the discount house in selling home appliances of all kinds is another sign that price inflation is no threat. Retailers themselves are moving to meet this competition by offering substantial discounts on radio and television sets, refrigerators, vacuum cleaners and practically all kinds of household equipment.

The volume of business is high and rising, but no signs have developed yet that this demand is leading to inflation.

American industry, in fact, is able to turn out a much greater volume of goods than now is being produced. This capacity to produce is acting as a powerful brake on any tendency toward inflation.

The automobile industry, for instance, is able to produce about 9 million cars a year and is actually producing cars at close to this rate now. But not even the most optimistic auto producer expects many more than 6.6 million cars to be made this year. In other words, the industry will count itself lucky if it operates at close to three-fourths of capacity for the year as a whole.

STEEL: UNDER CAPACITY

The demand for steel has jumped sharply in recent months, but, even so, the steel industry so far this year has never operated much above 90 percent of capacity. Estimates are that some 107.4 million tons of steel ingots will be made this year, against a capacity of 125.8 million tons. That leaves quite a margin of unused capacity.

When it comes to producing household equipment, no industry is shown by official figures to be operating anywhere near capacity. Manufacturers of furniture and equipment for home laundries are coming closest, but even these industries have plenty of leeway to expand output. Most producers of television and radio sets, refrigerators, cooking stoves, and other appliances could increase output by 25 to more than 50 percent if demand for that volume developed.

The same situation prevails in most of the soft-goods industries. The textile industry has staged a recovery in production, but even now is not approaching capacity. Cotton mills are expected to use about 9 million bales this year, when they could consume 13.5 million bales in manufacturing cloth. Woolen and worsted mills have the capacity to boost output by about 70 percent.

American industry, in other words, has a lot of slack that can be taken up before inflation again becomes a threat. That contrasts with the immediate postwar years, when demand for most things exceeded supply, and with the Korean-war period, when controls had to be clamped on important raw materials.

SOME INFLATION SIGNS

Inflation, however, is evident in some areas of activity.

Wages have been creeping higher year after year since 1946, and are to continue to go higher this year. The average factory worker got about $1.09 an hour in 1946. Now he

receives $1.84. The average weekly wage slipped a bit from December to January, because of a shortened workweek, but it is believed to have recovered now. The average is around $74 a week, compared with $43.82 a week back in 1946.

An upward trend in wages has a tendency to increase costs and eventually to show up in increased prices for goods—the usual result of inflation. An offsetting tendency, however, is for managements to improve efficiency so as to reduce the overall cost of production. That apparently is being done now, since factory output is running ahead of a year ago with fewer factory employees at work than a year ago. Also, when supplies are large, higher costs cannot easily be passed on to customers because of competition. In that case, profit margins are squeezed.

In any event, rising wage costs over the past few years seem to have been absorbed either in lower profit margins, or by increased efficiency, since retail prices in general have not moved higher.

The stock market also may be showing signs of inflation. Average prices of common stocks have increased sharply and now are at an all-time high. This was the kind of inflation that led to the boom and bust of the late 1920's. It has gone far enough already to draw an official inquiry from the United States Senate.

However, nearly all responsible appraisers of stock-market trends are telling Senators that the present situation is not out of hand. Opinion is nearly unanimous that differences between the stock market today and the market in 1929 are far greater than similarities. One of the major points is that speculation in the present market is a long way from the fever stage, and it is speculative fever, rather than rising prices, that usually marks inflation in stocks.

Another sign of inflation is found in real estate. Real-estate prices are far higher now than before World War II. The building boom, furthermore, is continuing, and money spent for new construction this year is expected to reach another record high.

REAL ESTATE DEFLATION?

Other developments in the real-estate market suggest that the inflation in this field is largely passed. The price of new houses is reported to be stable, or even down a bit. Prices of old houses are slipping in a great many communities. The inflation of rents appears to have ended. In some places, concessions that amount to rent reduction are offered by landlords.

In real estate, the main concern at the moment is the threat of deflation rather than inflation. New housing units are being erected faster than new households are being formed, and many appraisers are wondering how long the housing boom can go on.

The return of inflation, thus, is being discounted by most business analysts. The business situation today reflects, on the whole, a recovery from a mild recession but few signs of any inflationary splurge in the period just ahead.

The PRESIDENT pro tempore. The time of the Senator from Oregon has expired.

Mr. JOHNSON of Texas. Mr. President, I understand the distinguished senior Senator from Virginia [Mr. BYRD], the chairman of the Finance Committee, plans to yield to some Senator at this time. I wonder if he is available.

Mr. ROBERTSON. Mr. President——

Mr. JOHNSON of Texas. The distinguished senior Senator from Virginia told me that he planned to have the distinguished Senator from Colorado [Mr. MILLIKIN] speak for 30 minutes.

Mr. ROBERTSON. The senior Senator from Virginia said that, in view of the fact that I intended to make an extemporaneous speech which would take just 10 minutes, I might proceed at this time.

Mr. JOHNSON of Texas. Mr. President, I suggest that the minority leader yield the time, if that is agreeable.

Mr. KNOWLAND. Mr. President, I yield 10 minutes, on behalf of the senior Senator from Virginia, to the junior Senator from Virginia.

The PRESIDENT pro tempore. The Senator from Virginia may proceed.

Mr. ROBERTSON. Mr. President, on the day the hearings started on the bill I made a brief statement on the floor expressing my opposition to the tax-reduction provision of the House bill. I have not changed the position then expressed. I am opposed to any cut in the revenue at this time. However, no Member of the Congress, in which I have served for 22 years, can see able and esteemed colleagues differ with him on an important measure without frankly admitting that there is an honest difference of opinion. That is the way I regard the fact that a majority of my colleagues on the Democratic side of the aisle do not share the views expressed by two of the ablest Members of the Senate and most experienced in tax legislation, the distinguished Senator from Georgia [Mr. GEORGE] and the distinguished senior Senator from Virginia [Mr. BYRD].

I listened with interest to the able remarks of the Senator from Oregon [Mr. MORSE] in which he referred to the clipsheet from the U. S. News & World Report saying that inflation is not on the way back. But I noticed from a hasty reading of the statement that it is said that for more than a year the dollar has been stable and that prices also have been stable. Consequently, I should not think it would be treason to the Democratic Party for me to say that for the past year, at least, we have been traveling on the highway of a stable economy, but I feel that today we stand at a crossroads on that highway. It can be cogently argued that if we take one of the crossroads, it will lead to inflation. It can be argued that if we take another of those crossroads, it will lead to deflation; perhaps, in the end, to a long depression, although I do not think that will be possible so long as we continue to spend, especially for defense, at the current rate.

Therefore, Mr. President, I believe we are faced with a very serious decision. I cannot categorically say that the deficit which would be caused by this tax bill as proposed to be amended would be inflationary, but I am sure such a deficit would be a trend in that direction. There were numerous witnesses before the Banking and Currency Committee who, in explanation of a rather unprecedented advance in stock prices, said it was a reflection of confidence in an expanding economy. I know that new starts in housing is at an all-time high.

The distinguished Senator from Oregon [Mr. MORSE] referred to the lack of purchasing power. There are numerous ways in which people get purchasing power. One way to obtain purchasing power is to borrow money. Not only has residential mortgage borrowing reached an all-time high, but installment buying likewise has reached an all-time high. There is no curtailment of purchases. As a matter of fact, purchases this year will probably amount to some $234 billion, an unprecedented sum. We know that the output of automobiles is at an all-time high.

On the other hand, I recognize the fact that there are valleys in the Nation's economy. Only yesterday one of the large farmers in Virginia told me that his wonderful blue grass farm in southwest Virginia, on which he operates a large dairy, and raises fine Hereford steers, and from which he had normally in recent years been netting $25,000 a year, last year showed a loss in excess of $9,000.

This morning I read in the weekly sheet of the National Industrial Conference Board the statement that in February of this year, while unemployment—and of course those who are unemployed receive compensation benefits—was 14 percent less than in February of 1954, it was 78.3 percent greater than in February of 1953.

So, Mr. President, we can take either side and say we are headed for inflation or that we are headed for depression. We can say, "Do not let us contribute to the inflationary trend by increased deficit financing," or we can say, "Let us cut taxes, and give more purchasing power to the people, because, if we do not, the economy will go into a real slump." I think it would be fairer to say that we are standing at the crossroads where what we do here will have a vital influence on determining whether we are to leave the present highway of a stable economy and move toward either inflation or deflation, neither of which I want to see happen.

I wish to repeat, very briefly, the statement made by the chairman of the committee who has devoted the past 22 years to the study of taxes, that he cannot see that the bill as proposed to be amended does not cut revenue.

It takes credit for a saving of $1 billion because of an error made in the last bill. That error is going to be corrected anyway, and a bill to bring about the correction is already before the House. The chairman of the Finance Committee says that prompt action will be taken on it. So, out goes the claimed saving of $1 billion. We cannot say that there will be a gain in revenue by extending the 52 percent tax and excise taxes for 2 years, because we can provide such an extension next year. So nothing is gained in that way. If we extend them for 1 year, as proposed by the Senate Finance Committee, we shall have made all the gain we can make for that period; and we cannot claim an extra billion dollars' gain simply by saying if we do not do it now, we will never do it. That is not sound nor logical.

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

Mr. ROBERTSON. I cannot yield. I have but 10 minutes. If I am granted

any additional time, I shall be glad to yield to the Senator.

Mr. President, I had the privilege of helping to frame 12 tax bills in my service of 10 years on the Ways and Means Committee of the House. Every time we brought out a tax bill, we insisted on what is sometimes called a gag rule, which means that we did not think a tax bill could be written on the floor. Under the rule no amendment could be adopted on the floor and there was allowed just one motion, namely, a motion to recommit.

I still think it is unsound, even in what is sometimes referred to as the "upper body," for a smaller group, possibly a more experienced group, to attempt to write a tax bill on the floor covering five proposals, none of which was made in a committee, and on none of which was testimony taken.

A proposal to extend, in a very modified form income taxes on corporations was made and was rejected by the committee. None of the other proposals found in the pending substitute was made in committee.

In a matter so important as taxes it is not sound legislative procedure to spring vital proposals and then to ask the Senate, without the benefit of hearings, without the type of discussion which can be had by the exchange of views in executive sessions of a committee, to try to write a tax bill on the floor.

The PRESIDENT pro tempore. The time of the junior Senator from Virginia has expired.

Mr. ROBERTSON. Mr. President, I ask that I may have 3 additional minutes.

Mr. BYRD. I yield 3 additional minutes to my colleague.

Mr. ROBERTSON. Mr. President, I am convinced that the proposed substitute would reduce revenue. I think that under the proposed substitute the revenue would be reduced by substantially more than a billion dollars, probably closer to $2 billion, because I cannot accept the estimate of loss under the accelerated depreciation provision. I do not have time to give my reasons for that statement but they are sustained by the tax experts of the Treasury Department. I simply do not feel that the estimated loss to the Government under the accelerated depreciation provision will materialize.

So I come to this point: We would be setting a trend for inflation. We would be acting when no one knows whether or not we shall be engaged in a war before the passage of another year. The consensus now is that China will not attack the United States, but the fact remains that we cannot do a thing in the world about that situation. If China should attack the United States or the two offshore islands, we would have to fight. At least, we said we would fight, so I reckon we will have to fight. We think China will not attack us. We think that if she should do so we could crush her. If China is foolhardy enough to start a war, and if by any chance she gets substantial aid by means of MIG's and submarines from her ally, Russia, we still would win. But certainly we would be involved in a greatly stepped up and very costly defense program.

So I think it is the part of wisdom, Mr. President, for us to wait and see what the developments will be. I recognize that taxes are high, and I should like to see them lowered. But under the proposed substitute tax reduction is not planned in a scientific manner.

The $20 deduction is a small sum to the individual, when, as I have said, his purchasing power has not been reduced and price inflation could offset it.

So I believe it is the part of wisdom for us to enact the committee bill and to wait until next year before making a decision as to whether the economy needs a "shot in the arm" by means of a tax reduction or whether the fiscal affairs of the Government are in so much better shape that the Government can prudently stand a cut in revenue.

Mr. President, therefore, with due deference to my beloved colleagues on my side of the aisle, I hope that the proposed substitute which they have sponsored will not be approved.

Mr. BYRD. Mr. President, I yield 15 minutes to the distinguished senior Senator from Colorado [Mr. MILLIKIN].

Mr. MILLIKIN. Mr. President, the proposed substitute for the pending bill as proposed by the Senate Finance Committee would modify the tax credit as follows:

First, a $20 credit is allowed to the taxpayer but not to his spouse, and credit for each dependent is $10; and the amount of the credit claimed is reduced by the benefits which a married couple derive from income splitting.

Second, the increased emergency corporate rate and the increased emergency excise tax rates which, if not extended, would expire on April 1 of this year, would be extended for 2¼ years instead of 1 as proposed by the Finance Committee.

Third. The opportunity for accelerated depreciation adopted last year would be repealed effective March 9, 1955.

Fourth. The dividend-received exclusion and credit adopted last year, which gave partial relief from double taxation, would be repealed as of July 1955.

Fifth. Two accounting provisions relating to prepaid income and reserves for estimated expenses which were adopted in last year's Revenue Revision Act would be repealed retroactively to January 1, 1954.

The proposed substitute would take the place of the bill as reported by the Committee on Finance which provides for the extension of 1 year the 52 percent corporate rate and the present excise-tax rates on liquor, tobacco, autos, and so forth.

The $20 cut, as proposed by the House bill, would have provided beginning in January 1956, first, that every taxpayer should get a reduction in his taxes for the following year equal to $20 for himself, his wife, and each dependent; second, that approximately 5 million taxpayers would go completely off the Federal tax rolls; and third, that the Government would lose $2.3 billion a year in revenue.

This proposal was rejected by the Senate Committee on Finance by a 9 to 6 vote.

The proposed substitute poses its own defects, which are equally serious, and it should be rejected.

The distinguished senior Senator from Georgia [Mr. GEORGE], the former chairman of the Senate Committee on Finance, and the distinguished senior Senator from Virginia [Mr. BYRD], the present chairman of the Committee on Finance, have not accepted either the House bill or the substitute as proposed.

I would not be so impertinent as to attempt a comparative evaluation of the individual members of the Senate Finance Committee. But certainly no member of that committee or of the legislative arm of the United States Government has more expertness in fiscal matters than those two Senators.

And their refusal to accept the bill as it came from the House, and also the proposed substitute, certainly hangs out red warning lanterns.

In times like the present, we should avoid actions which can be seized upon to destroy confidence in the fiscal management of our Government.

There has been considerable discussion of a loophole in the 1954 Revenue Code, which has received the attention of the substitute measure which is now before the Senate. The potentialities of this loophole have been detected, and the House Ways and Means Committee is now considering separate legislation to correct it. I have no doubt that separate action initiated by the House will be taken during the present session of the Congress. Merely in passing, I suggest that there has been no demonstrable proof that the losses resulting from the loophole would be of the imaginary and massive magnitude which some of the critics have estimated.

My first objection to the proposed substitute is that it is untimely and has a tendency to destroy the faith of the people in our tax laws.

The new Revenue Code became effective last August. The act was passed after several years of study of the problems involved. It was the most sizable revision ever made. The vote on the bill in the Senate was 63 yeas to 9 nays. The Senate vote on the conference report was 61 yeas and 26 nays.

It is respectfully submitted that there must be as much stability as possible in our tax laws. We should not make major revisions in August and seriously alter them the following March. The unsettling effects on the citizens and on our economy of actions of that kind are obvious.

The taxpayer should be able to know that he can make his financial plans with reasonable certainty that they will not be disrupted by frequent capricious legislative itches to impose radical changes.

I shall not review the difficulties in completing with success the transition of our economy from a wartime to a peacetime basis. One of the most important factors in successfully completing that perilous transition is confidence—the assured confidence of people that they will not be caught unaware

and their plans be destroyed by jumpy, nervous taxmakers.

Wise tax laws and steady adherence to them will aid this Nation in surmounting many of the difficulties of that transition period. The results achieved in combatting those difficulties have surpassed high expectations and have confounded the peddlers of gloom and doom.

I wish to repeat some important facts presented by the senior Senator from Virginia [Mr. BYRD] a few days ago. I read from page 2593 of the CONGRESSIONAL RECORD of March 10, 1955. The Senator from Virginia said, as appears in the RECORD:

> In spite of any contention to the contrary, these are prosperous times. Our gross national product in 1954 was the second highest in our history. The worst that anyone has been able to say is that it was not as high in 1954 as in 1953. Yet even this understates our true prosperity because the trend is upward.
>
> As I have already suggested, our gross national product was up from $355.5 billion in the third quarter to $362 billion in the fourth quarter of 1954—an increase of $6½ billion.
>
> Personal consumption expenditures reached a new high of $234 billion for 1954, as contrasted to only $230 billion in 1953, the year which was supposed to represent the peak of our prosperity.

I repeat:

> Personal consumption expenditures reached a new high of $234 billion for 1954, as contrasted to only $230 billion in 1953, the year which was supposed to represent the peak of our prosperity.

I continue to read from the remarks of the senior Senator from Virginia:

> The consumption figure of $234 billion should be of interest to those who have been suggesting that we especially need an increase in consumption expenditures. Moreover, the trend of these expenditures is upward. They have increased steadily from an annual level of about $230 billion in the fourth quarter of 1954.
>
> Gross private investment, next to personal consumption expenditures, is one of the more important segments of our gross national product. As would be expected, these expenditures reached a peak in 1951 as a result of the Korean war. Since that time they have been tapering off. However, it is important to note that late in 1954 this trend appeared to be reversed. These expenditures in the fourth quarter, on an annual basis and seasonally adjusted, increased by over $4 billion.
>
> Production also has been increasing, and here, where we have some evidence of conditions in January of 1955, the trend is still upward. The Federal Reserve Board Index of industrial production has shown constant improvement since this last August. At that time it stood at 123. By January of this year it had risen to 131.

I have just completed the quotation from the speech of the senior Senator from Virginia [Mr. BYRD].

Admitting, Mr. President, that there are some rough spots in the economy today, just as there are in the best days of greater normality, why rock the boat?

My next point is that so far as the budgetary situation is concerned, any improvement proposed by the substitute over the bill as it came from the House, would be attained by adoption of unsound policy and at terrible expense to the economy.

First, it is proposed to repeal, just about 6 months after the last revenue law became effective, several of the provisions of that law which were hard fought out, were adopted deliberately, and which were approved by the Congress and by the President. In my judgment, those provisions, I respectfully submit, were important factors in buttressing our economy.

The proposed substitute would repeal two of the most important provisions of the 1954 Revenue Code. It would eliminate the partial relief from double taxation of dividends which, as I have said, were adopted by the Congress after the fullest discussion. That which was done was a long overdue reform which partially corrected a generally recognized injustice in our tax laws, and encouraged sounder methods of business financing. It was motivated by a desire to stimulate investment, which in turn would stimulate the creation of jobs.

On the face of it, the proposal to tax money for dividends when it is in the hands of the corporation and to tax it again when it reaches the hands of the stockholders and owners of the corporation offends the spirit of fair play.

The proposed substitute would abrogate the accelerated depreciation allowances adopted by the Congress after full discussion.

Personally, I believe the accelerated depreciation opportunities given by the existing Revenue Code are among the most potent features of our tax law in effecting a rehabilitation of industry, which must constantly improve itself, or be unable to buy the machines and furnish the capital necessary to provide the tools to enable the American workers to do a good job, and, indeed, to provide jobs for them.

There can be no doubt that enabling those who provide jobs to get their capital back on an expedited basis puts them in better position to buy new machinery, make fresh investments to modernize their plants, and make the best utilization of the skills of their workers.

The substitute would continue the 52 percent corporate rate and the present excise-tax rates on liquor, tobacco, autos, and so forth, for 2¼ years. There is much opinion in support of the view that both taxes should be reduced at the earliest feasible time.

The 52-percent corporate rate can be justified only by the continued existence of emergencies which require extraordinary expenditures. There is some opinion which has been expressed by competent witnesses before the Senate Finance Committee that there is a limit on the time within which such corporate rates can continue to be charged without crippling productive capacity and the incentives therefor.

It is to be hoped that we can come back to preemergency rates prior to the 2¼ years contemplated by the substitute.

The excise taxes are also at emergency rates, and we have promised to reduce them as soon as the fiscal situation warrants.

I suggest that it would be much better to extend these taxes for not more than a period of 1 year, so that we can take a fresh look as that time approaches and then decide what will be the best thing to do.

That brings me to my next point. No valid reason has been advanced for haste in devising tax measures on which no public hearings have been held. We would do well to wait at least until next year, when we will have the new budget estimates before us and will have a better idea of the receipts that will come to the Government, and of the expenditures which will be made by it.

The assertion that one can tell today what should be done about specific taxes—the ones to which I have been referring—more than a year from now, and that one can be wiser today than he will be a year hence as to what will be required in the way of expenditures, and what can be counted on with reasonable confidence in the way of receipts, is nothing more than an arrogation of nonexistent personal infallability.

Why not wait at least until we know what we are going to be called on to do in the way of making expenditures, as may be required by the near-future world developments?

There are many expensive proposals now before Congress, and others will come before Congress. No one can guess their magnitude until all of the appropriation bills are considered and are acted on. Why proceed in ignorance instead of waiting until the results, at least of this session of Congress, are known; until rapidly culminating foreign affairs which have the potentiality of added heavy expenditures have matured; or until we know they will not mature?

The PRESIDENT pro tempore. The time of the Senator from Colorado has expired.

Mr. BYRD. Mr. President, I yield 5 additional minutes to the Senator from Colorado.

Mr. MILLIKIN. I thank the Senator from Virginia.

The proponents of the proposed substitute say that the proposed relief must be given to those in the lower income-tax brackets. I am not insensitive to the fact that tax relief must not rest on an exclusive monopoly of benefit to less than all the people.

Having had a heavy load of responsibility in connection with making our tax laws—and I am thinking especially of the tax law enacted by the 80th Republican Congress—I believe that I am in position to speak on the subject.

I remember that the 80th Congress, which was a Republican Congress, increased the exemptions from $500 to $600, and gave additional exemptions to those over 65 years of age and to the blind. I had the management of that bill on the floor of the Senate; and I remember very well that the bill was vetoed, and that in order to get the bill passed, we had to override the veto, which we finally succeeded in doing with the aid of some Senators on the other side of the aisle.

So far as I am concerned, I shall not hesitate to advocate further increases in the exemptions whenever they are warranted by the fiscal situation.

Mr. President, I have recited this history of the personal exemptions we are

now enjoying—the present exemptions, as passed by the 80th Congress—to overcome, if possible, the impression which has been attempted to be given that those who are opposed to the substitute proposal have no concern for the taxpayers who are in the lower income-tax brackets. To make the situation even clearer, let me bring to the attention of my colleagues some facts to show the distribution of the weight of our income-tax system.

For example, under present rates, those in last year's revenue law, the tax payable by a single man with no dependents with $5,000 of net income is 12 times that of a man with $1,000 net income, $10,000 of net income is 31 times that of a man with $1,000 net income, $20,000 of net income is 86 times that of a man with $1,000 net income, $50,000 of net income is 330 times that of a man with $1,000 net income, $100,000 of net income is 835 times that of a man with $1,000 net income.

Under present law rates, the tax payable by a single man with no dependents with $10,000 of net income is 3 times that of a man with $5,000 net income, $20,000 of net income is 7 times that of a man with $5,000 net income, $50,000 of net income is 28 times that of a man with $5,000 net income, $100,000 of net income is 71 times that of a man with $5,000 net income.

Mind you, please, Mr. President, this illustration of the progression of the income tax system results from existing law, the law passed by the last session of Congress.

These facts throw considerable light on those who would go to a political heaven in a chariot propelled by the proposition that the present tax law treats with brutality those in the lower income-tax brackets.

The PRESIDENT pro tempore. The time of the Senator from Colorado has expired.

Mr. BYRD. Mr. President, I yield 5 minutes more, or as much thereof as he may desire, to the Senator from Colorado.

The PRESIDENT pro tempore. The Senator from Colorado is recognized for an additional 5 minutes.

Mr. MILLIKIN. I thank the Senator from Virginia.

Mr. President, the arguments which are made for political salvation resting on that kind of a basis are further dispelled by attention to other features of distinct benefit to those in the lower income-tax brackets, as made by the 1954 revenue revision bill:

The four steps taken by Congress with respect to tax legislation during 1954 consisted of permitting an individual income-tax reduction of approximately 10 percent to go into effect as of December 31, 1953; allowing the excess profits tax to terminate as of the same time; passing the excise tax reduction bill; and putting through the Internal Revenue Code of 1954.

The relief granted by the above legislation amounts to $7.4 billion. Of this total, the individual income-tax reduction of approximately 10 percent accounted for $3 billion; the termination of the excess-profits tax, $2 billion; the excise tax reductions, $1 billion; and the tax-revision bill, $1.4 billion. This $7.4 billion is the largest tax reduction granted in any single year.

Approximately $5 billion, of the $7.4 billion tax relief, went to individuals:

First. Three billion dollars on account of the 10 percent tax rate reduction.

Second. One billion dollars on account of the reduction in excise taxes.

Third. Eight hundred and twenty-seven million dollars because of the provisions affecting individuals in the 1954 revenue revision bill.

The Excise Reduction Act of 1954 reduced to 10 percent many excise-tax rates which had been imposed at higher rates. The retailers' taxes on furs, luggage, jewelry, and toilet preparations were reduced from 20 percent to 10 percent. The rate on long-distance telephone calls was reduced from 25 percent to 10 percent; and the rate on local service, from 15 percent to 10 percent. The tax on transportation of persons was reduced from 15 percent to 10 percent. All the manufacturers' taxes which had been above 10 percent were reduced to 10 percent; and, in addition, the rate on electric, gas, and oil appliances and on refrigerators and freezers was reduced from 10 percent to 5 percent. The tax on general admissions, including admissions to movies, was reduced from 20 percent to 10 percent; and no tax was imposed on admissions of 50 cents or less.

The 1954 Revenue Revision Act contains many provisions which benefit small taxpayers. More than half of the relief provided by that act—or $827 million—went to individuals.

I shall now state a summary of the more important provisions of the 1954 Code which affect individuals:

SUMMARY OF PROVISIONS OF THE INTERNAL REVENUE CODE OF 1954 BENEFITING INDIVIDUAL TAXPAYERS

First. Retirement—policemen, firemen, teachers, and others: Individuals 65 years of age or over; or under 65, if retired under some Federal, State, or local government pension plan, other than military, receive a credit against taxable income equivalent to 20 percent on the first $1,200 of annual investment income or private pension.

Mr. President, I am reciting these items in detail in order to overcome, if possible, the assertions, which are repeatedly made, that the measure Congress enacted last year was a rich man's tax bill, and contained nothing for the benefit of the average citizen or for those in the lower income tax brackets. So far I have recited perhaps a dozen or two dozen instances.

Second. Head of household: If taxpayer supports a father or mother in a home of his or her own, he is permitted head-of-household status and the partial income splitting benefit.

Third. Children earning in excess of $600: Parents are permitted to claim a child as a dependent, regardless of the child's earnings or investment income, if such child is under 19 years of age or is away from home at school, as long as the parents actually supply more than one-half of the child's support.

Fourth. Medical expenses: A tax allowance is given for medical expenses in excess of 3 percent of adjusted gross income, instead of only the expenses in excess of 5 percent of this income. Outlays for drugs and medicines may be included in medical expenses to the extent they exceed 1 percent of adjusted gross income. Transportation costs of a trip prescribed by a doctor may be deducted. In addition, the ceiling of $1,250 for a single person, with a maximum of $5,000 for a family, is doubled, which allows a ceiling of $2,500 for a single person with no dependents, and a maximum of $10,000 for a family.

The PRESIDENT pro tempore. The time of the Senator from Colorado has again expired.

Mr. BYRD. Mr. President, I yield an additional 5 minutes to the Senator from Colorado.

The PRESIDENT pro tempore. The Senator from Colorado is recognized for an additional 5 minutes.

Mr. MILLIKIN. I thank the Senator from Virginia.

Mr. President, I shall proceed further with the summary:

Fifth. Working mothers: Working mothers may deduct child-care costs up to $600 where the adjusted gross income of the taxpayer and her spouse does not exceed $4,700.

Sixth. Working widows: A widow with one or more children under 12 years of age or handicapped children can deduct up to $600 for costs of child care while working.

Seventh. Death of spouse: Taxpayers suffering the loss of a spouse can continue for a period of 2 years the benefits of income splitting if there are dependent children to support.

Eighth. The allowance of an exemption where several individuals support a dependent: Where a dependent is supported by two or more taxpayers, they may agree among themselves on who will received the exemption. Previously such an arrangement was not permitted.

Ninth. Annuity income: Annunities are to be taxed under the life-expectancy method. Annual exclusions will be determined by dividing the total consideration paid for the annuity by the expected life of the annuitant. As a result, in the average case where the annuitant lives out his life expectancy he will completely recover his capital free of tax.

Tenth. Personal injury and sickness: Payments for personal injury or sickness made under a plan financed by the employer where such payments are in lieu of wages can be excluded from income up to $100 per week. This exclusion will not apply to the first 7 days an employee is absent from work unless such absence is on account of personal injury or if the employee is hospitalized on account of sickness for 1 day during the period of absence.

Eleventh. Alimony: Payments of alimony or separate maintenance constitute a tax deduction to the husband and makes the wife taxable on any payments made under a written separation agreement even without a court decree, where the husband and wife file separate returns. Payments to a wife under a court

decree entered into after March 1, 1954, will be treated in the same way as alimony payments.

Twelfth. Ministers of the gospel: Cash paid by a church to a minister for the rental of a parsonage will be tax free.

Thirteenth. Policemen: Subsistence allowance up to $5 per day paid to Federal, State, or local policemen will be tax-free.

Fourteenth. Contributions: The amount deductible for contributions is increased from 20 percent to 30 percent, providing the additional 10 percent goes to churches, schools, and hospitals.

Fifteenth. Installment purchases: A taxpayer can deduct the carrying charges on installment purchases up to 6 percent of the average unpaid balance even when such charges do not show the portion which is interest.

I repeat, I am mentioning these items in order to double-rivet the proposition that the tax law passed by the last Congress was for the benefit of all the people. A heavy benefit was given to those in the lower income tax brackets.

I continue the items:

Sixteenth. Employees and outside salesmen: Business transportation expenses such as bus, taxi, and other fares may be deducted by employees and outside salesmen in computing adjusted gross income even where out-of-town travel is not involved.

Seventeenth. Shareholders: An exclusion is provided for the first $50 of dividend income received by an individual in any taxable year ending after July 31, 1954. Taxpayers with dividend income remaining after this exclusion will be permitted to deduct from their final tax a credit of 4 percent of such dividends received after August 1, 1954.

Eighteenth. Depreciation: Taxpayers are permitted, at their option, to use the diminishing-balance method of depreciation at double the rate available under the straight-line method, or to use any other systematic method, which will not give greater aggregate charges than those available under the declining-balance method.

Nineteenth. Percentage depletion: Percentage depletion allowances are liberalized and a number of new nonmetallic minerals have been added to the 15-percent group. Strategic and critical minerals, if produced in the United States, are increased to 23 percent. Other changes have been made in the groups now allowed 5 and 10 percent.

Twentieth. Partners and partnerships: Payments by the firm of a guaranteed salary to a partner are taxable to him and deductible to the firm. The transfer of property to a partner from the firm usually will be tax free. Also certain partnerships may elect to be taxed as a corporation.

Twenty-first. Sole proprietors: An individual who owns his own business as a sole proprietor may elect under certain conditions to be taxed as a corporation.

The PRESIDENT pro tempore. The time of the Senator has again expired.

Mr. MILLIKIN. Mr. President, may I have a few more minutes?

Mr. BYRD. I yield 5 additional minutes to the Senator from Colorado.

Mr. MILLIKIN. Continuing with the enumeration of the items—

Twenty-second. Soil- and water-conservation expenditures: This provision is extremely important and will be of direct benefit to about 500,000 farmers and of indirect benefit to all by fostering sound conservation practices. This provision will allow farmers to deduct expenditures for soil and water conservation, including those for leveling, grading, terracing, drainage, contour furrowing, eradication of brush, planting of windbreaks, and other expenses for treatment or moving of earth. The provision applies to earthen dams not subject to depreciation and to the construction as well as the control and protection of watercourses, outlets, and ponds.

The provision is also applicable for expenditures by farmers to satisfy special assessments of soil- or water-conservation districts. The annual deduction is limited to 25 percent of farm income, but amounts in excess of this limit may be carried forward to be deducted in subsequent years.

I recommend that the substitute be defeated and that the bill as reported by the Senate Finance Committee be passed. This bill would extend the corporate and excise taxes for another year, the revenues from which would buttress the budget, and final decision on which can be made under the light of further developments.

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

Mr. MILLIKIN. I am glad to yield if I have the time.

Mr. SALTONSTALL. I have only one question.

Last year the Senator from Colorado was in charge of the tax bill which was passed. He gave it great thought and consideration, and was perhaps the best informed Member of the Senate on the subject.

My question, which is really 3 questions in 1, is this: In the opinion of the Senator from Colorado, was the bill passed last year, generally a fair one? Was the revision a helpful revision? Is it the opinion of the Senator that any corrections which are to be made should be made in an individual bill carefully thought over and discussed rather than in connection with a bill providing for an extension of certain taxes, which must be passed promptly?

Mr. MILLIKIN. I am in hearty agreement with what is implied in the Senator's question.

Mr. JOHNSON of Texas. Mr. President, I yield 2 minutes to the distinguished Senator from Minnesota [Mr. HUMPHREY].

Mr. HUMPHREY. Mr. President, I wish to bring to the attention of my colleagues in the Senate a telegram which I have just received from James G. Patton, president of the National Farm Union. This is a copy of a telegram which was sent to several Members of the Senate who had joined in sponsoring the pending substitute. It reads as follows:

More than 99 percent of the United States farm families have taxable incomes of less than $5,000. Only a few industrial agricultural production units have more. Urge the Senate to adopt proposed substitute that will favor family farm agriculture not factories in the field. Increased personal exemptions far outweigh in benefit to great bulk of farmers the relatively minor significance of the accelerated depreciation allowance that provides huge windfalls to big business and the banking crowds. The expected one-fourth decline in income-tax payments by farmers results primarily from drastically lower incomes, the conservation allowance, and decreased tax rates, not the machinery and buildings depreciation. Depreciation allowances do not help a farmer anyway if he hasn't the income to be able to buy new machinery. Urge you to pass proposed substitute tax bill to increase purchasing power of low- and middle-income consumers so they can buy more farm products. Pass a bill that will favor 5 million family farms rather than a few thousand factories in the field and other big industries.

JAMES G. PATTON,
President, National Farm Union.

This boils down to a simple issue. The question is whether we are for dividends and depreciation, or whether we are for the people. The sum total of this telegram is the fact that even a $10 allowance to the members of farm families in the coming year would represent a benefit far greater than any kind of special "gimmick" or "fix it" device which could be put into a tax law for the purpose of helping the farm family. The way to help the farm family is twofold: Give the farmer an opportunity to earn more income at fair prices, and give him a fair tax law, so that he will pay only his just share of the tax revenues.

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

Mr. JOHNSON of Texas. I yield the Senator from Minnesota an additional minute, if necessary.

Mr. LANGER. The distinguished junior Senator from Virginia [Mr. ROBERTSON] has just said there was an error of $1 billion in last year's tax bill. As I understand, the same experts who drew up the pending tax bill also drew up last year's tax bill. I should like to have the Senator from Minnesota tell me, if he can, how these distinguished experts can make an error of a billion dollars.

Mr. HUMPHREY. I cannot tell the Senator how they can make such an error. However, I can tell the Senator that they did make it. I can also say to the distinguished Senator from North Dakota that lawyers throughout the country and, in fact, the American Bar Association itself, warned the Senate last year that if the tax bill were passed it would open up many loopholes and would create many discrepancies and embody many weaknesses. I say that if it is possible to have a weakness of a billion dollars in one section of the bill, it is obvious that there may be thousands of others.

The PRESIDENT pro tempore. The time of the Senator from Minnesota has expired.

Mr. JOHNSON of Texas. I yield 5 minutes to the Senator from South Carolina.

Mr. JOHNSTON of South Carolina. Mr. President, I have always believed—and I have conducted my own personal affairs on that basis—that it was necessary to maintain a balanced budget. Balanced budgets are as necessary for

the operation of the Government as they are sound and good for private business and individuals. Our long-term prosperity, as a Nation, is dependent upon income being balanced against expense. No person, business, or nation can long prosper unless finances are kept in order.

To balance the budget, however, with the heavy burdens continuing constantly on those in the lower brackets of income, with high percentages in excise and consumer taxes remaining as a part of our tax structure, is unfair. This is especially so in view of the favors and allowances granted to the minority, in the higher brackets.

A situation which requires our most earnest consideration is presented. The great majority of our people should not be taxed to such an extent that they lack the money with which to buy the necessities of life and none of its luxuries, as under the present tax law.

The 1954 Internal Revenue Act gave only token relief to the majority of our taxpayers. That relief is consumed mostly in the increase in social-security taxes. The lower-income families received merely a dribble by comparison.

A recent analysis of last year's tax cuts demonstrates that only about 20 percent of the taxpayers received incomes of over $5,000 annually. Yet these 20 percent receiving net incomes of $5,000 annually received in the aggregate the benefit of 77 percent of the total amount of the money reductions in the tax act. The analysis further shows that the 77 percent of the total in dollars amounted to well over a billion dollars, whereas the remaining 80 percent, in number, of our taxpayers who get less than $5,000 annually received only about $311 million in tax relief.

The President in his budget message stated in effect that he would recommend a tax reduction next year, which would be spread more fairly among our taxpayers. I should like to have Congress give substance now to that recommendation. Let us now give reality to the President's expectations and hopes. It is proposed that the changes to be made shall be effective only next year. This benefit will accrue if we make our plans now. We will be better informed as to how to fix our appropriations when we are confronted with the expected tax reductions we will face next year. There is every reason in logic and equity why relief should be extended to the majority of our people in the less favored brackets, and why we should provide now that this large group be integrated into the program of appropriations which we shall consider during this Session of the Congress for the next fiscal year.

The great majority of our economists recommend that we should maintain a broad level, and if possible raise the purchasing power of the majority of our people. This base of purchasing power should be broadened, not narrowed. We have at present the largest productive capacity of any nation on the face of the earth. I am informed that the steel mills are running less than 80 percent of their capacity. Many of our factories, textile mills, and other manufacturing concerns are at present operating on a part-time basis. It is not the capacity we need; it is the utilization and continuous operation of our present capacity which gives us concern. By reducing the tax $20 per taxpayer and $10 for each dependent, we necessarily broaden the base of the purchasing power of those who need this small allowance the most. Compare the $20 allowance we propose with the $50 dividend allowance granted last year on stock dividends, when less than 10 percent of our people received such a dividend allowance, and one can see very readily how the purchasing power is spread among those most apt to buy consumer goods.

We hear the hue and cry raised that we are financially irresponsible. This sort of argument will not bear truthful analysis. Last year, taxes were reduced by the Republican majority by over $2 billion, when the country then faced a deficit of over $7 billion. The deficit this year is estimated at less than $3 billion, and the total relief we propose to extend to 80 percent of our people is less than a billion and a half dollars.

The PRESIDENT pro tempore. The time of the Senator from South Carolina has expired.

Mr. LONG. Mr. President, the majority leader left word that an additional 2 minutes should be allowed to the Senator from South Carolina if he should desire additional time.

Mr. JOHNSTON of South Carolina. Mr. President, if we extend the excise taxes and eliminate the dividend reductions, we will add to the Treasury $357 million.

What becomes of the political characterization of our conduct that we are irresponsible in the light of these almost undeniable calculations? The problem is not half so confusing and intricate as these unjustified charges against the sponsors would make it. If over $2 billion of relief last year helped to stabilize prices this year, how can half that amount cause inflation next year, especially when it will affect that portion of our population which will spend the money for the consumer goods we need to get on the market?

Mr. President, the situation boils itself down to this: There are some in our economy who believe that if the greater portion of relief is given to the very few at the top of the bracket, somehow and in some way the benefit will trickle down and reach those on the lower rungs of the ladder in our economy. I am convinced that the best results for our economy lie in the broadening of the base rather than the top of our tax structure. Let us stop and consider the man who receives the least annual salary or income, and quit favoring those in the higher brackets every time we have a tax bill under consideration.

For the reasons I have stated I strongly support the proposals contained in the minority views and urge their passage.

The PRESIDENT pro tempore. The time of the Senator from South Carolina has again expired.

Mr. BYRD. Mr. President, I yield 5 minutes to the Senator from Vermont [Mr. FLANDERS].

Mr. FLANDERS. Mr. President, the question before the Senate seems to me to be a very simple one indeed. In an endeavor to balance the budget there was introduced in the House of Representatives and there has come to the Senate a bill designed to maintain income, rather than to permit it to decrease.

The maintenance was to be provided by the extension of the corporate income tax and by the extension of certain excise taxes.

We now have in the Senate the strange spectacle of an effort being made to attach to a bill whose purpose was to maintain income, a means for reducing the income of the Government.

The two purposes do not go together. The proposed substitute itself is a heterogeneous anomaly, and should not be taken seriously as supporting in any measure the original purpose of the bill.

I said the bill as reported was intended to assist in balancing the budget. Let me say at once that I am not one of those who feel that the budget must be balanced under all circumstances.

At times when employment is decreasing, unemployment increasing, and the national production falling rapidly—which, thank heaven, is not now the case—it is not wise to balance the budget, but it is wise to leave it unbalanced. But these are not times when that applies. These are times when we should continue to endeavor to balance the budget.

One of the strange things about the situation, as I see it, is this: A number of Senators on the floor have expressed publicly the opinion that we should sharply increase our defense expenditures. That is a perfectly arguable proposition. It is one on which there may be disagreement among intelligent men. I am willing to predict, however, that many of those who will later express that point of view will be found among those who are now urging that we allow the income of the Government to decrease instead of to increase. We are going to see on the floor of the Senate these 2 contrary positions, 1 of spending more money and the other of providing less revenue, argued by the same persons. The position is one which cannot be maintained except in a situation in which by desperate measures it becomes necessary to arrest a declining economy. We are not in that position at the present time, and the bill addresses itself to the situation in which we find ourselves.

Mr. President, I should like, in conclusion, to pay my left-handed respect to the phrase "trickle down." There is no "trickle down" in the intentions or the purposes of the 1954 tax bill. The things which are characterized as "trickle down" really were intended as measures of growth up. They were intended as measures for the expansion of employment, for the expansion of production; and unless they succeed in assisting the expansion of employment and production, both of which are growing at the present moment, they have failed of their purpose.

So, Mr. President, let us no more use the phrase "trickle down" as a proper

description of the purposes, the intent, or the effect of the 1954 tax bill.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum, with the understanding that the time be taken equally from both sides.

The PRESIDING OFFICER (Mr. FREAR in the chair). Is there objection? The Chair hears none, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the call of the roll be rescinded.

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

Mr. JOHNSON of Texas. Mr. President, I yield 5 minutes to the distinguished Senator from Minnesota [Mr. HUMPHREY].

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 5 minutes.

Mr. HUMPHREY. Mr. President, one of the arguments which has been used in connection with the proposal which is before the Senate, one which has been used with, apparently, some success, so far as publicity is concerned, is that if we cut the taxes of the lower-income group we will remove a large number of persons from the tax rolls; in other words, that they would not take on the responsibility of citizenship to pay taxes. Let us look at the facts instead of at fiction. I think the Secretary of the Treasury would do well to confine himself to a statement of the facts.

The people of the United States pay about $80 billion in taxes. This is 27 percent of the national income. They pay $12 billion to their local governments, $12 billion to their State governments, and $56 billion to the Federal Government, exclusive of social-security contributions.

Of this total sum, $10 billion or more are paid in property taxes which come out of everyone's income in the price of the home lived in and in the price of every commodity or service which is bought.

Sixteen billion dollars is paid in excise and sales taxes on goods and services which everyone buys—on cigarettes, on automobiles as well as on gasoline, oil, and tires. Excise taxes are, today, built into the price of the beer a citizen drinks, on his bus ride to work, on his wife's lipstick, on electric lights—and in 32 States on everything, or almost everything, he buys.

If anyone is guilty of irresponsibility in connection with this matter it is the administration's own spokesmen, from the Secretary of the Treasury down, when they say the people will not pay taxes. They will find that everything anyone touches is filled with taxes.

It is, therefore, nonsense to suppose that anyone escapes taxation, even those who pay no Federal or State income taxes. Competent estimates indicate that even families with incomes under $2,000 pay direct taxes amounting to about 12 percent of their incomes, in spite of the fact that they need so much for the necessities of living, and these taxes have risen since the estimates were made in 1948.

I am referring to a family consisting of a man, wife, and three children. They pay taxes amounting to 12 percent of their income, despite the fact that they need so much for the necessities of life. That is an estimate for 1948. It is the only one we have which is really authentic.

Income taxes in this country totaled $48 billion. This includes $2 billion paid to the States and $46 billion paid to the Federal Government. Of these amounts, $30 billion are taxes on personal incomes and $18 billion are taxes on corporate profits.

I had a survey made in my own State, and this is the result of a survey of the Federal Reserve Board in Minneapolis and St. Paul.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Minnesota yield in order that I may suggest the absence of a quorum? There are at this time no Republican Members present.

Mr. HUMPHREY. I should be delighted to yield for that purpose, because what I am saying should not be only for the ears of my Democratic colleagues who are deeply concerned about these matters, but I think it would be of a little help to my Republican friends on the other side of the aisle.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum, with the understanding that the Senator from Minnesota will not lose his right to the floor; and that the time required for the quorum call may be charged equally to both sides.

The PRESIDING OFFICER (Mr. FREAR in the chair). Is there objection? The Chair hears none, and it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call may be rescinded.

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

Mr. HUMPHREY. Mr. President, I had been pointing out that according to a survey made in the State of Minnesota by the Federal Reserve Board and the Department of Labor, families having an income of $1,000 a year paid on the average $72 in taxes. That includes, of course, their property taxes. Also, they paid an average of $50 in excise taxes.

Families having an income of $2,500 paid $85 in personal income taxes.

The average family having an income of $4,100 paid $370 in personal income taxes.

Recently I received information that 99 percent of the farm families, which make up the bulk of the population of the Midwest, have gross incomes of less than $5,000 a year. It is to that 99 percent of the farm families that the amendment in the nature of a substitute providing tax relief is directed. It is the 99 percent of farm families which are the recipients of the Republican treatment in agricultural legislation, which is described in the report of the House Committee on Agriculture, which was published only recently, on March 10.

What does that report say? I read from it:

> The average of farm prices is down 22 percent since February 1951.
>
> Farm operating costs remain near their record high.
>
> Net farm income in 1954 was 28 percent below 1947 and 10 percent below 1953. Further declines are in prospect for 1955 and 1956.
>
> The parity ratio at 86 percent in January was the lowest since 1941.
>
> Farm debt is increasing.
>
> The value of agricultural assets has declined $10.5 billion since January 1, 1952.

Mr. President, I have in my pocket a clipping taken from the news ticker in the cloakroom, which states that the Secretary of the Treasury told the Senate Committee on Banking and Currency today that the stock market inquiry may undermine public confidence in the economy of the United States.

Did any other officer of the Government say that when Congress inquired into price supports, when it inquired into conditions in agriculture, there was any undermining of that part of the economy? No. But the stock markets are the untouchables, the sacred cows of Republicanism. Those are the cows the administration knows about. The stock markets are their sacred bovine specialty. But when it comes to doing something for the rank and file of American families, the tax bill which they propose gives no help whatsoever.

The PRESIDING OFFICER (Mr. GORE in the chair). The time of the Senator from Minnesota has expired.

Mr. JOHNSON of Texas. I yield an additional 2 minutes to the Senator from Minnesota.

Mr. HUMPHREY. Mr. President, the lame argument which has been dragged in by the tail in the dying moments of this debate is that if the depreciation allowances and accelerated depreciation are removed, the American farmer will be hurt. I have before me the figures from the tax debates in the House of Representatives. In 1955 the Republican tax law of 1954 will help the poor unincorporated businessmen and farm families in the sum total of $73 million. Think of it: $73 million in relief, in 1955, for all the unincorporated businesses, partnerships, and farmers.

With one $20 tax deduction for the head of a family, multiplied by 5 million farm families, there will be a saving to those families of $100 million. With a $10 deduction for each dependent, and assuming there are 4 children in the average farm family, there will be another $200 million saving.

It appears to me that if equitable tax relief is desired, we ought to remove the inequities from the tax law, and place in it a modicum of fair play and equality by providing at least some relief for the low-income families. Those families, in turn, will spend the money in the market place.

I say that what the administration proposal does, and does only, is to protect the "3-D boys"—the dividend boys, the depreciation boys, and the deduction boys. That is all. They are the "3-D" specialists. The administration bill will

not help the average family of the United States one iota. All it will do will be to perpetuate the inequities which are now in the tax law.

I am proud that the Democratic leadership has done two things: First, expose some of the inadvertent mistakes contained in the last tax bill, to the extent of $1 billion, and remove the depreciation and stock dividend provisions; and, second, to place in the tax bill the kind of relief which the United States Senate came within 3 votes or 2 votes of affording last year, when the Senate had before it a proposal to increase the exemption allowance by $100.

Our proposal does not go that far this year. It would seem to me to be impossible for us to turn down an opportunity to afford fair play and a chance to provide reasonable equity in the tax law.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. JOHNSON of Texas. I yield to the Senator from Minnesota an additional 2 minutes.

Mr. MANSFIELD. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. I yield.

Mr. MANSFIELD. I am glad to note that the Senator from Minnesota has brought out the point that, contrary to what Secretary of the Treasury George Humphrey has said, even if the Democratic proposal shall be passed, it will not mean that many millions of income-tax payers will be removed from the tax rolls; they will still pay taxes.

The Senator from Minnesota mentioned that the Associated Press wires carried a story to the effect that once again Secretary of the Treasury Humphrey had chastised Congress, and had, in effect, accused Congress and a Senate committee of being irresponsible, just as he did when he told a House committee that Congress was to blame for the tax bill which he sponsored and which was proposed by the administration last year.

But because a Democratic Congress has uncovered a "blooper", the Secretary of the Treasury now tries to turn the blame around and pin it on Congress. Today, as the Senator from Minnesota has pointed out, the Secretary of the Treasury finds fault with the Committee on Banking and Currency, which is at present conducting hearings with respect to stock market operations.

Did the Senator notice that the Secretary of the Treasury appeared, first, with a prepared speech which he released to the press; and that later, when he had finished with his prepared speech, he gave his own personal interpretation of events, and in that personal interpretation, he once again found fault with Congress, and accused that committee and the Congress of undermining the stock market at the present time?

Who does George Humphrey think he is?

Mr. HUMPHREY. I gather that he thinks he is the specially appointed spokesman of the Republican administration. If he is their spokesman, let them keep him.

It is very, very interesting to note that when anyone does anything which may take the wind out of the stock market a little bit, the Republican leaders simply go into a frenzy. But, Mr. President, $10.5 billion of assets of agriculture have been liquidated in 2 years—$10.5 billion—and I have not witnessed 1 crocodile tear, nor have I heard any gnashing of teeth, or wailing, or screams of agony because of what has happened.

Then when a tax measure is proposed which would give a little relief to low-income taxpayers, and also provide further consumer spending in the stream of American economy, what happens? The Secretary of the Treasury says "Irresponsible! Irresponsible!"

I say, Mr. President, that it represents responsibility to the utmost; that what the substitute proposal represents is fiscal statesmanship. What the Secretary of the Treasury is saying is that Congress is not supposed to have control over tax policies. I ask the Secretary to take note that we have it, and we are going to control it.

The PRESIDING OFFICER (Mr. GORE in the chair). The time of the Senator has expired.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that my whole statement be printed in the RECORD, as well as a special statement I have prepared on Farmers and Taxes. I hope every Member of the Senate will read these statements.

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

STATEMENT BY SENATOR HUMPHREY

I rise to join my distinguished colleagues on this side of the aisle in support of a tax proposal which is based on the clear conviction that the strength of our Nation and our economy depends on people and people's welfare.

There is no legislation more basic to the economy of a nation and of the people in that nation than tax legislation. Yet tax legislation is so complicated, so technical, and so difficult to understand that vast numbers of Americans and large numbers of Congressmen have tended to allow decisions in this field to be made by technicians. I am pleased to say that this trend is changing.

Tax policy is now an essential part of public policy, and as such becomes an area for full discussion and debate—an area for controversy and compliance. And through this disussion and controversy comes greater public understanding.

It is in that spirit that I rise today to address myself to what I consider to be the basic consideration at issue—the basic equity, fairness, and justice in our income-tax laws.

An effort has been made to distort the meaning of the question we debate, to persuade the American people that the issue before the Senate is one relating to the question of a balanced budget alone. I believe in a balanced budget, Mr. President. Both a balanced family budget and a balanced national budget. I also believe, however, that the life and happiness and health of a family frequently depends on the ability to go in debt—witness the fact that were it not for the ability of most families to go into debt and obtain morgages, very few families could own heir own homes. This form of debt and the form of debt represented by installment buying spell not only the health and welfare of our economy but also the health and welfare and happiness of American families. The same principle must be applied to Government. We have needs as a Nation. We have problems as a Government to help meet those needs—needs of defense and general welfare—our Nation has had to go into debt. The result has been a relatively healthy and stable economy for our society.

Our attitude toward budgets, therefore, and the extent of balance or unbalance must depend not only on expenditures but also on revenues; and not only on revenues but also on the maintenance and growth of the national economy, on the potentialities for the expansion of that economy; yes, Mr. President, on our national income. It is only with these facts in mind that we can judge the virtue or desirability of a balanced budget at any particular time.

The question before the Senate today is, therefore, not only the question of how much we raise in taxes but also how we raise it—and the effect of this question on the people of the country.

The people of the United States pay about $80 billion in taxes. This is 27 percent of the national income. They pay $12 billion to their local governments, $12 billion to their State governments, and $56 billion to the Federal Government, exclusive of social security contributions.

Of this total sum, $10 billion or more are paid in property taxes which come out of everyone's income in the price of the home he lives in and in the price of every commodity or service he buys.

Sixteen billion dollars are paid in excise and sales taxes on goods and services that everyone buys—on a taxpayer's cigarettes, his car as well as the gasoline, oil, and tires that it uses. Excise taxes are today built into the price of the beer that he drinks, his bus ride to work, his wife's lipstick, the electric light—and in 32 States into everything, or almost everything, that he buys.

It is, therefore, nonsense to suppose that anyone escapes taxation—even those who pay no Federal or State income taxes. Competent estimates indicate that even families with incomes under $2,000 pay direct taxes amounting to about 12 percent of their incomes, in spite of the fact that they need so much for the necessities of living—and these taxes have risen since the estimates were made in 1948.

These taxes are a burden, but they are also a privilege. For with them the American people are fortunate because they are able to buy the finest public services—education, public health, fire and police protection, highways, national security—available to everyone. It is, therefore, perfectly fitting that all should share in the cost in some equitable degree. This broad picture, however, does not tell the whole story. There still remains a question of equity in the distribution of this tax load. In many of the taxes that we have just described—in fact, in most local and State taxes—there is an insufficient differentiation between low- and high-income families. Many of these taxes take as large or larger shares from the low-income family as they do from the high-income family. It is interesting to note that sales and excise taxes claim 2 or 3 times as large a share of the incomes under $1,000 or $2,000 as they do on incomes above $7,500 or $10,000. This is because lower-income families have to spend a larger share of their income on taxable purchases.

The principle of equity in our tax system taken in its entirety rests on income taxes, primarily on the Federal income tax. This principle recognizes that equity in taxation requires that high-income families shall pay—because they can afford to pay—not only a larger amount, but also a larger share of their incomes in taxes.

Income taxes in this country totaled $48 billion. This includes $2 billion paid to the States and $46 billion paid to the Federal Government. Of these amounts, $30 billion

are taxes on personal incomes and $18 billion are taxes on corporate profits.

Yes, the principle of equity in our tax system is most closely approximated by the income tax. But let no one suppose that the personal income taxes, even though the rates are steeply graduated are "rich man's taxes." The exemptions are low and the rates start high. Thirty percent of the taxpayers under Federal income tax law have incomes below $3,000, and more than 70 percent have incomes under $5,000. A very large proportion of the total yield of the Federal income tax is paid by families in the middle and lower brackets.

The significance of this can perhaps best be understood by looking at an example from my own State. In Minneapolis and St. Paul, according to statistics of the United States Department of Labor, families with incomes between $1,000 and $2,000 paid on the average $72 in income taxes. This was in addition to perhaps $50 by direct excise taxes. Mind you now, these figures are for the poorest families. Families with average incomes of $2,500 paid on the average of $185 in personal income taxes in addition to excise taxes. The so-called "average" family with an income of $4,100 paid $370 in personal income taxes. That is quite a bite out of a $4,000 income.

These are heavy burdens on our low and middle-income groups. They are burdens that should be reduced as soon as it is possible to do so. There are two reasons for this statement. One reason is simple justice. These families need to use every dollar of income for family living. The same Department of Labor studies show that families in the lower income levels spend most or all of their incomes, and in many cases, more than their incomes. The Federal Reserve Board shows a similar tendency. In fact, city families up to the $4,000 income level and higher have been overspending their incomes as a class. This is reflected in the increase in consumer credit by $13 billion in the past 5 years.

These figures do not mean that the families are submerged in poverty, although economically 15 or 20 percent of them are so submerged. It is rather in general a picture of American families striving to raise their standard of living as we believe the American families should be able to do as the American economy becomes more productive. It is a picture also of a people with rising incomes and confidence in their future, willing to undertake future obligations based on that confidence. This is the meaning and purpose of an expanding economy.

There is a second reason why the tax burden should be reduced on lower and middle income groups. Whatever we can do to quicken a rise in the standard of living not only strengthens our people and their faith in our American system, but it also promotes the growth of the economy. This is a growth which comes about by expanding the markets for the goods and services of American business.

Hence, we have now not only reason based on justice, but an economic reason for reducing the taxes of families below the $5,000 income. The House Ways and Means Committee correctly stated the case when it said that such reductions "immediately enter the Nation's income stream * * * and increase the demand for consumer goods which results in greater production." This is because our low and middle income families spend most of their income as they receive it.

There are some interesting statistics which should now be considered by the Senate. There exists at this time a significant gap between present level of production and consumption on the one hand and the level which would result from full employment of manpower and other resources. That gap represents a loss, a waste, at the rate of $20 or $30 billion a year. It is a gap which results from a lag in demand for goods and services. It behooves us to strengthen that demand in the most direct way possible.

I do not suggest, and it would be foolish to suppose, that a tax reduction for consumers of the size provided in the bill which I have the honor to support, or even the somewhat larger one in the bill approved by the House, that that tax reduction would alone close the gap. It would not, and of course, it is preposterous to suggest that it would in any way precipitate any degree of inflation. Our program, however, is at least a step toward full employment and higher standards of living.

Our program will result in an increase in the national income through helping to bring about full employment and higher living standards. This would mean that part of the revenues apparently lost by our proposed tax reductions would in fact tend to return to the Treasury through the rise in national income.

Even beyond that, however, our proposal provides for the recapture of revenues lost by preferential treatment of business and shareholders in business—a preferential treatment irresponsibly fostered by this administration when it pleaded for the enactment of the Revenue Act of 1954. What are the irresponsible provisions to which I refer? One of these was a preferential tax treatment of dividend income. This, Mr. President, was a curious decision, perversely arrived at. It used to be said that we gave an earned income credit on income of wage and salary workers. This was considered fair because it recognized the special virtue of earned income in our society, an income that should be regarded by a special credit. Oh, how far this administration has gone in distorting that virtue. Rather than an affirmation of this great virtue on earned income, the administration last year went in the opposite way. It provided a credit on dividends, a credit on a so-called unearned income. Its rationale for this subversion of an ancient virtue was a peculiar theory that dividend income is subjected to double taxation. Indeed, what income is not? Wage and salary income bears in addition to Federal income taxes the greater part of $6 billion in State excise taxes, and of $10 billion of Federal excise taxes not to mention local property taxes and a hierachy of other taxes.

The administration proposal to subvert the ancient virtue of "earned income" was done with the accompanying of beguiling arguments. But behind all of this beguiling seduction surrounded by honeyed words and soft television lights was nothing more than an attempt to rationalize a brazen preference in favor of higher-income taxpayers over low-income taxpayers, in favor of unearned income over earned income.

I am pleased and proud that my Democratic colleagues in the Congress were not taken in by the administration program last year and are uniting to correct that mistake now.

I look to the day when we can reduce taxes for all income brackets, but until we can do that, if I am faced with the choice of favoring the earners of wages or the drawers of dividends, I must in all conscience give priority to the former.

The tax bill which we ask the Senate to adopt is, of course, not a happy one in all respects. It is, however, a thoroughly responsible one and in the national interest. I would be less than candid with my colleagues if I did not say that there are two major provisions of this bill which I will vote for with great reluctance. I will vote for them because they provide revenue for which no alternative offers are made. These are, first, the extension of present high excise rates on certain commodities, and second, the extension of 52-percent rate on corporate profits.

I do not like excise taxes. Given a choice, I think I would rather reduce some Federal excise taxes than even some low-bracket income taxes. This is because excise taxes on articles of common consumption are a direct burden on the standard of living. Excise taxes are already heavily used by States and localities and the use by the Federal Government should be kept at a minimum. I look to the day when these taxes can be reduced or eliminated.

Furthermore, it is clear that taxes on corporate profits are high and I look to the day when these taxes can be lowered to accelerate the expansion of industrial capacity to meet the restoration of consumer markets and the expansion and demand for the products of industry which that restoration will produce. I wish to make it plain, however, that in saying this I do not subscribe to the contention that present rates stifle the incentive to invest. The investment boom of the last decade clearly demonstrates the contrary.

The economy today, however, makes it clear that corporate profit taxes cannot clearly be reduced if we are to remain responsible. The essence of responsibility, therefore, demands that we do not allow the use of backdoor methods to achieve an irresponsible goal and that is exactly the program that the administration sponsored in the last Congress. I object most vigorously to the use of backdoor methods and obscure devices better understood by corporation lawyers and accountants than understood by the Secretary of the Treasury or most of the Members of Congress. We are only now beginning to get a faint glimmer of what floodgates of corporation gain and Treasury loss were opened by the Revenue Act of 1954.

In this bill we are attempting to correct some of the glaring deficiencies and irresponsible provisions that the administration sponsored last year. The provision for accelerated depreciation, which could and should be devised to help small businesses to build up their capital, is estimated to cost the Treasury a billion dollars in fiscal 1956 and nearly $20 billion in 18 years from now. It is clear that this provision, this $20 billion, is not accruing to new or small business. I would like to vote for a proposal which would make it possible for small and new business to retain a large part of their earnings for growth, but the provision in existing law favors big business.

A provision for permitting new types of reserves for business expenses which last year we were told would cost the Treasury $57 million has opened up so many loopholes that the Secretary of the Treasury, after being prodded by Democratic Members of the House, now confesses he does not know how much it will cost and advocates its repeal. And the Secretary has the nerve and the audacity and the disrespect to talk of "fiscal irresponsibility" in others.

It is both morally and economically indefensible to argue on the one hand that it is good policy to give away billions of dollars of revenue to large corporations and on the other hand that the Treasury cannot afford modest relief to low-income families.

It is clear to me that the administration has been caught in the act of irresponsibility. It is no wonder that they are reacting so vehemently and so disrespectfully.

STATEMENT BY SENATOR HUMPHREY ON FARMERS AND TAXES

A new smokescreen has been injected into this tax fight by the administration through very subtly trying to hide behind the American farmer.

Knowing the concern that many of us share for the depressed plight of agriculture, the word has been quietly spread that the substitute tax bill would be a blow to farmers—that taking away the depreciation allowance of last year's big business tax reduction bill would hit hard at farmers.

Nothing could be further from the truth.

There has not been an issue before this body that I have not vigorously taken the side of the average American farmer.

I think I know how farmers feel—at least, how midwestern farmers feel.

During the last campaign I talked with thousands of them.

We did not just talk price supports. We talked taxes. We talked about the Republican big-business tax bill enacted by the last Congress, and they did not like it. They did not react with any delight to either tax reductions for stock dividends, nor did they find any solace in depreciation allowances. They made it clear they felt in all equity any tax reduction should be made to the broad base of taxpayers, either through raising individual exemptions or granting a flat across-the-board reduction in low and middle income levels such as this substitute would do.

If my good friend from North Dakota [Mr. LANGER] has any doubts about how farmers feel on this tax issue, I would like to call his attention to what happened in Minnesota.

Taxes were a major issue in my own campaign. I vigorously opposed the administration's tax bill in farm areas and was met with an enthusiastic reception. I pledged farmers to work for a more equitable tax reduction at this session, along the lines of this substitute.

I need not remind the Senator from North Dakota what happened. I give farmers a great share of credit for returning me to this Chamber.

The conclusion should be obvious: Minnesota farmers went deeply into the pros and cons of how the administration's tax proposals affected them and gave me a resounding vote of confidence.

It does not take much mathematics to find out why farmers feel the way they do about this tax issue.

Ninety-nine percent of America's farmers have less than $5,000 taxable income.

As a result, 99 percent of American farmers would be benefited under this tax substitute, compared to the few big corporation farmers who might find some way of wangling out tax reductions under the depreciation-allowance provision so obviously designed not for agriculture but for industry.

The choice for any friend of agriculture in this Senate to make is whether he is for the millions of average family farmers in this country or whether he is only concerned about the few thousands operating "factories in the field."

I am sure on the basis of his past vigorous battles for fair dealings to farm people the Senator from North Dakota, who raised this question, will always want to be counted on the side of family farmers, not on the side of corporation farmers.

I appreciate his watchfulness in applying as a first test whether or not the substitute would harm agriculture. It reflects only the concern he has always had for farmers—a concern which I am proud to share.

My purpose now is only to reassure him and any others who have doubts that America's family farmers are on the side of this tax substitute and will benefit rather than be hurt by the tax substitute giving tax reduction to people instead of corporations.

Mr. BYRD. Mr. President, I yield 5 minutes to the Senator from Delaware.

Mr. WILLIAMS. Mr. President, previously I discussed this bill in detail and will only summarize at this time. There apparently is no controversy on three sections in the bill—extension of the excise taxes, extension of the corporate taxes, and the plugging of the recently discovered loophole. There is complete agreement on both sides of the aisle on the necessity for them, so there is no use of my discussing those three phases of the bill.

There is one phase of the substitute proposal which I think perhaps has been overlooked, and that is the implications inherent in the adoption of a $20 tax credit. I wish to point out that this would be the first time in the history of tax legislation that such a provision would be written into the tax laws. Prior to this time our income taxes have been levied based on the ability of a person to pay. If it is fair to pass such a provision at this time, assuming momentarily that we have the money in the Treasury, a year from now should world conditions warrant raising taxes again, the rate could be raised $5, $10, or $20. There is nothing sacred about the amount involved.

No one can deny the fact that if this is a fair way to reduce taxes, it would also be a fair way to increase taxes.

Let us examine how this latter proposal would look if put into effect. It is a direct per capita levy based on the number of dependents in the family and has no relationship to the taxpayer's ability to pay. It has no relationship to income. If it is adopted, it will be the first time in the history of tax legislation that either political party has ever made a proposal of a direct per capita levy to finance the Government.

I think it is one of the most dangerous features of the bill, completely aside from the arguments pointed out by the Senator from Virginia as to the fiscal condition of the Federal Treasury.

I agree with the Senator from Virginia that it is not sound financing to borrow money to finance a tax reduction, and then to borrow money to pay interest thereon. It is not bona fide tax relief as far as the American people are concerned. The only way to give real tax relief is to cut amounts provided in appropriation bills, so that bona fide tax relief can be granted to taxpayers. If Congress enacts tax reductions at this time, it will be an open admission on our part that we do not have the courage to raise taxes sufficiently to pay the cost of government or to cut appropriations to the amount of revenues received.

Mr. CASE of South Dakota. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS. I yield.

Mr. CASE of South Dakota. Knowing the senior Senator from Delaware is a thorough student of taxation and is a member of the Committee on Finance, I should like to ask him a question. Last year there was a glut of farm machinery in the farm implement yards. After the tax bill was passed last year I told farmers in my State they could go ahead and buy some of that equipment and exercise the privilege of more rapid depreciation. In fact, I think I suggested that the first year they could take credit for twice as much depreciation as ordinarily. Today a great deal of the machinery which was in implement yards has been sold. If the proposal now before the Senate is enacted into law, what would happen to the farmers who this past spring purchased the machinery, anticipating that they could use the accelerated depreciation benefits contained in the tax law? Would the enacting of the proposal jerk the rug out from under the farmers?

Mr. WILLIAMS. Unquestionably, it would pull the rug out from under the farmers, and they would have to recalculate their depreciation under the less liberal features of the old law. The Johnson proposal would repeal the accelerated depreciation provision which last year Congress extended to the farmers and small-business men of America. Previously these liberal terms had been available only to large corporations. The farmers of America will resent the restoration of this discriminatory provision.

The PRESIDING OFFICER. The time of the Senator from Delaware has expired.

Mr. WILLIAMS. Will the Senator yield me 2 more minutes?

Mr. BYRD. Mr. President, I yield 2 additional minutes to the Senator from Delaware.

Mr. WILLIAMS. I wish to point out the complete fallacy of the argument that the substitute bill offered by Mr. JOHNSON and others would help the farmers or small-business men. As evidence that the supporters of the Johnson substitute are more interested in big business than in the small taxpayers I point out that the substitute proposal does not seek to repeal that section of the law providing for the 5-year amortization certificates. These still could be extended to large corporations under a formula not of 5 or 10 percent, but 20 percent. That part of the law has been retained by this same group who are now shedding crocodile tears for the little man. Nor is this group proposing to repeal the 27½-percent oil depletion allowance, which would bring some money into the Federal Treasury.

I conclude by appealing that we not take away from the American farmers and the small-business men benefits which Congress gave them last year. Why should not a farmer be allowed to depreciate his tractor as liberally as does the owner of the factory which produces these tractors?

As the Senator from South Dakota has stated, if we now repeal this benefit given to farmers last year we would be reneging on our promise. This accelerated depreciation provision was enthusiastically recommended and endorsed last year by the farm organizations appearing before the Finance Committee.

I pointed out yesterday that Mr. Lloyd C. Halverson, speaking for the National Grange, enthusiastically recommended the provision as a long-overdue correction in the law. I certainly hope the Senate will reject this substitute amendment and pass the bill as reported by the Senate Finance Committee.

The PRESIDING OFFICER. The time of the Senator from Delaware has expired.

Mr. JOHNSON of Texas. Mr. President, I yield 7 minutes to the Senator from Louisiana.

Mr. LONG. Mr. President, we must look at what has actually happened as a result of the tax measures which were passed by the Congress last year, and compare the results with the predictions

of those who so heartily supported the Eisenhower-Humphrey tax bill. We were told that those tax measures would benefit the economy, that new plants would be built, that employment would increase, and that everyone would be benefited.

The results have been completely different. Nonfarm employment has continued to go down. It went down by about 235,000 from January 1953 to January 1954, and it went down by about 345,000 from January 1954 to January 1955. Thus purchasing power actually declined in terms of the total amounts available to enable workers to purchase our products.

The whole point of the tax benefits provided to corporations and business rested largely on its effectiveness in stimulating the building of new plants and buying new equipment for old ones. Yet, what do we find? We find that almost $1.5 billion less is being spent on new plants and equipment in the first quarter of 1955, as compared with the first quarter of 1954.

While this has been happening in the industrial sector of our economy, things with our farmers have gone from bad to worse. The farm parity ratio has recently declined to 86, the lowest it has been since prior to our entry into World War II, in 1941. As a result, farm income has gone down more than 10 percent, and the value of the farmers' assets has declined even more drastically.

Although these things have been happening, Mr. President, the event which matters most in terms of an expanding economy has not happened. The purchasing power of the average workingman or farmer and his family has not increased. Without this, we cannot have the market to provide a base for the necessary growth of our productive facilities. I do not believe that even the most fervent supporters of the Eisenhower-Humphrey tax bill will attempt to prove that this measure has actually served to put additional purchasing power into the hands of the average American family.

It is not my intention, Mr. President, to draw any moral or to engage in any sharp tactics in order to apply this argument also to the reduction of the income tax which went into effect automatically in January of last year. We all know that our workers are paying for benefits which they hope to enjoy in the future when they pay social-security taxes. I do not address myself to that point at all.

Nevertheless, it is incontrovertibly true that the deduction of taxes from the wages of the majority of American workers actually increased, rather than decreased, when he received his pro rata share of the 10 percent reduction in his income tax. As my colleagues have heard me say on many occasions, this resulted from an increase in the social-security taxes which was greater than the reduction in income tax for any taxpayer whose income was less than $3,700 per annum and who had 3 dependents. Here, again, the increase in purchasing power of those in the low-income bracket, the vast majority of our citizens, was not increased.

Although the Eisenhower-Humphrey tax bill did not have the results which we were told would occur, this does not mean, Mr. President, that the measure did not have any effects. It served very well to increase the benefits of corporations and other businesses, and to benefit greatly all taxpayers in the upper income brackets. Unfortunately, these effects have not been transmitted in any useful way to the economy as a whole. The "trickle down" theory has long since been disproved, and our experience during recent months has only served to add further evidence of its falsity.

We have only to refer to the publications which are most respected in business circles for confirmation of the benefits of the Eisenhower-Humphrey tax bill for corporations.

Let us look at page 27 of the March issue of the monthly letter on business and economic conditions—issued by the National City Bank of New York. Here it is stated in concise summary that despite a drop of 7 percent in dollar sales, annual reports of 1,131 manufacturing companies revealed a 5-percent increase in net income. On less business, they made more profit.

This is further explained by the National City Bank as due to both a decrease in the taxable earnings, which were down 12 percent, and the expiration of the excess profits tax. The result was a reduction of no less than 25 percent in total Federal tax liabilities. In other words, Mr. President, there was a deduction of 25 percent in the total Federal tax liabilities of the 1,131 corporations reporting. That figure certainly ought to convince anyone of the effectiveness of the tax relief we gave last year to corporations.

In this publication it is also explained how the decrease in taxable earnings was very materially due to an increase in depreciation allowances which were made possible by the Eisenhower-Humphrey tax bill of last year. When a greater amount of total income is charged off to the cost of plant and equipment, there is, of course, less remaining to be taxed.

Therefore, Mr. President, the corporations got theirs from both directions. They were assisted in writing off additional costs, thus reducing the income which could be taxed at the 52 percent corporation tax rate. In addition, the excess profits taxes were removed. In addition to that, taxes on corporation stock were reduced when dividends were declared.

One of the additional interesting items which I find in this businessman's publication also illustrates how the recent slight improvement in business conditions has not benefited to any great extent the average workingman of America. One page 25 of this letter, it is pointed out that production has risen 6.5 percent, but employment has only gone up 2 percent. The result of this is necessarily to restrict further the purchasing power in the hands of the workers and their families, in relation to the amount of goods being produced.

As I have said on several occasions during the discussion of recent days, I am not opposed to the reduction of taxes on businesses. I am in favor of tax reduction for businesses, and last year I voted for both the accelerated depreciation and the tax benefits on stock dividends. However, I cannot and I would not attempt to justify my vote for those provisions on the grounds that those measures provide additional purchasing power where it will be used to stimulate our national economy. I know that they do not.

The PRESIDING OFFICER. The time of the Senator from Louisiana has expired.

Mr. LONG. Mr. President, will the Senator from Texas yield an additional 2 minutes to me?

Mr. JOHNSON of Texas. Yes, Mr. President; I yield an additional 2 minutes to the Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 additional minutes.

Mr. LONG. I thank the Senator from Texas.

Mr. President, the choice before all of us today is between tax reductions which do not provide additional effective purchasing power for the economy and tax reductions which do increase purchasing power directly and in the hands of those who will use it.

I intend to vote for the substitute proposal which will provide tax relief for the average American family, and to withdraw temporarily, I hope, some of the tax benefits granted to corporations and other businesses, in order to obtain the necessary revenues with which to pay for these modest tax reductions.

Mr. AIKEN. Mr. President, will the Senator from Virginia yield 2 minutes to me, so that I may obtain some information on the bill?

Mr. BYRD. I yield 2 minutes to the Senator from Vermont.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 2 minutes.

Mr. AIKEN. I should like to ask the Senator from Virginia whether the Johnson-Kerr substitute for House bill 4259 repeals any part of the amortization benefits which were granted to farmers in the tax bill of 1954?

Mr. BYRD. I reply to the Senator from Vermont by saying that it completely repeals the rapid depreciation provision.

Mr. AIKEN. Is that correct?

Mr. BYRD. It completely repeals it, and we go back to the straight-line depreciation.

Mr. AIKEN. And the farmer would lose all those benefits, would he not?

Mr. BYRD. Farmers who have invested in machinery, and so forth, will not receive any benefit whatever, except the straight-line depreciation, if the amendment is adopted.

Mr. AIKEN. Then the farmer would go back to the old procedure of amortization of machinery like tractors in 10 years instead of 5, if the amendment should be adopted; is that correct?

Mr. BYRD. That is correct.

Mr. AIKEN. Assuming that the farmer is entitled to the $10 reduction under the proposed substitute, when would he get the $10? When would that benefit accrue to him?

Mr. BYRD. As the Senator from Vermont knows, the farmer does not have to estimate his income in advance. So he would not get this benefit until 2 years from now.

Mr. AIKEN. He would get it, in other words, on April 15, 1957, or whenever he paid the tax due on that date—either on or before that date; is that correct?

Mr. BYRD. That is correct.

Mr. AIKEN. So the farmer could not get his $10 for 2 years, and in the meantime he would lose the benefits from the amortization of the cost of farm machinery and the cost of other facilities used on the farm, which was granted to him in the tax bill of 1954; is that correct?

Mr. BYRD. That is correct.

Mr. AIKEN. I thank the Senator from Virginia.

Mr. JOHNSON of Texas. Mr. President, I yield 5 minutes to the distinguished senior Senator from Oregon [Mr. MORSE].

The PRESIDING OFFICER. The Senator from Oregon is recognized for 5 minutes.

Mr. MORSE. Mr. President, I wish to make the second installment of my speech. I should like to speak very briefly on the depreciation allowance issue. The argument is that the accelerated depreciation allowance will result in expansion of the productive power of the United States. It rests on the false assumption that the rapid depreciation allowance will result in the expansion of productive power. The facts are that the accelerated depreciation allowance of last year did not result in that economic phenomenon, but, to the contrary, the fact is very clear that the savings were frozen.

On the depreciation allowance issue, I wish to say this: It was my view that the tax cuts of last year would not increase capital expenditures, and I said so in the debate last year. Let me quote a paragraph from the February 1955 issue of the Conference Board Business Record:

> Two out of three companies indicate that their depreciation policy will have no influence on capital expenditures, even though one of the stated reasons for writing accelerated depreciation into the new code was to stimulate the expansion and modernization of plant and equipment. Factors other than depreciation, such as demand for products, advantages of technical improvements, and the availability of cash are expected to remain the dominant considerations. Among those companies that foresee stimulus to capital expenditures, the majority expect to increase outlays for modernizing their plants and equipment rather than expanding plant facilities.

I say that the record is perfectly clear that the depreciation allowance does not result in an expansion of productive power. Why? Because the consumers of America do not have the purchasing power to take up the productive capacity which now exists. As I said in my speech earlier today, that is why it is so necessary to increase the purchasing power by this kind of tax relief.

The publication from which I have just quoted is a publication of the National Industrial Conference Board, a publication by and for business men. The remarks are based on a survey made of some 167 manufacturing companies. Demand for products, they tell us, will be one of the primary considerations taken into account before capital expenditures will be made. Notice that demand for products is the first thing that is listed. Notice, further, that the article specifically refutes the administration's argument that accelerated depreciation allowances would influence capital expenditures. Nor should we overlook the closing lines, which state that those companies which will make capital expenditures will modernize and not expand plant facilities.

Let us examine, for a moment, the capital expenditures of corporations and some other related figures.

In making their case for more liberal depreciation allowances the President and his advisors stated in his 1954 Economic Report this would "provide strong inducements to investment." I shall demonstrate, Mr. President, that the liberalization of depreciation allowances has not provided the strong inducements to investment referred to by the President.

The President also stated in rationalizing the huge prospective revenue loss under this provision that—

> The step proposed here should not entail any ultimate loss of revenue to the Treasury partly, because deductions for an asset would merely be shifted from later to earlier years and, more significantly, because of induced gains in the volume of investment, and in industrial productivity.

Mr. President, the loss in revenue from this provision will be gigantic, and the burden of meeting the revenue needs of the country will be shifted on to other groups—the small income groups. The prospective gains from increased productivity resulting from this provision thus far have proved illusory.

Mr. President, here are the facts about the relation between investment and depreciation allowances.

The recently transmitted Economic Report of the President for January 1955 contains a table titled "Sources and Uses of Corporate Funds, 1946–54." It appears at page 193 of the report. According to this table corporate spending for plant and equipment in 1953 amounted to $24.1 billion. In 1954 this amount was reduced by $1.6 billion and totaled $22.5 billion. This reduction in corporate investment for plant and equipment occurred in what the administration has called one of our most prosperous years—President's Economic Report, page 11.

The PRESIDING OFFICER. The time of the Senator from Oregon has expired.

Mr. JOHNSON of Texas. I yield 3 additional minutes to the Senator from Oregon.

Mr. MORSE. Why did corporations cut back investments by $1.6 billion? We passed the liberalized depreciation allowances which were supposed to offer strong inducements to investment. Perhaps it will be argued that there was not sufficient time for this stimulant to affect business finances. Unfortunately, this does not appear to have been true. Referring again to the table on page 193 of the President's Economic Report, we see that corporate depreciation and amortization allowances increased from $11.2 billion in 1953 to $12.5 billion in 1954. In brief, this source of internal funds provided corporations with an additional $1.3 billion in cash to finance investment in 1954.

That is what the tax bill last year gave to the corporations of the country—$1.3 billion in handouts by way of accelerated depreciation. Yet, as we have seen earlier, investment actually declined by $1.6 billion. It had just the opposite effect to what the proponents of the administration bill claimed on the floor of the Senate.

What happens to the cash that is generated by rapid depreciation? According to the President's Economic Report, corporations in 1953 had increased their bank and mortgage indebtedness by $400 million. In 1954 they reduced their indebtedness to banks and mortgagors by $1 billion. That is what we can expect when we give them a handout by way of an accelerated depreciation allowance. The benefit does not go into new production. It goes into the pockets of the corporations, in one way or another. As corporation internal sources of funds in the form of depreciation and amortization allowances have risen they have decreased their dependence upon external sources of financing, including bank and mortgage borrowings.

Increased depreciation charges permit corporations to increase their ratio of dividend payments to stockholders out of after-tax profits. Thus, in 1954, corporate dividend payments rose by $500 million—from $9.4 billion in 1953 to $9.9 billion in 1954—although corporate profits after taxes fell $500 million—from $18.3 billion in 1953 to $17.8 billion in 1954.

Additional funds generated by the more liberal allowances for depreciation have also permitted corporations to rely less upon the organized capital markets, thereby contributing to a shortage of new issues for investors to put their savings in. According to the President's Economic Report, net new security issues as a source of corporate funds declined by $800 million, or more than 10 percent, between 1953 and 1954—$7.3 billion in 1953 compared with $6.5 billion in 1954.

The PRESIDING OFFICER. The time of the Senator has again expired.

Mr. MORSE. Just 1 additional minute.

Mr. JOHNSON of Texas. Mr. President, I yield an additional minute to the Senator from Oregon.

Mr. MORSE. Addition depreciation allowances have on balance merely provided corporations with additional internal sources of funds and decreased their reliance upon outside borrowing. To that extent the position of the individual equity investors has been strengthened. These added funds have also enabled corporations to maintain a higher rate of dividends than would otherwise be possible. And in future years as this source of funds grows they will provide an added assurance to stockholders that dividend payments will be maintained in good years as well as bad

years. So far as investment is concerned, the chief stimulus to investment is the expectation of additional sales. Despite the prospect of an additional $1.5 billion in depreciation in 1955, corporations are not planning to increase their investments from the reduced rate of 1954 according to the most recent survey made by McGraw-Hill. Statement of Dexter Keezer, vice president, McGraw-Hill, page 127. Hearings on January 1955, Economic Report of the President.

These figures conclusively demonstrate that the administration's theory that tax reductions for corporations and those being paid dividends on stock would make for greater capital expenditures was wrong. The condition of our economy has not materially improved. In fact, it has grown worse in some areas.

Later in this discussion I shall examine what the majority report of the House Committee on Ways and Means had to say on the depreciation clause and its effect on the economy and returns to the Treasury. The result has been merely to give handouts to American big business at the expense of the low-income producers of the United States.

Mr. JOHNSON of Texas. Mr. President, I yield 10 minutes to the distinguished Senator from Oklahoma [Mr. KERR].

Mr. KERR. Mr. President, I invite the attention of Senators to the fact that the accelerated depreciation provision in the 1954 tax law is identical in principle with the Humphrey "blooper." All Senators seem to be eager to join in the parade to repeal the Humphrey "blooper" because it has been discovered that it gives corporations the opportunity to charge against income this year $1 billion or more of anticipated future expenses. We are hastening to repeal the Humphrey "blooper" because it allows corporations to save taxes this year to the extent of approximately $1 billion by charging off in this tax period expenses which will not accrue until a future tax period.

We are straining at the gnat and swallowing the camel. I say that because the accelerated depreciation provision in the 1954 law will let the same corporations charge off or save a total of $19 billion in 18 years, under the identical principle which permits a corporation to charge off anticipated expense, and to take credit in the income-tax return this year and charge against this year's income depreciation which it expects to sustain in future years.

The accelerated depreciation provision in the 1954 tax law is an incentive to unemployment. It is an incentive to unemployment in that it hastens and accelerates the process now underway in this country toward greater mechanization and a situation where fewer men are required to operate a given capacity of machinery.

Therefore, there will be on the statute books, if the substitute amendment is rejected, a provision identical in principle with the Humphrey "blooper," which is an incentive to unemployment because it pays the corporations a bonus to anticipate and accelerate the rate by which they increase the mechanization of their industries, as a result of which fewer men are required to operate any given productive capacity.

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

Mr. KERR. I cannot yield, because I do not have the time available.

If it were not so tragic, the statements of Senators on the floor, that the accelerated depreciation provision should be retained because of what it means to the farmers, would be treated for what they are, namely, a hypocritical travesty on truth.

I heard the Senator from Vermont [Mr. AIKEN] speak in favor of that principle because he said it would protect the farmer. He is the same Senator from Vermont who led the shock troops of Secretary Benson across the floor of the Senate to put into effect a provision which has cost the American farmers $5 billion a year.

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

Mr. KERR. I do not have the time to yield. However, I will yield very briefly.

Mr. LONG. Does not the Senator believe that every businessman wants to take his depreciation in years of high income? Only a fool would take his accelerated depreciation in the lowest-income year he has had in 10 years. Certainly he would want to save his depreciation for a year when he had the highest income.

Mr. KERR. That is correct.

I have read in today's New York Herald Tribune an article with the headline:

> Three Hundred and Fifty Million Expansion Plan Is Completed by ALCOA in 1954.

The article goes on to say:

> Expansion begun by Aluminum Company of America in 1951, involving capital expenditures of some $350 million was essentially completed in 1954, a year in which sales increased and profits, affected by higher amortization and depletion charges, were moderately lower than in 1953, the annual report disclosed yesterday.
>
> The income account listed depreciation, amortization and depletion charges in 1954 of $72,594,991, against $58,179,418 in 1953.

That one corporation received a benefit last year of more than $14 million. General Motors finished its $1-billion-expansion program last year and this year. If the average is 10 years, there is available a $100 million credit a year on amortization and depreciation. Under the provisions of the present law General Motors will get a bonus this year of not less than $75 million, and probably $100 million.

Nevertheless, men who say they are interested in the welfare of the American farmer stand on the floor of the Senate and talk about the benefit the American farmer will get from the accelerated depreciation provision.

I say that all the farmers in the Nation will not get a $100,000,000 tax benefit from that provision in 10 years. Up and down across the length and breadth of the country there are corporations which are getting close to that amount—and one of them in 1 year.

I have before me a publication entitled "The Farm Cost Situation," dated March 11, 1955. On page 19 it states:

> In 1955, farmers probably will pay about 23 percent less in Federal income taxes than they did in 1954.

This is where it says the saving will occur. A drop of 9 percent in farmers' income will result in twelve twenty-thirds of that lower tax cost.

A sizable reduction was made in the tax rates that benefited farmers a little and others a great deal, but from that the farmers received an additional ten twenty-thirds. Therefore, from the reduction in their income and the reduction in the rates which were put into effect by the Democratic Congress some years ago and went into effect last year, they received ten twenty-thirds. That leaves one twenty-third of their savings unaccounted for.

The great Secretary of Agriculture, at whose shrine the distinguished Senator from Vermont [Mr. AIKEN] worships, as though the Secretary of Agriculture were a deity on Mount Olympus—and I must say that is just as much justified as if he were actually on Olympus—states that "the third development which will contribute to a reduction in farmers' Federal income-tax payments in 1955 on 1954 income arose from changes enacted in the Revenue Code of 1954."

I have read that statement from the Department of Agriculture publication, The Farm Cost Situation. I continue:

> Among these are the privilege of deducting as current expenses certain outlays for soil or water conservation, and the liberalized depreciation schedules applicable to machinery.

In other words, even the great Secretary of Agriculture, than whom there is no official more unfriendly to American agriculture, repudiates the claims of the Senator from Vermont who cries for the benefit of American farmers.

Oh, Mr. President, as those farmers go about their business, conscious of the damage that has been done to them by the Senator from Vermont and the Secretary of Agriculture, as they contemplate the economic ruin and threatened bankruptcy, let word go out to them:

Take good cheer. Be happy. From the midst of your depression you can look forward to the day—sometime in the distant future, if and when you can make a little money, or a Republican Congress fixes things again—when you can get accelerated depreciation on a plow or a tractor. Of course, General Motors is getting a $75-million benefit in 1955, and you are getting a 75-cent benefit in 1995.

That is not a case of 1 horse and 1 rabbit. It is a case of about 15 horses and 1 rabbit.

I thank the Senator from Kentucky [Mr. CLEMENTS] who suggests to me in an aside that it is one elephant and one mouse.

The question before the Senate is this: Do we want to vote to continue to give a billion and a half dollars a year in tax bonuses to big corporations and big business and to the recipients of dividend income, or do we want to vote to give a billion dollars or less a year to the tax-

payer whose income is less than $5,000 a year? Do we want to vote to continue the tax subsidy and bonus to the few at the top, or do we want to vote to give a reduction of less than a billion dollars a year to 25 or 30 million people who are at the bottom? That is the choice, Mr. President.

The PRESIDING OFFICER. The time of the Senator from Oklahoma has expired.

Mr. BYRD. Mr. President, I yield 10 minutes to the Senator from Pennsylvania [Mr. MARTIN].

Mr. MARTIN of Pennsylvania. Mr. President, in the struggle to maintain a strong, sound, and expanding economy that will advance the welfare and security of the American people, nothing is more important than constant vigilance against the poisonous influence of inflation. There is no greater cause of inflation than deficit financing in Government.

Over and over again in world history great nations have been brought to destruction because their leaders placed upon the backs of the people a crushing burden of debt and taxes.

The ultimate outcome has always been misery and suffering, under dictatorship and tyranny. Human rights have always been lost when a nation, staggering under a debt too big for its economy to sustain, goes deeper into debt through deficit financing.

In modern times, Mr. President, we have the best possible illustration of that fact in the great nation of Germany. Because of inflation the value of their money was lost. That great government went out of existence. Through the persistence of its people, thank God, it is coming back. The same statement applies to Italy, to a lesser extent, and to Great Britain and other nations of the world.

Mr. President, when a nation goes very deeply in debt inflationary pressure is inevitable. The value of the dollar shrinks. The value of savings, produced by industry and thrift, is cut down. Life insurance policies, pensions, annuities and all other forms of fixed income are robbed of their real value. Inflation reaches into the pocket of every man and woman who works for a living. No family in America can escape the hardships that come with the depreciation of our currency through inflation.

It therefore seems to me most unsound to reduce taxes at a time when Federal expenditures are in excess of income and we are unable to balance the budget.

I would greatly prefer that we concentrate on reducing expenditures—on cutting away some of the high cost of government—in order to bring the budget into balance.

I have hoped that we could be able to enforce the strictest economy in Government spending. I have hoped we could bring about a reduction in all costs, including national defense, because all my life I have advocated economy in Government.

Mr. President, during the past half century, as a military man I have always advocated large expenditures for the defense of the Nation. The time has come when I feel we should take a calculated risk and even cut our military expenditures lower than many persons think would be prudent, because I fear an inward economy collapse much more than I fear invading armies.

Taxes can be cut when expenditures are reduced. But the fact remains that we have not yet achieved a balanced budget. We have added billions of dollars to the national debt that is already swollen to unbelievable proportions.

I have very greatly admired the stand of the distinguished Senator from Virginia [Mr. BYRD], the chairman of the Finance Committee, and of the senior Senator from Delaware [Mr. WILLIAMS], both of whom have stood on the floor and advocated no reduction in taxes until we have a balanced budget. Those two distinguished Senators, when the tax bill was under consideration last year, advocated that the then present taxes remain until the budget could be balanced. Those Senators have courage; they are great Americans; and the American people should appreciate their service.

Therefore I hold firmly to the belief that the proposal to reduce taxes at this time is wrong and that such a reduction would violate the fundamental principle of good business management.

Mr. President, I think the time has come to face the fiscal situation of our country squarely and with complete realization of the dangers facing us.

Our national debt is larger than the debt of all the other nations of the world combined. In 20 years the Federal debt has been multiplied almost 10 times and is now approaching the fantastic total of almost $280 billion.

Mr. President, if we now reduce taxes it will be necessary for us to raise the debt limit. It will be recalled that we only temporarily raised the debt limit a year ago.

Twenty years ago when we were fighting the worst depression in our history the Federal debt was less than $29 billion. Since the end of World War II the debt burden has been increased by $20 billion.

It is frightening to realize that the public and private debt of the American people has reached a total of more than $600 billion—three times as much as the debt of 15 years ago.

Mr. President, the time has come for the American people and the leaders in Government to take stock and have a realization that we are in danger.

In the past 5 years alone the public and private debt has increased by $50 billion.

The same pattern of a large debt year after year has been followed by State and local governments. Their debts have increased 16 percent in 1 year alone, reaching a total of $38 billion on June 30, 1954.

Mr. President, I think there is grave danger in any tax reduction that means more deficit financing. Unless the Congress has the courage to cut expenditures enormously we shall have a deficit to the extent that we cut taxes at this time. Again, that means a raising of the debt limit.

I find myself unable to justify a policy that calls for putting the United States deeper in the red in order to reduce taxes.

I am unable to agree with those who do not seem to be concerned with the threat of inflation.

We have stopped inflation, but if we continue to expand the debt, Mr. President, inflation will again become a serious problem. As I mentioned a moment ago, inflation has destroyed many stable governments.

The PRESIDING OFFICER (Mr. GORE in the chair). The time of the Senator from Pennsylvania has expired.

Mr. MARTIN of Pennsylvania. May I have 2 more minutes?

Mr. BYRD. Mr. President, I yield 2 more minutes to the Senator from Pennsylvania.

Mr. MARTIN of Pennsylvania. I submit, Mr. President, that a balanced budget should have top priority in our thinking.

I believe that the people of the United States will enthusiastically support every effort we make in that direction.

Continued deficity financing is the road for disaster.

It can only weaken America at a time when our country needs to be strong.

Mr. President, I cannot too strongly impress upon my colleagues the necessity for America's remaining strong economically so that we can help to stabilize many other nations of the world. The world is looking to America for help. Let us keep our economy strong.

Mr. BYRD. Mr. President, I yield 10 minutes to the Senator from Utah [Mr. BENNETT].

Mr. BENNETT. Mr. President, yesterday afternoon the Senator from Oklahoma and I engaged in a colloquy attempting to interpret the 150 percent declining balance method which was in effect before the 1954 law was passed.

The Senator from Oklahoma said, among other things, that under the regulations existing before the 1954 law was passed, if a person changed from the straight-line method to the declining-balance method he permanently lost whatever difference there may have been between the two methods at a given point.

I read from page 2804 of the RECORD of March 14 the statement by the senior Senator from Oklahoma [Mr. KERR], as follows:

> He would be penalized on his old depreciable asset the difference between what he would have got had he continued the straight-line rate and what he would have got had he put the 150 percent principle into effect on the old asset at the beginning of the depreciable period.

That says two things: It says that the taxpayer was required to go back and calculate depreciation on the old asset all the way from the beginning at the 150 percent declining balance rate; and that he would be penalized for the difference that existed at the time he made the change. I questioned the Senator from Oklahoma, so as to be certain. I asked him:

> Is it the understanding of the Senator from Oklahoma that that penalty was permanent and complete; that the taxpayer never would be able to recoup that part of

the value of his asset which represented the difference between the two points?

The Senator from Oklahoma said:

The Senator is correct.

That colloquy sent the junior Senator from Utah home to do some homework, and I should like to suggest to the Senator from Oklahoma two things: First, when a taxpayer changed from a straight line to the previous 150 percent basis, he did not go back to the beginning. He picked up 150 percent of the level of the value of the asset on the date of the change. Second, he did not accept a penalty of permanent loss. If the new rate was less than the straight-line rate, he was privileged to continue the depreciation until he had reduced the value of the asset to its ultimate salvage value.

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

Mr. BENNETT. I am sorry, but I cannot yield; I have a limited period of time.

I should like to read a statement of the Treasury:

Under the 150 percent declining-balance method permitted by regulation under pre-1954 law, a taxpayer electing to use the declining-balance method was generally required to apply it to both old and new assets.

At this point I digress to say that the taxpayer was required to apply it to old assets of the same type, but not necessarily to all the assets which he had when he asked for the right to transfer. I continue:

The use of the 150 percent declining-balance method with respect to old properties sometimes produced more and sometimes less annual depreciation than the continuation of the straight-line method with respect to these properties, depending on the age distribution of the various components of the property account. In general, taxpayers with accumulated depreciation reserves equal to one-third of the original cost of the property found that the depreciation allowance under the declining-balance method would be about equal to that under the straight-line method.

But when the remaining value was less than one-third, then the amount that could be taken in annual depreciation under the old 50 percent declining balance was obviously less.

I continue to read:

It should be made clear that any disadvantage with respect to old properties was merely one of timing of deductions and did not affect the amount of basis ultimately to be recovered. In other words, in the transition from the straight-line method to the 150-percent declining-balance method, there was no loss of cost which would be charged off as depreciation over the remaining useful life. The amount to which the declining balance rate was applied was the entire remaining cost (original cost less accumulated depreciation reserves under the straight-line method).

I was very much interested in another short colloquy which occurred on the floor a few minutes ago, when the Senator from Louisiana [Mr. LONG] suggested that under the declining-balance method a taxpayer would want to take the higher rate in the year of his greatest earnings. I admit that that is a desirable hope; but once the taxpayer has settled on his rate of depreciation he is not allowed to change it, and he has tailed a rate that turns up regardless of whether his year is good or bad.

To summarize this problem, another point should be made, which has not been previously discussed in the debate. Both on the straight-line depreciation method and on the declining-balance method, it is assumed that the salvage value of the asset is taken out, and that the taxpayer involved actually recovers that value. Under the declining-balance method the calculation is made at the end. Under the straight-line method the deduction is properly made at the beginning, and before the straight-line rate is set. Under both methods, the taxpayer always recovers all of his cost except the salvage value.

The declining-balance method, at 150 percent, was set in motion by an administrative ruling under the Democratic administration. Thus, they accepted the principle and operated on it. I was told that this was done at the request of Wilson Wyatt, who was in charge of the housing program at the time.

The declining-balance method, at 150 percent, works perfectly for persons who are building their first big apartment house, a title 608 house, for example, and who own no other similar assets. Then they are not limited by problems involved in changing over from the straight-line method to the declining-balance method. They start in without any question.

When other taxpayers applied for permission to use it—and they had to apply for permission—if they had other assets, they had to apply the rate to the old assets. They did not have to go back, as I have already said, and recalculate an old asset from its beginning. They simply applied the rate to the value at the point at which they made the changeover. In the long run, every asset can be depreciated once. Everything will work out. But the real value of the declining-balance method is in two other ideas:

First, it is a more realistic method of matching depreciation to the actual resale value of the asset, which always depreciates faster in its earlier life. Second, it permits one to recover more of the value of the asset in its early life; and if he is acquiring the asset on the basis of a bank loan, it makes it possible for him to pay his bank loan down further, and thus season it, as the bankers say. This is undoubtedly the reason why the process was set in motion at the request of Wilson Wyatt.

The declining-value method was available under the previous administration; but it was so hedged about that it was most helpful only to one class of taxpayers, namely, persons who were acquiring new properties which were either their only property or were different from any other.

It did not involve any penalty which denied ultimate recovery to anyone who chose to use it, but it could slow down the rate of recovery on the old property.

Permission of the Bureau was required to change to it or to change away from it.

The 1954 act simply continued this principle. It did increase the pitch or the angle of the declining rate, so that more was recovered in the early period. Under the 150 percent rate the taxpayer recovered an extra six-sevenths of 1 year between the third and fourth years. Under the 200 percent rate, he recovers 1 6/7 years' value in the same period. But under the 1954 law, this privilege, which was available practically only to those who were building new assets, became available to all taxpayers.

The right to change was made more practical. Under the present law, if a person does not like the declining balance rate, he can change over to the straight line rate, and finish out his depreciation period at the straight-line rate.

Under the circumstances, it is hard for me to assume that the declining balance method, which was put in motion by our colleagues on the other side of the aisle, or by the administration which they represented, has been appreciably made evil simply because it was placed in the law, instead of being left to regulation and to the discretion of the Commissioner.

I see no reason why this saving which could be made, if the declining balance method were denied, should be assumed to be evil.

The PRESIDING OFFICER (Mr. BIBLE in the chair). The time of the Senator from Utah has expired.

Mr. KNOWLAND. Mr. President, was the Senator from Utah able to complete his remarks?

Mr. BENNETT. Yes. I have completed my remarks.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. CLEMENTS. Mr. President, I yield 5 minutes to the Senator from Florida [Mr. SMATHERS].

Mr. SMATHERS. Mr. President, I rise to support the proposed substitute offered by our Democratic leader, the Senator from Texas, on behalf of the minority Members of the Finance Committee. I base my support on two simple and uncomplicated premises. First, I think this is a sound and needed approach at this time for our economy. I am not one of those persons who supports this proposal on the basis that he opposes corporations, big or little. I recognize today corporate setups are used by people in all walks of life, and in all types of business, big and little. Corporations are a necessary and desirable part of our business life and we need them. Nor am I one of those who wants to talk about the big people opposing the little people or class legislation while discussing this proposal, because I don't think it is—and in my judgment it is not proper to make such a charge.

Mr. President, last year I supported the tax bill, which granted a larger tax relief to taxpayers than was ever before granted. I was one of those who voted for accelerated depreciation. I was one of those who, after the proposed amendments increasing personal exemptions offered by Senators from Georgia and Louisiana and myself failed, supported the dividend credit of last year's bill.

I took that position last year because I had been led to believe, and I think rightly so, that what our economy needed was an opportunity to grow through business expansion, or strengthen itself through business expansion. At that time there were many statistics revealing our increasing population and our increasing labor force. Because of these conditions, we therefore needed to have business increase its capacity to produce, thereby providing more jobs.

It was on that basis that I voted for the accelerated depreciation features of the bill, believing it would mean that, because a company, big or little, could take depreciation benefits, because it could write off the cost of machinery at an accelerated rate and could buy new machinery and more machinery, and would thereby be willing to invest and expand in larger plants, thereby making for more productivity and thereby creating more jobs.

But, Mr. President, today I believe that the economic situation has changed, and changed rather drastically. We do not need expanding plant capacity any longer—or at least at the present. There is no economist that I know of who claims that expanded plant capacity is our present need. The Secretary of Commerce and the economists in his Department have pointed out that industrial plants today are operating at about 86 percent of full capability, whereas in 1953 it was operating at 96 percent of capacity, and in 1954 at about 90 percent of capacity.

I do not know who has left this information on my desk, but I have before me an article from the U. S. News & World Report which points out rather well the fact that we do not at this time need expanded plant capacity. A look at this chart reveals that expected automobile output this year is 6.6 million cars, while there is a productive capacity of cars in an amount of 9 million. It further reveals that 107 million tons of steel will be produced this year, while we have a capacity of producing 125 million tons. Nine million bales of cotton will be used this year, whereas we have the capacity to produce 13 million bales. The charts show that it is expected that 9 million television sets will be manufactured, while we have the capacity to produce 12 million sets. This article also shows that we will use 78 percent of the 1947–49 output of refrigerators, while there is a capacity to produce 177 percent more than were produced in that same 1947–49 period.

And so it goes. We know all too well the situation as concerns the steel, coal, and other like industries. We are actually in need of consumers to buy and to use that which we can produce. Therefore, we know we do not need any stimulant, so far as the bill is concerned, for encouraging expanded plant capacity or to encourage increased productivity. We do not now need that.

The PRESIDING OFFICER. The time of the Senator from Florida has expired.

Mr. SMATHERS. Will the Senator yield me 3 or 4 minutes?

Mr. CLEMENTS. Mr. President, I yield 4 additional minutes to the Senator from Florida.

Mr. SMATHERS. I should like to say that it is clear that today we do need demand on the part of consumers so that the things which we are now making can be bought and used.

I have sat on the Committee on Finance, as have many other Members now present, listening for the past 2 weeks to representatives of the textile industry who testified before the committee. What do they say they need? Do they want more plant capacity? No. What they say is that they want more consumer demand. What they need is more purchasing power. Someone to buy the materials and goods which they manufacture. Let's look at the coal industry. They do not need greater capacity for production. They have already curtailed their production. What they need is the opportunity to sell the coal which they can now produce.

This morning we heard witnesses tell that oil production in the great States of Oklahoma, Texas, Kansas, and other Western States was operating at much less than capacity, because there is not sufficient demand for that product which they produce. For weeks we have heard the same story from the textile, rope, pottery, lead, and zinc industries and many others. Every one of the representatives of those industries who testified before the committee said the same thing. Did they say, "We want the opportunity to increase our plant expansion and our productive capacity"? No. They said, "What we want is a greater consumer purchasing power, so that the people can buy the things which we can now make."

So, Mr. President, what we need is not expanded plant capacity but stimulation of our economy insofar as consumer purchasing power is concerned.

Therefore, Mr. President, what this particular proposal will do is to pump into the economic lifestream of this Nation an additional $2 billion, as a round figure, all of which will be spent and circulated because it will go into the hands of the low-income group. Persons in that group do not take that money and invest it in the stock market. They do not even put that money into savings accounts. On the other hand, they go out and buy clothing, food, refrigerators, and television sets, and thereby the money will be circulated, which will move goods and articles, create demand, and thereby strengthen the economy.

I cannot help but think that, from what we have heard based on statements of the economists, and from an examination of the figures and statistics, that what we need today is something which stimulates our economy, turns the production wheels at a faster rate and at the same time gives relief to the 5 million people in the low-income group.

That is the first reason why I shall vote for this present proposal.

The second reason for my support is that many Senators present on the floor have stated that we should not create a greater imbalance in the fiscal position of our Nation. They do not want a greater deficit, and with that I agree. They have said that before they could vote for any income-tax relief, which would cost the Treasury approximately $2 billion, there must be some recapture provision which will bring back into the Treasury at least an equal amount.

If one is going to follow that philosophy, and I am going along with it, at this time, and if we are going to try and raise the money, where better can we capture the additional revenue than by action on these two items, the dividend credit and the accelerated depreciation provisions. At the present time in light of our economic needs, these two provisions have a tendency to aggravate an increasingly unhealthy economic situation—by pushing plant expansion and productive capacity—whereas what is needed is a push at the other end of the train—or an increase in buying power. This condition now existing is, we all hope, temporary. We believe that if the right assistance and stimulant is now given—we can strengthen our economy, and improve living conditions for all.

So I am going to support the proposal, in the belief that it is a sound, justiciable, fair, and responsible proposal.

I know, from the witnesses we have seen and heard before the Finance Committee, that our economy is lagging in certain industrial areas of our country. We cannot afford to let it lag too drastically. What is needed now is a law which will benefit everyone, whether one is considered a big or little taxpayer. The adoption of this substitute proposal will help everyone, because it will provide purchasing power, thereby creating greater demand resulting in a greater use of our productive capacity meaning more jobs and a higher level of prosperity.

This, therefore, is in my humble judgment a sound and useful proposal which I shall support.

Mr. CLEMENTS. Mr. President, I yield 20 minutes to my colleague.

Mr. BARKLEY. I thank my colleague for his generosity in yielding me so large a portion of the time available between now and the hour when the vote will be taken.

Mr. President, I realize the impossibility of discussing in any detail the philosophy behind the pending tax bill and the philosophy behind the substitute which I rise to support. Many controversial expressions have been current since in the first instance the House of Representatives passed the so-called $20 deduction, involving—according to the Treasury—a loss of $2,300,000,000 in Treasury revenue, as opposed to a gain of $2,800,000,000 by extension of the taxes which will automatically expire if we do not extend them for a further year.

The Treasury Department, through its Secretary, who no doubt is a very able and charming man, objected to this tax reduction for the great masses of our people. He objected on the ground that it would be inflationary; that to turn back to the people in the lower brackets of income taxes $2,300,000,000—in an economy involving $300 billion of goods and services which we produce every year—would be inflationary; and he indulged in what seems to me to be the fantastic conclusion that, to turn back

to the people in the lower-income brackets $2,300,000,000, would involve an inflationary element of $4,600,000,000. In other words, he multiplied the first figure by 2, doing so on the ground that if the Treasury borrowed the money, instead of having it in cash, that also would be an inflationary element.

Mr. President, I cannot understand that sort of financial logic, because if we assume that the Government must purchase $2,300,000,000 worth of goods, the fact that it has the money in the Treasury or has to borrow the money does not increase the price and does not add to the inflationary equation the Secretary of the Treasury used as a ground for opposition to the $20 provision in the bill as it came to the Senate from the House of Representatives.

If the Secretary's fiscal responsibility or fiscal irresponsibility is to be judged by his equation of twice $2,300,000,000, we may pause and raise some question as to whether his conclusions in other fields are precisely accurate.

Because of our sponsorship of the substitute, we have been charged with politics; we have been accused of being silly, irresponsible, politically demagogic. Mr. President, I am not frightened by epithets. But for a moment I should like to compare some of our fiscal legislation on the basis of politics.

I imagine that in all tax legislation there is an element of politics, because politics is government; it is the science of government. However much or however sincerely we may decry politics, we cannot avoid it; we cannot escape it; because it is the very essence and the very heart of government itself, which, as all of us know, is an imperfect science.

I recall that on this floor, in 1930, when the Smoot-Hawley tariff law was about to be enacted, the former Senator from Indiana, Mr. James E. Watson, then the Republican leader, announced in eloquent terms that within 60 days after the enactment of that law, the wheels of industry would again revolve and smoke would again curl from the smokestacks. That was in June 1930. That was politics. All of us know what happened, partly as a result of that law.

The 80th Congress passed a tax law, and there was politics in it. An election was coming on in November 1948. The 80th Congress—controlled in both branches by our opponents—passed a law reducing by about $5 billion taxes and revenue. At that time we had reduced the public debt from approximately $275 billion to $254 billion, that is from the end of World War II to March 1948, we had reduced the public debt from the larger amount to $254 billion, representing a reduction of approximately $21 billion. There was politics in that tax law; a presidential election was in the offing, and our friends of the opposition felt that the campaign would revolve around tax reduction, and therefore, in order to gain votes, they wanted that tax law passed.

President Truman vetoed that bill. I have before me the record of the vote on the question of overriding the President's veto. I was among 10 Democratic Senators who voted against the bill, and who voted to sustain the President's veto. I did so because I felt that in time of prosperity—up to that time, an all-time prosperity—we ought not reduce the revenue of the Government, and thereby make it impossible to reduce the public debt, by approximately $5 billion.

But the bill to override the veto by the President of the United States was passed overwhelmingly, by a vote of 77 to 10. By and large, we have not reduced the public debt since then; but, on the contrary, we have increased it; we have increased it from $254 billion, in 1948, to $278 billion at the present time.

Mr. President, I wish to ask my colleagues what I believe it to be a legitimate question: In taking into consideration our over-all fiscal policy, when are we to reduce the public debt? When are we to cease increasing the public debt?

Last year the administration asked for an increase of $15 billion in the limitation on the public debt—or to raise the limitation from $275 billion to $290 billion. Congress gave the administration a $6 billion increase, on a temporary basis. Before the end of this session we probably shall be faced with another request for an increase or a request to make permanent the increase authorized last year.

Mr. President, when are we going to pay the public debt? When are we, ourselves, going to assume a part of that burden, instead of passing it on to our children or our grandchildren? If future events bring about another world war in which we shall be involved, and if we are then required to increase our public debt to $300 billion or $400 billion, how long will it be until the credit of the United States shall cease to attract the people of our country, so that we shall hand on to future generations beyond calculation a debt which neither we nor they will ever be able to pay?

If the world should become involved in such a war, all the nations, including our friends in the free world, would become involved in it. So I think we must face the question whether we are to hand on this fiscal situation until there shall be universal bankruptcy and universal repudiation of the debts of the nations of the free world.

How can $2.3 billion, in an economy of $300 billion, become inflationary. The substitute upon which we are soon to vote carries only a little less than $1 billion of reduction to the average man in the United States. How can that be inflationary? It is ridiculous to say that to turn back to the great masses of our people $1 billion a year, out of a total national income of $380 billion, is inflationary. These $1 billion will compete with one another in the purchase of goods which are available to the American people.

What is inflation? Inflation comes about when there are more dollars than goods, and those dollars compete, as though at an auction, when those with money bid up an article. Finally, the highest bidder receives it as a purchaser.

This proposal is said to be inflationary and political. Last year Congress passed a bill to reduce taxes. When the Secretary of the Treasury went on the stand one of the first statements he made was, "We reduced taxes last year by over $7 billion,"—meaning, of course, the present administration. When I asked him what he meant, he said, "The Government of the United States." He was finally compelled to concede that about $6 billion of the $7-billion reduction was brought about by automatic termination of taxes which had been provided for before the present administration came into power; but because we now propose an amendment which would extend, for 15 months longer than the present bill provides, taxes which would otherwise automatically expire, we are denounced as demagogs. We are denounced as being political-minded. We are denounced as cowards. The President of the United States said the House of Representatives did not have the courage to offer this proposal as an independent bill. Therefore the implication is that the House passed the $20 deduction because its Members were cowards. We in the House and the Senate are denounced as silly, incompetent, a bunch of financial and fiscal morons. Because we propose a reduction of approximately $1 billion in taxes for the average man, who will use every dollar of that reduction to purchase goods which he needs, and thereby provide additional employment, we are morons, silly, political, irresponsible.

I have no desire to quibble with the Secretary of the Treasury over the epithets he casts at us, but I would be willing to venture my reputation as a legislator on the statement that more employment will result from the reduction of $1 billion in the taxes of the average worker and the average farmer in America than would come from all the reductions in dividend taxes, reductions by way of specialized exemptions, depletion and depreciation allowances, and all the other provisions which were in the bill passed by the Congress in 1954.

In the consideration of that bill an amendment was offered to raise the exemptions of all the people of the country by $100 for each dependent. That amendment, if it had been adopted, would have accomplished practically what the House provision for a $20 deduction in this bill would accomplish. I was not here at that time, but my recollection is that every Member in this branch of the Congress voted for that amendment, which would have done a year ago what we propose to do now, or what the House proposes to do. Are we to admit here today that all those who voted for that amendment a year ago were wrong then, although it would have accomplished the same thing?

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. JOHNSON of Texas. I will say to the Senator that three present Members on this side of the aisle did not vote for that amendment. As I recall, they were the two Senators from Virginia [Mr. BYRD and Mr. ROBERTSON] and the senior Senator from Florida [Mr. HOLLAND].

Mr. BARKLEY. I thank the Senator. I was not here and could not remember all of them. I thought all of them voted for it. If three Senators voted against it, I am glad to be corrected.

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

Mr. BARKLEY. I yield.

Mr. LANGER. I can understand the reason for the Senator's confusion. Two Republicans voted for it. That is what confused the Senator from Kentucky.

Mr. BARKLEY. I will say to the Senator from North Dakota that I am not always confused when Republicans vote with us. I am cheered by that fact.

Mr. President, we want a balanced budget. Those who are now operating the Government of the United States promised 2 years ago a balanced budget. We do not have it yet. I am not assessing any responsibility for that situation. It may be that in the economy of our country it was impossible to bring about a balanced budget, but, according to the testimony of the Secretary of the Treasury, there will not be a balanced budget this year, there will not be one next year, and there will not be one in 1957, under the present program. The administration may be here asking for an increase in the debt limit from $281 billion to $290 billion before this Congress shall have adjourned.

I have an affectionate regard for the Senator from Virginia [Mr. BYRD], although we differ at times. However, our differences are never acrimonious, never bitter. No loss of friendship is ever involved. I join him in desiring a balanced budget. Not only do I desire a balanced budget, but I want to see the national debt reduced. I see no prospect of that happening until we can balance the budget. This substitute would balance it, assuming that our expenditures are no greater in the next 2 years than they are now. If they are greater because of the international situation, we shall be writing a new tax bill, depending upon what may happen in that regard.

I join the Senator from Virginia and all other Senators who want a balanced budget. However, I am not satisfied with merely a balanced budget. I want to see the national debt reduced. I do not desire to see all this burden handed on to our children, particularly if, by reason of international situations, we find ourselves compelled to increase the public debt.

This amendment is not inflationary. It is ridiculous—I would not say "silly"—to say that to hand back $1 billion to the American people is inflationary. But if it should be mildly so, we can offset that.

The PRESIDING OFFICER. The time of the Senator from Kentucky has expired.

Mr. BARKLEY. Mr. President, will the Senator from Texas yield me additional time?

Mr. JOHNSON of Texas. How much additional time does the Senator desire?

Mr. BARKLEY. How much time does the Senator have? [Laughter.]

Mr. JOHNSON of Texas. I am sure the Senator is entitled to all the time we have. I yield an additional 7 minutes to the Senator from Kentucky.

Mr. BARKLEY. I thank the Senator.

Mr. President, I do not pose as an economist. I am speaking as an average man—probably, if I were to assess myself correctly, below the average. But I have seen a great many tax bills go through Congress. I have seen many changes in the tax attitude of political parties and individual Members. I wish to see at least $1 billion a year go back to the great masses of our people who make less than $5,000 a year. They need that money. They will spend it.

That will increase employment, which is a desirable objective, for the employment situation is not a happy one.

Likewise, the foundations of our economy are not happy. During the last few days we have had a great deal of testimony and public discussion of the stock market. I recall that back in the 1920's, every time the stock market started to go down, Secretary Mellon would come out on the front porch of the Treasury Building and announce that the foundation of the prices of stocks was sound. Up would go the prices of stocks for a little while, then they would go down again.

I hope their foundation is sound now. I hope our economy is sound. However, it is a little disturbing to note that when a Harvard professor testifies before the Committee on Banking and Currency it should cause the stock market to lose $5 billion in one day and $4 billion the next day. Yesterday the market went down a little more. Therefore, I am wondering whether our economy is on stilts, instead of on a solid foundation, when from $10 billion to $15 billion may be shorn from the value of stocks because of the testimony of one Harvard professor, who in his testimony insisted that stock buyers should pay cash for their stocks and not be permitted to buy them on margin.

Mr. President, the substitute amendment will give to the American people, who need it and will spend it, money that will increase employment in the United States. The substitute will extend certain excise taxes 15 months beyond the period provided by the House bill, and it will balance the budget by 1957.

I know of no greater service that we, regardless of politics, can render to the American people, than to increase employment and to balance the budget, so that we may look forward to the day when we may begin to reduce the public debt and not hand it all down to children yet unborn, who may inherit an international situation which will affect their own ability to deal currently with their problems. We should not force them to deal with problems which, because of our improvidence or because of our lack of courage, may be left to them to solve.

Mr. President, I have the greatest respect for the President of the United States. I admire him personally. I enjoy his association. However, I believe he went beyond the bounds of propriety and fairness in stating that the Members of the House of Representative had been cowardly because they did not introduce their tax proposal as an independent bill, instead of as an amendment to the pending tax bill. We should not consider tax legislation from the standpoint of epithet and name-calling and denunciation and the use of uncomplimentary terms. I regret that the President charged the whole House of Representatives with cowardice.

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

Mr. BARKLEY. I yield.

Mr. LONG. Could it not have been just as well argued that the Members of the House of Representatives would be insincere if they attempted to pass a bill giving tax relief to people in the low-income tax brackets, inasmuch as they knew it would require a two-thirds vote to override a veto of the President if they passed such a bill independently?

Mr. BARKLEY. The Senator from Louisiana is undoubtedly right about it. It is not a question of courage or cowardice. It is a question of judgment. It is a question of discretion. It is a question of good faith in dealing with the various economic strata in our population, in order that we may do justice to all of them.

I believe the substitute amendment does justice to all of them; that it does justice to the Nation's Treasury and does justice to our economy. If we should adopt the substitute, it would give hope to the American people and make them feel that we are financially and fiscally responsible, and that we have courage and judgment.

I hope the substitute will be adopted.

Mr. BYRD. Mr. President, I yield 5 minutes to the Senator from California.

Mr. KNOWLAND. Mr. President, I rise in opposition to the substitute offered by the majority leader, the Senator from Texas [Mr. JOHNSON], and his colleagues, and I urge that the Senate pass the bill in the form reported to the Senate by the Committee on Finance.

Mr. President, the national economy of our great free enterprise system is a delicate mechanism. I believe that all Americans are in the same boat. It is vital to labor, to agriculture, to the housewife, to the businessman, and to the farmer that we have a sound national economy. Whatever their purpose might be, those who would undermine our sound national economy are smoking in a powder magazine.

Mr. President, the Senator from Kentucky [Mr. BARKLEY] has referred to hearings which are being held by the Committee on Banking and Currency. He gave the impression that because of certain testimony before the committee $4 or 5 billion had been lost in the stock market. I have faith in the future of this country. I believe the Secretary of the Treasury in his testimony this morning indicated he had faith in the future of America. However, it would be possible to undermine confidence even in a solvent bank by spreading rumors concerning it. In the same way, if enough chiseling is done at the confidence in our economy there might well be precipitated a condition that would not be advantageous to any American, regardless of political affiliation and regardless of the place he may occupy in the national economy.

We are faced with a deficit. Any reduction of taxes at this time would mean that the reductions would have to be taken from borrowed money. In that way a great problem would be passed on to future generations of Americans.

In the limited time I have available, I should like to read to the Senate an

excerpt from Washington's Farewell Address:

As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible, avoiding occasions of expense by cultivating peace, but remembering, also, that timely disbursements, to prepare for danger, frequently prevent much greater disbursements to repel it; avoiding likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions, in time of peace, to discharge the debts which unavoidable wars may have occasioned, not ungenerously throwing upon posterity the burden which we ourselves ought to bear. The execution of these maxims belongs to your representatives, but it is necessary that public opinion should cooperate. To facilitate to them the performance of their duty, it is essential that you should practically bear in mind, that towards the payment of debts there must be revenue; that to have revenue there must be taxes; that no taxes can be devised which are not more or less inconvenient and unpleasant; that the intrinsic embarrassment inseparable from the selection of the proper object (which is always a choice of difficulties) ought to be a decisive motive for a candid construction of the conduct of the government in making it, and for a spirit of acquiescence in the measures for obtaining revenue, which the public exigencies may at any time dictate.

Mr. President, there has been a great deal of discussion in which it has been attempted at least to array one group of Americans against another group because one group happens to be in one income bracket and the other in another income bracket. Mr. President, this Nation has developed and progressed and prospered because men had confidence in the building of their country; and regardless of whether they worked in the fields, in the factories, or in business offices, they hoped to leave to their children a better life than they themselves found. I think no good service is rendered to our Nation in this period when we face the most Godless tyranny the world has ever known by trying to array one group of American citizens against another group.

There have been men of means who, possessing a fine social conscience, have endowed great universities in the South, in the North, in the East, and in the West. There have been people who have accumulated means and who have devoted them to the remedying of some of the glaring ills which beset mankind. There have been men who have contributed to the cultural advancement of our country.

The PRESIDING OFFICER (Mr. PASTORE in the chair). The time of the Senator from California has expired.

Mr. KNOWLAND. Mr. President. I ask the Senator from Virginia to give me another 5 minutes.

Mr. BYRD. Mr. President, I yield another 5 minutes to the Senator from California.

Mr. KNOWLAND. Mr. President, I think no good service is rendered by attempting to array group against group in a nation which has never recognized the existence of classes.

Let us get down to some of the facts of the situation. If there are any in this body or in the country so shortsighted as to think that by passing legislation confiscating all the income of those in the so-called upper brackets we could solve the problems of our Government, they are greatly mistaken.

The fact of the matter is that if we confiscated 100 percent of all the surtax income over $10,000, or $20,000 on joint returns, there would be produced only $5,200,000,000.

If we confiscated all over $15,000, or over $30,000 on joint returns, there would be produced $3,200,000,000. If we confiscated all over $20,000, or $40,000 on joint returns, there would be produced $2,200,000,000. So, Mr. President, let us not try to "kid" anyone, least of all the American public, by stating that this problem can be passed on to the other fellow. The debt belongs to all of us. The obligation to support the Government belongs to all of us. Unless we maintain a sound national economy, which will benefit the worker, the farmer, the investor, and the housewife, those who are dependent upon insurance annuities or retirement compensation, we shall all suffer together and, perhaps, take the whole free world down with us.

Let us be careful not to smoke in a powder magazine.

Mr. President, as a matter of fact, in the last tax law which was passed the benefit provided went to all groups of our citizens. The reduction in the individual tax amounted to $3 billion. The elimination of the excess-profits tax benefited corporations to the extent of $2 billion. The stockholders, of course, also benefited to that extent. The reduction in the excise taxes benefited the people by $1 billion, and the tax revision bill itself benefited them by $1,400,000,000, or a total of $7,400,000,000. To the corporations we might credit $2,800,000,000, or 38 percent. To the individuals, $4,600,000,000, or 62 percent. I think we should keep things in proper perspective.

Mr. President, again I say that through the $7,400,000,000 tax reduction of 1954 corporations received $2,800,000,000, or 38 percent, and individuals received $4,600,000,000, or 62 percent.

The PRESIDING OFFICER. The time of the Senator from California has again expired.

Mr. BYRD. Mr. President, I yield 2 additional minutes to the Senator from California.

Mr. KNOWLAND. Of the tax reductions for individuals amounting to $4,600,000,000, $1,700,000,000 went to individuals with incomes of less than $5,000. Under the prior law, individuals with incomes below $5,000 were paying about one-third of the income taxes.

Whatever criticism may be leveled against the reduction in taxes which was made in the last Congress, the reduction of some $7 billion came after the expenditures of the Government were reduced by approximately $10 billion. As of today not a single appropriation bill for next year has come from the House to the Senate.

It seems to me, Mr. President, that the orderly procedure would be to extend the corporation and excise taxes as recommended by the President and Secretary Humphrey, and then go ahead with our bills. If Congress finds that sufficient reductions can be made in appropriations so that we may have a balanced budget, then it can provide, if it sees fit, for a reduction of taxes, but they should not be reduced by borrowing from future generations. That, I think, would be irresponsible under all the circumstances.

Mr. BYRD. Mr. President, I yield 5 minutes to the Senator from Ohio [Mr. BENDER].

Mr. BENDER. Mr. President, throughout the discussion of this measure repeatedly some of our colleagues have referred to it as being an Eisenhower-Humphrey bill. I am not at all alarmed about such a title for the bill.

We know the work of President Eisenhower, and certainly we know something of the work of Secretary Humphrey. He happens to be my fellow townsman. When I learned that he was to be Secretary of the Treasury I thought that no better news could come to our country. Through the good work of President Eisenhower and George Humphrey there has been accomplished the reduction in expenditures to which the minority leader [Mr. KNOWLAND] has just referred—a reduction of $10 billion. He referred also to a reduction in taxes of $7,400,000,000. The only way we can save money for the taxpayers, as the Senator from California indicated, is to cut expenses. This administration has cut expenses. It has kept its word with the American people.

There is no point in being unrealistic about what happened during the past 2 years, as a result of the passage of the tax bill. It resulted in savings amounting to $1,400,000,000, completely revised the tax laws, making 3,000 changes in them.

There was a $1 billion cut in excise taxes by reducing most rates to 10 percent, on household appliances to 5 percent, effective April 1, 1954.

There was a $3 billion cut in personal income taxes by an 11-percent reduction in tax rates, effective January 1, 1954.

There was a $2 billion cut in corporation taxes by ending the wartime excess-profits tax on December 31, 1953.

All taxpayers benefit from the $7,400,000,000 tax cuts, but the individual taxpayer is the chief gainer. Four billion seven hundred million dollars goes to individuals and only two billion seven hundred million dollars to corporations.

The comprehensive revision act gave $827 million to individuals, $536 million to corporations. Individuals receive $3 billion benefits from the 11-percent cut in income taxes, and $800 million from excess-tax cuts.

The average taxpaying family or single person gets a tax saving of $100 a year.

Corporations benefit from the revision act and the termination of the wartime excess-profits tax, but have to pay the high wartime 52 percent income-tax rate for another year.

The new law closed more than 50 loopholes by which some taxpayers have avoided paying their fair share of taxes.

We have heard about 1 loophole, but 50 loopholes were closed by the passage

of the so-called Eisenhower-Humphrey bill.

No reference has been made to all the loopholes which have been closed as a result of the passage of that bill.

A working widow can deduct $600 paid for the care of her children under the age of 12, which is a saving of $120 on a $3,000 income.

Thanks to President Eisenhower and Secretary of the Treasury George Humphrey, parents can deduct $600 for a minor as a dependent, even if he earns more than $600. That is a saving of $120 on a $3,300 income, or $132 on a $6,000 income.

Thanks to President Eisenhower and Secretary Humphrey, retired persons over the age of 65—schoolteachers, policemen, firemen, and the like, not drawing nontaxable social-security benefits—will be exempt on retirement income up to $1,200, thus saving up to $240 a year.

Thanks to President Eisenhower and Secretary of the Treasury Humphrey, a family having a $3,000 income and $150 in medical expenses can now deduct $60 from taxable income. Previously they could deduct nothing. The savings go up as medical expenses rise.

The PRESIDING OFFICER. The time of the Senator from Ohio has expired.

Mr. BENDER. May I have an additional minute?

Mr. BYRD. I yield an additional minute to the Senator from Ohio.

Mr. BENDER. Persons receiving stock dividends get the first $50 tax-free, thus saving $10 or more. They receive a 4 percent credit on the rest, or a $8 saving on a $200 balance from $250 total dividends.

Mr. President, I have so many other figures before me that I would appreciate it if I had the privilege to include them in my remarks. The statistics relate to actual reductions which have been made for the benefit of poor people, for the average citizen of America.

Thanks to President Eisenhower and Secretary of the Treasury George Humphrey, all those loopholes have been closed. At any rate, 49 of them have been closed. Perhaps Congress erred in not shutting one of them up.

The PRESIDING OFFICER. The time of the Senator from Ohio has expired.

Mr. JOHNSON of Texas. Mr. President, I yield 3 minutes to the distinguished junior Senator from Oregon.

Mr. NEUBERGER. Mr. President, my remarks as one of the newest Members of the Senate, indeed, the newest, the 96th, will be very brief.

I am very glad the distinguished junior Senator from Ohio [Mr. BENDER] mentioned the tax reductions made last year. I fail to understand how the tax reductions granted in 1954, when there was a substantial deficit, were evidences of statesmanship, while a different kind of tax reductions in 1955, when there is still a deficit, is called fiscal irresponsibility by the Republicans. It is a distinction I simply do not understand. Perhaps there is something about the atmosphere in the Senate which will enable me sometime to understand such a situation.

The comments which have been made on the so-called "blooper" also puzzle me. I once listened to an address by a well-known professor of mathematics at Oregon State College, in which he said that legitimate errors are always divided equally between two sides. How is it, Mr. President, that the only major error which thus far has been found has favored the great corporations?

If this was not a psychic error, will we find later, perhaps, a so-called "blooper" in the tax law which will enable a truckdriver to deduct the cost of cleaning his overalls? Perhaps such a "blooper" will be found, but I doubt it. Or a "blooper" may be found which allows a farmer to deduct in 1 year the entire cost of his combine or pickup truck or tractor. But I wonder if we will find such a "blooper," or whether the only "blooper" to be found in the law will turn out to favor big corporations. I shall consider it quite interesting if a "blooper" is found which will allow a truckdriver to deduct the cost of cleaning his overalls, or a farmer to deduct the entire cost of his tractor in 1 year. I doubt, however, the presence of such a "blooper," Mr. President.

I listened to the very able address of the distinguished senior Senator from California [Mr. KNOWLAND], the minority leader, about arraying class against class. No one wants to array class against class. Yet I wonder what it is that arrays class against class. Is it the word or the deed? Is it a tax law which grants disproportionate benefits to one class of people that arrays class against class? Or is it merely someone who points out that situation? I think we should decide what it is that arrays class against class—whether it is the deed or the mention of a deed.

During the 1954 campaign in my State, much was made by the present minority party in the Senate, which was the party that had been the majority party in my State for 40 years, of the fact that there had been substantial tax reductions granted. I still fail to understand how it was that those tax reductions were boasted of in October 1954 as being in the interest of American statesmanship, yet when reductions are proposed by the Democrats in 1955 they become irresponsible.

Mr. President, I ask unanimous consent to have printed at this point in my remarks a few representative communications which I have received from various persons throughout my State, and some from persons in other States, in behalf of the Democratic tax proposal.

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

FEBRUARY 23, 1955.

Senator NEUBERGER:

I heard on this morning's newscast that President Eisenhower says that the $20 per person cut in income taxes is the height of financial irresponsibility. I say he is completely wrong.

The $20 cut will help everyone, and especially those in the middle and the lower income groups. It is much better than what the Republicans did when they first got into power—to cut the corporation taxes to the barest minimum, thus making more money for the already rich corporations and the coupon-cutting people.

The cut of $20 is a small way to help all the people.

It must go through.

Sincerely,

Mrs. L. R. PARKER.

BEND, OREG.

PORTLAND, OREG., *March 9, 1955.*

Hon. RICHARD L. NEUBERGER,
Senate Office Building,
Washington, D. C.:

In behalf of membership, our local union urges your support of $20 tax-credit bill for each taxpayer, each dependent. We feel this increased purchasing power in the hands of the wage earner and low-income group will bolster our economy.

KENNETH R. SMITH,
Financial Secretary, Cannery and Food Process Workers, Local M-24, IWA, CIO.

MARCH 3, 1955.

United States Senator RICHARD NEUBERGER.

DEAR SIR: Hoping that you will support the $20 tax each dependent bill.

This will be appreciated by me and all I have contacted.

I am one of your supporters in this last election and was glad to see you get to be elected. Will appreciate it if you will put me on your mailing list as to whatever important bills may come up from time to time.

V. R. TOMASINI,
One of Your Supporters.

PRINEVILLE, OREG.

ASBURY PARK, N. J., *March 2, 1955.*

Senator RICHARD L. NEUBERGER,
Senate Office Building,
Washington, D. C.

DEAR SENATOR NEUBERGER: Admired your frankness and evident honesty apparent in your remarks over the radio last night.

Regarding the current move to grant all taxpayers a $20 deduction:

Last year the wealthy of this Nation were given a double tax hand-out—corporations were given a tax cut which made larger dividends available to the wealthy stockholders and then cut the tax on those dividends.

Another point which will interest you from a man who owns some stock but also holds some deposits in savings banks.

The rich have little invested in savings banks. It is the poor and moderate who save the small funds in savings banks. The dividend-exemption law eliminates interest received from saving in savings banks from the dividend tax cut of 1954.

Sincere best wishes,

AN ADMIRING REPUBLICAN.

NOTE.—President Lincoln viewed our Government as "A Government of the people, by the people, for the people." Under President Eisenhower it has become "A Government of the people, by the bankers, for the bankers."

GRANTS PASS, OREG., *March 2, 1955.*

Hon. RICHARD NEUBERGER,
United States Senate,
Washington, D. C.

MY DEAR SIR: I find the following caption, three columns wide, on the front page of this morning's Oregonian most interesting, viz: "$20 tax cuts fails, pay boost wins."

Evidently when it is a question of putting some additional money in the pocket of the small taxpayer the answer is an emphatic "No." But when it is a question of putting a big pay increase in the pockets of the Members of the Congress the answer is a most enthusiastic "Yes."

One dollar and sixty-seven cents per exemption per month for the taxpayer? "No."

Six hundred and twenty-five dollars per month for the Members of Congress? "Yes."

Seems that the old adage "them as has gits" is still true.

What a fine example of Republican irresponsibility.

Yours very truly,

WALTER S. YORDON.

PORTLAND, OREG., *February 27, 1955.*
Senator RICHARD NEUBERGER,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: Never has there been a more fair piece of legislation introduced than the $20 per person tax reduction proposed by the Democrats.

Had Ike started his work as President with such a bill, the Republicans would still be in control of Congress.

He screams it will mean inflation—I scream back to him that his dollar will inflate with mine—what could be fairer.

General Motors, the NMA, and AMA are not in a position to do my voting for me, and my vote will go for fair treatment.

I realize Ike's crowd is out to buttonhole and blackmail every vote they can get in the Senate opposing this bill, however, the longer this bill is debated regardless of whether it passes or not, the more opportunity the voters will have to size up their present lawmakers.

As you no doubt noted in the 1954 election results the "little people" are thinking a bit more seriously and watching more closely—and in my opinion it won't be many years hence, when all politicians will be honorable people, regardless of how the press, television, and radio fight the change.

If you are successful in passing this bill in the Senate, Ike will no doubt veto it, then the sentiment of the people may influence the Congress to override the veto, either way he turns, Ike is on the spot. I'm laughing.

Ike's excuse for vetoing the pay hike for my mail man was that we should finance it first with rate increase on our personal correspondence—has any one told him that rate increase on our junk mail would be more lucrative?

Democratically,
THOMAS C. KIDDER.

LOCAL UNION 5-245,
INTERNATIONAL WOODWORKERS OF AMERICA,
Oakridge, Oreg., March 3, 1955.
Senator RICHARD L. NEUBERGER,
Senate Office Building,
Washington, D. C.

DEAR DICK: The people of the Oakridge-Westfir, Oreg., area, the Democrats and even the Republicans are asking that you support the $20 tax deduction for each dependent person.

Very truly yours,
CLARENCE S. MONROE,
Business Agent.

Mr. JOHNSON of Texas. Mr. President, I yield 3 minutes to the distinguished junior Senator from Minnesota.

Mr. HUMPHREY. Mr. President, I appreciate the courtesy of the distinguished majority leader. My comments will be directed particularly to one issue which has been discussed off and on in the Senate while the tax bill has been under consideration.

First, I point out that the benefits which have been related to the Senate, particularly by the minority leader, the distinguished Senator from California [Mr. KNOWLAND], and the distinguished junior Senator from Ohio [Mr. BENDER], pertaining to schoolteachers, firemen, and pensioners, to medical costs, and to soil conservation, are left intact; they are not touched at all by what we are discussing or dealing with in the debate.

What we are really talking about—and let the issue not be beclouded; let there be no haziness or doubt about it at all—is whether there should be a continuation of accelerated depreciation. Should Congress continue to give a special kind of tax privilege to stock-dividend income which no other recipient of income receives under the tax law?

I point out that the distinguished Senator from Tennessee [Mr. GORE] as of yesterday made the record crystal clear that the stock-dividend recipient has a kind of privilege in taxation such as no one else receives.

The question we are now discussing is whether it is not equitable, desirable, and sound to provide a little tax relief for persons having incomes of $5,000 a year or less who represent approximately 80 percent of the taxpayers.

The distinguished Senator from Kentucky [Mr. BARKLEY] pointed out that the tax benefit proposed by the substitute will be used in the stream of commerce to provide additional employment and to utilize additional production, production which is available if the producing power is present.

I have heard much conversation and chatting in the cloakrooms as to what would happen if the Senate passed a substitute bill which would balance the budget and would remove glaring inequities from the tax law, on the one hand, while also providing relief for low-income families.

For instance, what will happen in the case of farm income? I have before me a report which came to me today. According to Farm Cost Situation, issued by the Department of Agriculture, farmers will save about 23 percent of their income-tax payments this year. How will the farmer save 23 percent? According to Farm Cost Situation:

> This decline results in three developments in 1954.

The first development is that out of a 23-percent saving on income-tax payments this year, farmers will save 12 percent as a result of a decline in take-home income, which is 9 percent below last year's income.

They will save 10 percent of their income-tax payments due to an automatic drop in the tax rates under the law passed at the time of the Korean war. This was an automatic reduction with which the Republicans and Democrats in the 83d Congress had nothing to do, because that provision was included in the tax law of 1951.

What did the 1954 Internal Revenue Act do for the 5 million farm families in the United States? Listen to this. I quote from the report of the Department of Agriculture. This is not the statement of George Humphrey; it is that of Ezra Benson. But they work in the same shop, and each has about the same status in the Cabinet. This is what Mr. Benson has to say:

> The third development that will contribute to a reduction in farmers' Federal income-tax payments in 1955 on 1954 income arose from changes enacted in the Revenue Code of 1954.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. HUMPHREY. May I have 1 additional minute?

Mr. JOHNSON of Texas. I yield 1 additional minute to the Senator from Minnesota.

Mr. HUMPHREY. The amount will be 1 percent as a result of the tax-reduction law of last year. The great, wonderful, gratuitous, charitable Internal Revenue Act of 1954 gives the American farm family—and there are 5 million of them in the United States—1 percent tax relief. Of that 1 percent, according to the same report, only a fraction will come from accelerated depreciation.

Mr. President, when one tries to base a tax bill on the ground it will benefit widows, orphans, and farmers, I suggest that there should be some evidence that it will, and in this instance the evidence is less than convincing.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. BYRD. Mr. President, I yield 5 minutes to the Senator from Vermont.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 5 minutes.

Mr. AIKEN. Mr. President, I wish to say that the argument that the proposed substitute to the tax bill will benefit small income people and farmers is nonsense. This substitute is worse than that—it is a hoax.

Mr. President, just what does the proposal purport to do? It purports to give a $10 tax deduction to each man, his wife, and each dependent, to be deducted from his tax bill.

How do the sponsors of the substitute propose that the cost of the $10 to each taxpayer shall be met? The tax deduction is not going to be granted this year, anyway. A full year will elapse before it will become effective. The sponsors say the cost of such benefits will be paid by continuing for 1 year longer than recommended by President Eisenhower, the excise tax on many commodities which those same people will have to buy. Those taxpayers will be paying an extra tax on gasoline, on automobiles, and their repair parts, on oil, on perfume, on cigarettes, on beer and wine, and on other products.

When anyone tells the wage earner that the substitute bill will benefit him, he is not telling the wage earner the truth, because the wage earner will pay far more in excise taxes than the $10 or $20 tax deduction which he will receive.

The substitute bill is also a deliberate and well-calculated slap in the face to every farmer in the United States. Last year Congress, recognizing that industry had been enjoying peculiar advantages in the matter of amortization, wrote into the law a proviso that the farmer, too, could amortize more rapidly the equipment he uses on the farm, the facilities he needs on the farm, and the buildings which he erects on the farm. This substitute bill is a crackdown on every farmer in Minnesota, North Dakota, Wisconsin, and the other 45 States of the Union. It proposes to put the farmers back under the provisions of the old law which prevailed in the years before Congress passed the new tax bill of last year. Thus it would take the farmers 40 years to amortize a new barn and 10 years or more to amortize the cost of a tractor. It would at least double the farmers' tax burden so far as amortizing the cost of

equipment, machines, and new buildings is concerned.

If the pending proposal was calculated to make farmers more hard up and more dependent on the Government, it was well conceived.

I do not know exactly who sponsored the proposal for this hoax— and I repeat it is a hoax—but I hope the farmers will find out who is back of it, and will not forget the effort being made today to increase their tax burden.

Mr. President, if the sponsors of the proposed legislation really want to provide money to give low-income people an additional deduction of ten or more dollars apiece, why in heaven's name do they not go after the great corporations which have enjoyed exorbitant tax benefits over all these years?

The PRESIDING OFFICER. The time of the Senator from Vermont has expired.

Mr. AIKEN. May I have 1 more minute?

Mr. BYRD. Mr. President, I yield 1 additional minute to the Senator from Vermont.

Mr. AIKEN. Why do they not go after the 27½-percent depletion tax given the oil interests not only on their operations in this country but overseas as well. We understand this depletion allowance has made many multimillionaires in America, some of whom are in politics, we are told?

Mr. President, no one can honestly defend the proposed substitute legislation as being of any benefit to the wage earners of America, and it is a deliberate slap at every farmer.

Mr. JOHNSON of Texas. Mr. President, I yield the Senator from Tennessee [Mr. GORE] 5 minutes.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for 5 minutes.

Mr. GORE. Mr. President, it is regretable to hear the distinguished, able, and affable senior Senator from Vermont [Mr. AIKEN] so lose himself in his excitement on the issue before the Senate as to brand the Johnson substitute amendment a hoax. I do not so regard it. Nor do I believe the distinguished Senator from Vermont would so regard it, upon cooler reflection.

I regard the Johnson amendment as a serious attempt to correct some of the inequities of the present tax law. I regard its authors, though I am not one of them, as sincere and patriotic men. I dare suggest that the senior Senator from Vermont regards the authors of the substitute amendment as sincere and patriotic men, too; and not as Members of the United States Senate who would attempt to perpetrate a hoax upon the American people.

Nor do I believe that in his cooler moments the Senator from Vermont will think those of us who intend to support and who do support the proposal do so with any intent or desire to slap any farmer in the face, I do not believe he thinks it would have that effect.

What is the choice here, Mr. President? It is not a choice of whether we are to enact or strike down a hoax. The choice is not whether we are to slap or not slap farmers in the face. The choice is between tax favoritism now written into the law for the benefit of the economically privileged few, or a tax reduction, small though it be, for the many families economically hard-pressed for money.

Upon that issue the Senate will make its choice and will make its election in voting for or against the Johnson amendment.

Mr. President, I have for long thought that the poper criterion for a Senator to use in measuring proposed Federal tax legislation, the yardstick he should stand beside each proposal, is taxation according to ability to pay.

The so-called Johnson amendment proposes a small tax reduction for the great body of taxpayers—all taxpayers with incomes not in excess of $5,000 a year. The Senator from Texas would substitute that amendment for three provisions now in the law, none of which meets the measure of taxation according to ability to pay.

The PRESIDING OFFICER. The time of the Senator from Tennessee has expired.

Mr. JOHNSON of Texas. Mr. President, I yield 2 additional minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for 2 more minutes.

Mr. GORE. I thank the Senator from Texas.

Mr. President, since my time has passed quickly, I shall have to shorten my speech.

What are those provisions, Mr. President? One is the so-called blooper, which was written into the law last year, by the Congress. Congress was misled in its understanding of that provision of the law, and was misled as to its effects. In that connection I shall not use the word "deliberate"; I am not prepared to believe it was deliberate on the part of the high officials who recommended it; but I wonder who did know its effects. Nevertheless, we were misled into passing that law.

At this time, Mr. President, we have an opportunity to correct that situation. A vote against the Johnson amendment will be a vote to keep the Humphrey "blooper" in the law, because this is the first opportunity the Senate has had to repeal it.

Yesterday I read into the RECORD cases which showed that corporations with sizable profits had been able, through this "blooper," to convert profits into losses, wiping out entirely their 1954 tax, and enabling them to claim refunds or credits to carry forward in the years ahead or to apply to previous profits. What assurance have we that that "blooper" will be repealed?

The PRESIDING OFFICER. The time of the Senator from Tennessee has again expired.

Mr. JOHNSON of Texas. Mr. President, I yield an additional minute to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for an additional minute.

Mr. GORE. I thank the Senator from Texas.

Mr. President, we have no assurance at all that the "blooper" will be repealed. I dare say that before the measure reaches this Chamber from the other body, additional amendments will be added to it.

Mr. President, what are the other two? I shall name them quickly. One is the accelerated depreciation provision. I cannot say that we were deliberately misled about it; but we were told that it would have the effect of increasing employment. However, it has had precisely the opposite effect, for unemployment, rather than employment, has increased.

The third is the dividend credit—the credit for income received from corporation stock in the form of dividends. As I suggested yesterday, that is inequitable, and is unfair. It, too, fails to meet the yardstick of taxation according to ability to pay.

The PRESIDING OFFICER. The time of the Senator from Tennessee has again expired.

Mr. JOHNSON of Texas. Mr. President, I yield 2 minutes to the Senator from Louisiana [Mr. LONG].

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. LONG. Mr. President, reference has been made to the situation insofar as the farmer is concerned. I believe that anyone who will make the effort to read the figures prepared by the Department of Agriculture, and presented by the Senator from Minnesota [Mr. HUMPHREY], and the Senator from Oklahoma [Mr. KERR], will find that the savings to the farmer amounted to only a fraction of 1 percent of his tax bill. Certainly a credit of $50 for the average family of 5 would mean a great deal more to the farmer than a saving of only a fraction of 1 percent, which the average farmer might have been able to make last year, as a result of accelerated depreciation.

Furthermore, Mr. President, the American people have repudiated the favoritism which was given last year to corporations and businessmen; that was one of the main issues in the last election.

Frankly, I was surprised that the farmers—in view of the major reduction in their income—voted Republican to the degree they did. But there is no doubt that insofar as the average workingman was concerned, he voted to repudiate that tax bill, because it gave too much favoritism to those in the upper income brackets, and did so little for those in the lower income brackets, while doing so much for corporations and businessmen. Oh, how often have we heard that those who got the most relief were individuals. It is true that they were individuals, but what individuals, Mr. President? Corporations got almost half the relief. The remaining ones who obtained the relief were for the most part those who hold corporation stock—in short, a distinction without a difference. In other words, corporations and those who hold corporation stock were the ones who got most of the relief, last year.

I acknowledge that in last year's bill there was some small provision for relief for other taxpayers; for instance, the

bill provides some small relief for mothers who have to work, and who thus have to hire babysitters. But the basic theory of that bill was that if more tax relief were given to corporations and to business, they would provide more jobs. However, what do we find? When we look at the economic indicators which are issued by the administration, we see that there are now 397,000 more persons out of jobs than there were when we were told that bill would result in increasing employment.

The PRESIDING OFFICER. The time of the Senator from Louisiana has expired.

Mr. BYRD. Mr. President, I yield 2 minutes to the Senator from South Dakota [Mr. CASE].

The PRESIDING OFFICER. The Senator from South Dakota is recognized for 2 minutes.

Mr. CASE of South Dakota. Mr. President, in the remarks of the last speaker, I noted the statement that the American people have repudiated certain things. Mr. President, the Congress of the United States has repudiated two things in reference to taxes. First, the Congress has repudiated the idea of special favoritism to the community-property States.

The pending amendment, as I understand it, would restore favoritism to the community-property States.

Mr. JOHNSON of Texas. Mr. President, will the Senator from South Dakota yield to me enough time to permit me to make a correction of the statement he has just made? If he will yield to me, I shall agree to have the time charged against the time remaining to me.

Mr. CASE of South Dakota. Mr. President, I decline to yield.

The PRESIDING OFFICER. The Senator from South Dakota declines to yield.

Mr. JOHNSON of Texas. I thank the Senator from South Dakota.

Mr. CASE of South Dakota. Mr. President, Congress has also repudiated the idea of accelerated depreciation only for the large manufacturers.

In the last tax bill, Congress decided that if accelerated depreciation was a good thing for the large manufacturers, it was also a good thing for the farmers; and during the last year we encouraged the farmers to buy machinery on the basis of accelerated depreciation.

Therefore, Mr. President, I do not think we are going to accept the pending amendment and thereby repudiate our repudiation of those discriminations.

Mr. LONG. Mr. President, will the Senator from Texas yield 1 minute to me?

Mr. JOHNSON of Texas. Mr. President, I yield 1 minute to the Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 1 minute.

Mr. LONG. Mr. President, with regard to the alleged favoritism toward the community-property States, the Senator from South Dakota will find that the amendment has been modified so as to make sure that in no circumstance will taxpayers in community-property States be favored.

I regret to say that the Senator from South Dakota is just as much mistaken on this point as he was, last year, when on the floor of the Senate he discussed the community-property law. At that time he had to admit that he was wrong about it. I now ask unanimous consent to have the pertinent excerpts from last year's RECORD printed at this point in the RECORD, as a part of my remarks.

The PRESIDING OFFICER. Is there objection?

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

[From the CONGRESSIONAL RECORD, volume 100, part 7, pp. 9497-9488]

Mr. CASE. Mr. President, as I was saying prior to the suggestion of the Senator from California—and I shall come back to his suggestion because I think it may offer a solution to the problem—when the Congress adopted the split income-tax provision some of us boasted of that as part of the record of the 80th Congress, because for the first time the law extended to persons living in other than community-property States a privilege which had been enjoyed by the citizens of community-property States. Then we discovered that if one of the spouses died that provision of the law did not apply, and the widowed spouse lost the privilege which had been extended to him while his spouse lived. It occurs to me now that if Congress were not to permit the surviving spouse to split his income, all that wealthy widows and widowers would have to do to get the advantage of a split-income provision would be to move to Louisiana or some other community-property State.

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

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

Mr. LONG. Does not the Senator from South Dakota realize that he is 100 percent wrong? There is not a single element of accuracy in what he is saying. In a community-property State a taxpayer splits his income with his wife, not with his children. Does not the Senator from South Dakota realize what the term "community property" means?

Mr. CASE. The Senator from South Dakota was under the impression, gained from consultation with a member of staff of the Committee on Finance, that if this provision were killed, a rich widower could move to one of the 11 community-property States and split his income.

Mr. AIKEN. Mr. President, will the Senator from South Dakota yield?

Mr. CASE. I yield to the Senator from Vermont.

Mr. AIKEN. I wanted the Senator to yield to me long enough for me to say that if the wealthy widowers were to move to Louisiana, California, or any of the other nine community-property States, it is my understanding on the basis of good authority, that they could split their income according to the laws of the State in which they then resided.

Mr. KNOWLAND. Oh, no; the Senator is mistaken.

Mr. CASE. Mr. President, who has the floor?

The PRESIDING OFFICER. Does the Senator from South Dakota yield?

Mr. CASE. I yield to the Senator from Vermont.

Mr. KNOWLAND. Will the Senator yield to me, because I am sure he does not want an error to be in the RECORD?

The PRESIDING OFFICER. The Chair advises the Senate that the Senator from South Dakota is speaking on limited time.

Mr. CASE. Mr. President, I yield to the Senator from California, but again I should like to say that I would like to have a little time reserved, because I have not completed my statement yet.

Mr. KNOWLAND. I am sure more time will be yielded to the Senator from South Dakota. It is a complicated bill which we have before us, but I think at least the record ought to be clear that the community-property principle has nothing to do with children; it relates to the married spouse. A widow or widower who moves into a community-property State is still a widow or widower, and cannot split his income for tax purposes. He cannot do it in the State of California or in any other State that I know of which has community-property laws.

Mr. DANIEL. He would have to get married again, would he not?

Mr. KNOWLAND. Yes.

Mr. CASE. Of course, I accept the statement of the Senator from California as to what the California law is, and I also accept the statement of the Senator from Louisiana as to what the Louisiana law is. What I stated about the possibility of a move by a widowed spouse into a community-property State was based on what I had understood was the advice of a member of the staff of the Committee on Finance.

Be that as it may, it certainly ought to be clear, from the discussion which has taken place in the Senate, that if a husband or a wife dies, the widowed spouse stands in danger of losing the benefit of the split-income features which were extended to the spouse in the event that the marriage continued. It may be that the provision is subject to abuse, as the Senator from Louisiana has suggested; but a great deal of his argument might be addressed to the whole idea of split-income features, anyway. Perhaps the Senator is prejudiced against the rich married couple being permitted to split their income; but all that the provision of the amendment offered by the Senator from Vermont would do would be to extend to the household the same benefit which it had prior to the death of one of the parents.

Mr. CASE of South Dakota. Mr. President, will the Senator from Louisiana yield to me?

Mr. LONG. My time has expired.

Mr. CASE of South Dakota. Or, Mr. President, does the Senator from Texas wish to yield 1 minute to me?

Mr. JOHNSON of Texas. No, Mr. President; the Senator from South Dakota has had his opportunity, and the RECORD will have to show that the Senator from South Dakota was not familiar with the substitute.

Mr. CASE of South Dakota. The Senator still has his doubts.

Mr. BYRD. Mr. President, I yield 1 minute to the Senator from South Dakota.

The PRESIDING OFFICER. The Senator from South Dakota is recognized for an additional minute.

Mr. CASE of South Dakota. Mr. President, I had been proceeding under the assumption that the amendment of the distinguished Senator from Texas would take care of all kinds of "bloopers." Now I find that it, itself, has to have all kinds of amendments—in fact, I do not know how many more amendments it will need—if it is to avoid all kinds of "bloopers."

So I think that instead of adding something, the effect of which we do not know, we should take the straight course, rather than make corrections and additions, when there is scarcely time for us to consider them.

Mr. BYRD. Mr. President, how much time remains under my control?

The PRESIDING OFFICER. The Senator from Virginia has 11 minutes remaining under his control.

Mr. BYRD. Mr. President, I yield myself 10 minutes on the bill.

The PRESIDING OFFICER. The Senator from Virginia is recognized for 10 minutes.

Mr. BYRD. Mr. President, I have spoken before on this proposed legislation. Before the vote is taken, I wish to emphasize certain points.

First, I wish to read into the RECORD a telegram which I, as chairman of the Senate Finance Committee, have received from John C. Lynn, legislative director of the American Farm Bureau Federation. The telegram reads as follows:

WASHINGTON, D. C., *March 15, 1955.*
Senator HARRY F. BYRD,
Senate Office Building:

Based on AFBF resolutions adopted by voting delegates of member State Farm Bureaus and in view of present fiscal situation, we are opposed to any reduction in personal income tax at this time.

JOHN C. LYNN,
Legislative Director, American Farm Bureau Federation.

As Members of the Senate know, this is the largest organization of farmers in America. They have gone on record in opposition to the substitute measure because it would reduce the personal income tax at this time, thereby creating a deficit in the Federal Treasury.

Mr. President, the pending substitute is a five-barreled proposal. It would affect every single taxpayer in the United States, whether the taxpayer be an individual or a corporation. Yet not a single one of those five barrels was presented to the Senate Finance Committee for consideration. One amendment was offered, to a limited degree attaching itself to one of these barrels, namely, the amendment offered by the Senator from Louisiana [Mr. LONG], to extend the 5-percent rate on corporations from April 1, 1956, to July 1, 1956. That was defeated in the committee by a 2-to-1 vote because we said that there had been no hearings on that question. Let me repeat that, of all five barrels of the proposal, not a single one was presented to the Finance Committee. I cannot say why that was. Six members of the Finance Committee are sponsors of the substitute proposal.

Mr. President, I have had the honor to be a member of the Senate Finance Committee for 22 years. Those who serve on that committee know how important it is to consider every detail, every item, and to have hearings on matters of such vast importance, affecting, as I have said, every single taxpayer in the United States.

Much has been said today about the accelerated depreciation allowance. A few moments ago my distinguished friend from Minnesota [Mr. HUMPHREY] said that there is only a 1 percent advantage to some farmers who own machinery.

If we analyze the pending individual income tax proposal, we find that it would give an advantage of 6 cents a day. It is a "Coca Cola" advantage. There would be just about enough in the $20 allowance to those who make the returns to buy a Coca Cola a day. They would receive only 6 cents benefit as a result of all the debate we have heard on the floor of the Senate regarding this subject. The dependents would receive a benefit of 3 cents a day. One would receive 6 cents a day, and the other 3 cents a day.

I should like to say a word about rapid depreciation. That question was carefully considered in the Finance Committee last year. The Senator from Oregon [Mr. MORSE] moved to strike it out of the bill. What happened? Sixty Senators voted against striking the provision. Sixty Senators less than a year ago voted for this provision. Four of those Senators are now sponsors of the pending amendment, to strike it out now. The distinguished majority leader [Mr. JOHNSON of Texas], for whom I have the greatest personal affection, is the chief sponsor of the substitute; yet last year he voted to leave the accelerated depreciation provision in the bill, as did three other sponsors of this amendment.

I wish to quote a man in whom I think all of us have the greatest confidence. For many years he served as chairman of the Senate Finance Committee. Yesterday I stated on the floor of the Senate that I think the senior Senator from Georgia [Mr. GEORGE] has performed a service to his country, rarely if ever equaled in the United States Senate. If there is a Member of the Senate or anyone anywhere who desires to do justice to all the elements of our population, and economy, it is the senior Senator from Georgia. This is what he said with respect to rapid depreciation, on the floor of the Senate on July 2, 1954, in discussing the bill then pending:

But certainly there are in the bill some provisions in regard to matters that have long called for remedial treatment. One is the loss carry back and loss carry forward provisions, which tend to equalize the actual taxes or taxable profits of taxpayers. Another is the depreciation provision. It might have been possible that the depreciation provision could have been written in somewhat a different way which might have appealed to many persons as being a bit more equitable; but certainly it is highly desirable to make it possible for industries, shops, and producers in the United States to be able to provide new machines, and new machine tools, every 10 years. I think that would be a great forward step in our economy.

That comes from a man who, I believe, knows more about taxation that any other Member of the Senate, and perhaps more than any other Member of Congress. The Senator from Georgia has been a member of the Committee on Finance since 1922. His service has been long and distinguished.

Before I take my seat I wish to say a word as to the claim which has been made that the proposed substitute is a budget-balancing proposal. I differ emphatically and entirely with my distinguished colleagues who make such a statement. I wish to list again, as I did yesterday, a few of the reasons why I take that position.

It is plain that, as a budget-balancing measure, it must not only balance the loss it would bring about, but the entire budget of the United States Government, and put it on a pay-as-you-go basis, so to speak.

The first claim made is that by the repeal of the so-called error there would be a revenue gain—and it is written in plain words—of $1 billion.

We have not lost anything yet. Legislation is pending to correct the error. I have given my pledge, as chairman of the Senate Committee on Finance, that the repeal measure, which will be retroactive when it comes to the Senate, will be reported immediately. If we have not lost anything, how can we gain something that we have not lost? So I submit that the purported revenue gain of $1 billion is a complete fallacy.

The proponents of the substitute say that because they would extend taxes on corporations, on automobiles, on liquor, on cigarettes, and so forth, by 1 year and 3 months, they would bring about a revenue gain of $3,500,000,000. I submit that that is not a bona fide revenue gain. Those taxes were imposed as Korean war taxes. It was intended to review them every year. If there is need for their renewal next year, they will be renewed. So no real revenue gain is involved in that proposal. If that theory is correct, why not extend such taxes for 10 years? Then they could claim revenue gain of $35 billion, and we could start to pay off the public debt.

It is claimed that as a result of the repeal of the rapid depreciation provision there would be a revenue gain of $1,075,000,000. I take issue with that claim, because, in the long run, there will not be a single dollar of loss to the Federal Government.

The PRESIDING OFFICER. The time of the Senator from Virginia has expired.

Mr. BYRD. I yield myself 1 additional minute.

In the long run, there will not be a single dollar of loss to the Federal Government by reason of the rapid depreciation provision, because the amount due will be collected by the Government in full.

I therefore submit that there is only one item in this proposal which represents an actual saving to the Government, and that is the repeal of the dividend tax credit. The income-tax provision in the substitution measure will cost the Treasury Department $600 million a year, as I showed in detail in my speech to the Senate yesterday.

Mr. President, I ask unanimous consent to have printed in the body of the RECORD certain statements with respect to the pending legislation.

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

STATEMENT ON RECENT TAX REDUCTIONS

The Congress in 1954 granted tax relief in an amount of $7,400,000,000. Of this amount $2,800,000,000 or 38 percent went to corporations and $4,600,000,000 or 62 percent went to individuals. This reduction to individuals came from three different measures. First, the termination on January 1, 1954 of the rate increases made by the Revenue Act of 1951. This amounted to relief

of $3 billion. Second, the excise-tax reduction of 1954 reduced excise taxes paid by individuals by $800 million and, third, the Revenue Act of 1954 granted $800 million of relief to individuals.

The following table shows the amount of relief granted to individuals with incomes under $5,000 and over $5,000. Thirty-seven percent of this relief went to those under $5,000 who under present law pay 29 percent of the total income tax. This can be contrasted to the class over $5,000 who bear 71 percent of the burden but received 63 percent of the relief. In other words, the proportion of the relief going to those under $5,000 was greater in relation to the amount of the tax they pay.

Reduction

Income:	*Amount (billions)*
Under $5,000	$1.7
Over $5,000	2.9
Total	4.6

DECLINING BALANCE DEPRECIATION IN 1954 TAX BILL

The next item I wish to refer to is that of depreciation. Part of the so-called package amendment being offered calls for the repeal with respect to property acquired or contracted after March 9, 1955, of the provision added in the 1954 Code providing for declining balance and similar forms of rapid depreciation.

I cannot help but believe that the repeal of this provision is suggested largely as a device to make up the revenue loss resulting from the proposed individual income-tax cut. I say this because I believe that the depreciation provision generally has been quite well thought of. In fact, last year when an amendment was offered in the Senate to strike this provision from the Internal Revenue Code of 1954, it was rejected by the Senate by a vote of 60 to 20. Moreover, I looked among the names of those who then wanted to strike this provision and failed to find the names of any of the six sponsors of the present amendment. Moreover, the senior Senator from Illinois, who has taken an active part in the debate favoring this amendment, not only supported this provision last year but also proposed a still more rapid writeoff for farm machinery.

Declining balance depreciation is beneficial to all business but is particularly important to small business—to the farmer, to the storekeeper, and to the individual renting property, including sole proprietors and partnerships. The rapid tax-free recovery of the cost of assets is vital to small businesses because of their ever-pressing need for capital. In this connection let me quote from a report of the House Small Business Committee relating to the effect of the tax structure on small business. This was in 1953 before the declining balance provision was under consideration. I am quoting from pages 7 and 8 of that report:

"The speed of the tax-free recovery of costs is of critical importance with respect to the willingness to incur risk, the working capital position, and ability of a business to borrow. A liberalization of present rules governing depreciation which would allow management greater discretion, would increase total investments, particularly in risky ventures, would stimulate a generally higher level of national income and economic activity, and would also remove sources of irritation and fruitless controversy in the administration of the tax laws. Of equal importance, a more liberal depreciation policy would ease the financial problems of many small concerns. The working capital which could be plowed back into business operations or used to ride out bank loans would be increased. More rapid tax-free recovery of investment outlays would greatly reduce the investment risk. The credit position of small business would be improved. Such an improvement in credit position would undoubtedly permit access to bank funds for those small businesses which have no recourse to the ordinary sources of equity capital.

"The subcommittee was considerably encouraged by the statements on behalf of the Treasury Department with respect to the question of depreciation. There is no doubt but that a more liberal depreciation policy, permitting taxpayers greater flexibility in determining the period over which assets are to be depreciated, will make more attractive the investment of funds in small business."

Declining balance depreciation is not new. It is only the more liberal use of this depreciation which is new. Prior to the 1954 Code this method of depreciation was permitted but was limited to 150 percent of straight-line depreciation. Actually, there is a considerable body of evidence that this type of depreciation more nearly conforms to reality than the so-called straight-line depreciation which divides the depreciation up evenly over the life of the asset. The declining-balance depreciation allows twice the straight-line depreciation the first year but in the second year this rate is applied only to the undepreciated portion of the asset. Thus, it is smaller than in the first year. In the third year the rate is applied to a still smaller base, and so on. In this manner the depreciation taken with respect to an asset becomes smaller and smaller each year.

It is important to note that this declining-balance method allows no more depreciation than the straight-line method. In both cases the taxpayer can write off only his cost of the asset. The advantage to the taxpayer arising from the use of this form of depreciation arises entirely in the timing of the depreciation deduction. Under the declining-balance method he receives a larger portion of the depreciation in the early life of the asset. For example, about 40 percent of the cost of an asset is depreciated in the first quarter of its life instead of the 25 percent which would occur under the straight-line method; about two-thirds of an asset is depreciated in the first half of the life of an asset under this method rather than only 50 percent.

This concentration of the depreciation in the early life of an asset conforms with actual experience. All of us know, for example, that because of obsolescence, the value of a motorcar declines more rapidly in the forepart of its life than in later years. This same principle applies to all equipment.

I have already pointed out the need for declining-balance depreciation by small business. I should like to discuss now the need for this depreciation by the economy as a whole. In my opening remarks on this tax bill last Thursday I pointed out that gross private domestic investment has been tapering off since reaching a peak in 1951 because of the Korean war. However, I pointed out that in the fourth quarter of 1954 this trend appeared to be reversed. In this quarter, investment, on an annual basis and seasonally adjusted, increased by more than $4 billion. I believe that the new depreciation methods provided in the 1954 Code were an important factor in accounting for this reversal. I believe a repeal of these provisions now would have a most serious adverse effect on investment.

The importance of a relatively rapid write-off for depreciable assets has been quite generally recognized and various forms of faster write-offs of fixed assets have been almost universally adopted in recent years by other countries with modern income tax systems. Among such countries are Great Britain, Canada, and Sweden. Canada, for example, adopted a declining-balance provision which is quite similar to the provision which the amendment under consideration would repeal.

One aspect of the revenue loss involved deserves close attention. As previously indicated this loss arises only because of a change in the timing of depreciation deductions. With respect to any asset the total deductions which may be taken are no different than under prior law. However, a larger portion of the deductions are taken earlier in the asset's life. This results in an increasing revenue loss for a period of time until most assets have been replaced. After that time there is a continuing loss only to the extent of the growth in investment. Thus, this decrease in revenue is entirely a matter of timing. In the past when there have been changes which resulted in a speed-up in revenue collections these were ignored because they did not affect tax liabilities. Thus, under the Mills plan, upon the advice of Mr. Snyder, then Secretary of the Treasury, the pickup in revenue under the corporate tax was ignored. Similarly, last year when a further speedup of corporate tax collections was scheduled, the $100 million or so of revenue gain was ignored. I point this out to show that while there is a revenue impact from these depreciation provisions, it is of a different nature from those losses which affect tax liabilities and permanently result in smaller annual revenues.

This provision affects an estimated 9,600,000 individuals and partnerships and 600,000 corporations. Provisions which have such a wide application, even apart from the reasons I have already given you, should not in my opinion be repealed without adequate hearings.

SO-CALLED DEPRECIATION LOOPHOLE IN 1954 TAX BILL

From the debate it appears that there is some confusion as to the application of the depreciation provisions of the Revenue Act of 1954.

I would like to make it clear that the new provision in the 1954 code applies only to new property. Thus, where a taxpayer acquires a new asset, elects the rapid write-off under the 1954 code, and then sells the asset to another person, the buyer of such asset is prohibited from using the new methods for accelerated depreciation by virtue of section 167 (c) of the 1954 code. This property in the hands of the purchaser is not treated as new property unless the original use commences with the taxpayer after December 31, 1953. It is true that if the purchaser of this property from the original already sells it, he is entitled to capital gains treatment on the gain. However, the capital gain treatment provided in the case of the sale of depreciable property is not changed by the 1954 Code.

Section 167 (c) of the Internal Revenue Code of 1954 also does not apply the new depreciation rules to property having a life of less than 3 years.

EXPLANATION OF THE SUBSTITUTE PROPOSAL

It is, of course, quite obvious that the proposed extension of the corporate and excise rates for 27 months instead of 12, the denial of the accelerated depreciation and the repeal of the dividend exclusion and credit are provided in the amendments of the Senator from Texas only to offset the revenue loss involved in the proposed individual income-tax relief.

Thus, all this change is proposed basically because of the desire to provide tax relief which, for a married taxpayer, amounts to

only 19 cents a week for the taxpayer, his spouse, and each of his dependents.

The offsetting, at least to some extent, of the relief proposed for individuals by these other measures appears to be an admission that there is no impelling overall economic need for a tax cut at this time. I do not, as I will explain later, consider the revenue-raising provisions in the amendment as full offsets to the revenue loss involved in the individual income-tax cut.

The individual income-tax cut proposed allows the taxpayer a $20 credit for himself and a $10 tax credit for each of his dependents. However, only one tax credit of $20 is to be allowed a married couple, whether they file joint or separate returns. The proposed amendment presents a rather interesting problem where a married couple are filing separate returns and are in disagreement as to who should claim the $20 credit. In such a case the amendment would make the Secretary of the Treasury the arbitrator between the husband and wife as to which one was supposed to get this credit. Thus, where there is a dispute between husband and wife the law forces the Secretary to make a decision in a purely domestic family matter from which no appeal can be taken unless one or the other of the spouses can convince the court that the Secretary has acted arbitrarily.

Probably the factor which raises the greatest difficulty in subsection (e) in the proposed new section 38. This subsection provides that this $20 tax credit in the case of a married couple filing a joint return, a head of household, or a surviving spouse is to be reduced by the income-splitting tax benefit derived by the taxpayer. Nothing at all is said about reducing the credit in the case of married couples living in community-property States who file separate returns and in effect receive income-splitting benefits under the operation of their State laws. This raises again the whole question of equality of tax treatment of married couples in community-property and common-law States which was argued so strenuously in 1948, finally resulting in the passage of an act which equalized the situation in common-law and community-property States. The Johnson amendment would restore to the community-property States part of the advantages they previously enjoyed. It would enable taxpayers in those States, because of the community-property law, to split their incomes, file separate returns, and receive the benefits of the $20 and $10 credits provided by this new section 38 without any reduction on account of income-splitting benefits which they receive by operation of their State laws rather than by operation of the tax law. This is an example of the inconsistencies which are bound to creep into legislation which is drawn without adequate committee consideration.

Still another issue relates to the use of the optional tax table and the withholding tax tables. The optional tax table is the table on the short tax form which most taxpayers with incomes of $5,000 or under use in computing their tax. This table is built up in a manner which shows across the top the number of exemptions claimed. A taxpayer can then determine his tax by looking down the left hand column and over to the column indicating the proper number of exemptions. It is impossible to do this with the type of tax credit proposed because this proposal drops the uniform allowance per exemption. A taxpayer, if single, may receive $20, or if married but filing a separate return perhaps $20, perhaps $10, or perhaps nothing. Moreover, it differs from the regular exemption system in that taxpayers over 65 or those who are blind, although receiving an additional $600 exemption, do not receive an additional credit. Also, the allowance per dependent is $10 instead of $20. As a result it is impossible to build into this optional tax table the credits proposed. This means that all of these taxpayers with incomes of $5,000 or under will not only have to use the tax table as they previously have done, but in addition, will be required to make a new tax computation. This presents difficult compliance problems for the small taxpayer and means additional errors which the administrators must find and correct.

Still further problems are raised with respect to the withholding system and this is probably more serious than the optional tax table problem. The withholding tables are basically similar to the optional tax table, which I have already described, but of course are on a weekly, semi-monthly, or similar monthly basis. They provide for the withholding of approximately the correct amount of tax for those whose income is taxable only at the first bracket rate. The factors which will make it practically impossible to prepare adequate withholding tables are the following:

1. The tax of either spouse cannot be computed until the Secretary makes a finding as to which spouse is entitled to the $20 credit.

2. The tax of married couples living in common-law states and heads of households cannot be determined until the amount of their tax benefit derived from income splitting is found, because under the amendment the $20 credit must be reduced to this extent.

3. The $20, $10, or $0 tax credit allowed by the amendment provides so many variations that it is difficult to see how the credit can be worked into the present withholding system.

The amendment does not attempt to answer these problems. It requires that the tables be prepared under regulations of the Treasury. I suspect that the Treasury is being asked to do the impossible. It may be, however, through the substitution of a whole book of withholding tables in place of the present single table for each type of pay period, that it will be possible to withhold for this credit. I, however, want no part of the violent criticism which seems to me will almost inevitably be raised by employers throughout the country if they have to hunt through a book for each employee in order to find the correct withholding table.

The substitute amendment would require the Secretary of the Treasury to be the arbitrator. A Cabinet officer of the United States Government would be required by the substitute amendment to settle a purely domestic family dispute.

DIVIDEND PROVISION

I come next to the amendments dealing with the repeal of the dividend exclusion and the dividend credit. You will recall that under existing law, $50 of dividends received during the year are excluded from income and the balance of the dividend received during the year are granted a 4-percent credit against the tax. These provisions are repealed effective July 1, 1955. I recall that I was one of those who opposed adopting this provision last year. This was not because I was opposed to the principle of preventing double taxation of dividends (a principle which is firmly embedded in the tax laws of Canada and Great Britain), but because I was particularly concerned about the effect of the loss from this provision upon the budget. However, the provision was enacted over my opposition. It is now a part of the tax law. In my opinion it will be very unfortunate to repeal this provision now, without giving interested parties in favor of the provision an opportunity to be heard.

Whatever views are held on the wisdom of the dividend credit at the time of its enactment, wise tax policy and fiscal statesmanship dictate that the measure be given a fair trial. Instability in revenue legislation can cause chaos in financial and business affairs, not only for corporations, both large and small, but also for the average individual taxpayer. The need for certainty in financial planning cannot be overemphasized.

I do not necessarily subscribe to all the arguments advanced by the proponents of the dividend credit provision last year. However, the dividend provisions are now written into our tax law. I believe it only fair to wait and see what their effects will be. Will they stimulate a new flow of venture capital? Will they help to reverse the trend toward debt financing? It is too soon to judge at this time. If we subsequently find that the dividend provisions have not accomplished the beneficial results their proponents have claimed, it will then be time to reconsider our action and to take the necessary steps to modify or repeal. Precipitous action to repeal at this time seems clearly unwise. It could invoke the criticism of taxpayers throughout the Nation who look to us for wise and considered statesmanship in fiscal affairs.

I wish to insert at this time a short history of the taxation of dividends. It shows that relief was granted from double taxation of dividends in the Revenue Act of 1913 under the leadership of Cordell Hull. It was continued until the Revenue Act of 1936 when an undistributed profits tax was imposed which allowed a credit for dividends paid out. It had not been revived since the repeal of the undistributed profits tax until last year.

HISTORY OF TAXATION OF DIVIDENDS

The statement has been made that the 4-percent dividend credit is unique in our tax history in that it favors investment income more than earned income.

This statement is refuted by the history of the tax treatment of dividends. Beginning with the first income tax act under the 16th amendment, the Revenue Act of 1913, authorship of which was popularly ascribed to Cordell Hull, dividends were subject only to surtax. The 1913 act permitted individuals to deduct corporate dividends from their net income in arriving at taxable income for normal tax purposes. In the 1916 act and in subsequent revenue acts until 1936, individuals were allowed a credit against net income for normal tax purposes of the corporate dividends they received. This had the effect of subjecting the dividends to tax only for purposes of the surtax. This treatment was continued until 1936. At that time the Revenue Act of 1936 enacted the short-lived corporate undistributed profits tax and at the same time eliminated the credit granted to individuals for normal tax purposes for dividends received from corporations. When the undistributed profits tax was repealed in 1939 the credit for dividends previously granted to individuals was not reinstated.

During the period from 1913–36, when corporate dividends received by individuals were, in effect, exempt from normal tax, the normal tax rate varied from 1 percent to as high as 12 percent. It is interesting to note that at the time the credit was eliminated in 1936 the normal tax rate was 4 percent. Exemption from a normal tax rate of 4 percent is equivalent to allowing a credit against tax of 4 percent for dividends received. In other words, the present dividends received credit accomplishes the same result as the exemption of dividends from normal tax from 1913 to 1936, and the 4-percent rate of the current tax credit is exactly the same as the normal tax rate at the time the credit for dividends was eliminated in 1936. The following table shows the normal tax rate on individuals for the years 1913–36. As I have indicated, corporate dividends were, in effect, exempt from normal tax during the whole of this period.

Year (inclusive)	Top normal tax rate	Normal tax rate progression
	Percent	
1913 to 1915	1	None.
1916 to 1917	2	None.
1918	12	6 percent on 1st $4,000; 12 percent in excess of $4,000.
1919 to 1923	8	4 percent on 1st $4,000; 8 percent in excess of $4,000.
1924	6	2 percent on 1st $4,000; 4 percent on next $4,000.
1925 to 1928	5	1½ percent on 1st $4,000; 3 percent on next $4,000; 5 percent on balance.
1929	4	½ percent on 1st $4,000; 2 percent on next $4,000; 4 percent on balance.
1930 to 1931	5	1½ percent on 1st $4,000; 3 percent on next $4,000; 5 percent on balance.
1932 to 1933	8	4 percent on 1st $4,000; 8 percent in excess of $4,000.
1934 to 1935	4	None.

Mr. JOHNSON of Texas. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Texas has 4 minutes remaining.

Mr. JOHNSON of Texas. I yield myself the remaining 4 minutes.

Mr. President, it has long been the cornerstone of traditional Democratic policy that taxes should be levied in accordance with ability to pay. That is what the 6 members of the Finance Committee who signed the minority report have in mind in the substitute.

We tried to carry out that principle last year. We tried to carry out that principle in the amendment offered by the distinguished senior Senator from Georgia [Mr. GEORGE], to whom the Senator from Virginia [Mr. BYRD] has just referred.

In closing the debate on the George amendment, the amendment which would have provided an increase of $100 in the exemptions for each taxpayer in the land and each dependent, in lieu of the stockholders' provision in last year's bill—the dividend provision which we seek to strike from the bill today—the senior Senator from Georgia had the following to say:

> How are we to balance the budget unless we have an economy that will enable the people of the Nation on a per capita basis to pay for the products of the mills and factories? * * * In this America, in this free economy, have we become so accustomed to luxury and extravagant spending and living that we cannot see the long arm of the tax gatherer as it descends into the breadbasket of the poor in this country?

Yes, Mr. President, that was said by the man who the chairman of the Committee on Finance said knows more about taxes than any other man in Congress. With that statement I fully agree.

Cannot we see, Mr. President, the long arm of the tax gatherer as it descends into the breadbasket of the poor?

That proposal last year failed of enactment. This is the first opportunity we have had this year to do anything about it, inasmuch as the House of Representatives has the responsibility of initiating tax legislation.

We took the present administration seriously when it criticized the House amendment on the ground that there was no revenue set aside to pay for the tax benefits the House bill granted. The members of the Committee on Finance constituting the minority got together to work out a means of providing that revenue. They provided it by proposing to strike from the 1954 Revenue Act the special privilege section on dividends, which we attempted to strike out last year, and by striking from the 1954 Revenue Act the accelerated depreciation provision. In that way we would gain enough revenue to distribute $900 million to a group of people who are in the greatest need.

The distinguished chairman of the Committee on Finance has stated that it just represents a Coca Cola. Not until today did I know that some people begrudge the needy even a Coca Cola. In one breath they say the substitute would cause ruinous inflation, and in the next breath they say that it amounts to only a 6-cent Coca Cola.

Mr. President, the issue is clear. The question the Senate will decide today will be read and understood by the people of this Nation in the months to come. The question is: Shall we favor the accelerated depreciation provision and the dividend provision, in preference to a provision which benefits all the people?

Mr. President, we believe we can summarize the question very clearly. It is whether we believe all taxes should be raised on the principle of ability to pay, or on the principle of the bigger the company the bigger the dividend.

The PRESIDING OFFICER (Mr. PASTORE in the chair). All time for debate has expired.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

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

Aiken	Fulbright	McNamara
Allott	George	Millikin
Anderson	Goldwater	Monroney
Barkley	Gore	Morse
Barrett	Green	Mundt
Beall	Hayden	Murray
Bender	Hennings	Neely
Bennett	Hickenlooper	Neuberger
Bible	Hill	O'Mahoney
Bricker	Holland	Pastore
Bridges	Hruska	Payne
Bush	Humphrey	Potter
Butler	Ives	Purtell
Byrd	Jackson	Robertson
Capehart	Jenner	Russell
Carlson	Johnson, Tex.	Saltonstall
Case, N. J.	Johnston, S. C.	Schoeppel
Case, S Dak.	Kefauver	Scott
Chavez	Kerr	Smathers
Clements	Kilgore	Smith, N. J.
Cotton	Knowland	Sparkman
Curtis	Kuchel	Stennis
Daniel	Langer	Symington
Dirksen	Lehman	Thurmond
Douglas	Long	Thye
Duff	Magnuson	Watkins
Dworshak	Malone	Welker
Eastland	Mansfield	Wiley
Ellender	Martin, Iowa	Williams
Ervin	Martin, Pa.	Young
Flanders	McCarthy	
Frear	McClellan	

Mr. CLEMENTS. I announce that the Senator from Massachusetts [Mr. KENNEDY] is absent by leave of the Senate because of illness.

Mr. SALTONSTALL. I announce that the Senator from Maine [Mrs. SMITH] is absent by leave of the Senate.

The PRESIDING OFFICER. A quorum is present. The question is on agreeing to the amendment in the nature of a substitute proposed by the Senator from Texas [Mr. JOHNSON] on behalf of himself and other Senators, as a substitute for sections 2, 3, 4, and 5 of the bill.

Mr. JOHNSON of Texas. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk called the roll.

Mr. CLEMENTS. I announce that the Senator from Massachusetts [Mr. KENNEDY] is absent by leave of the Senate because of illness.

Mr. SALTONSTALL. I announce that the Senator from Maine [Mrs. SMITH] is absent by leave of the Senate, and, if present and voting, the Senator from Maine would vote "nay."

The result was announced—yeas 44, nays 50, as follows:

YEAS—44

Anderson	Hill	Monroney
Barkley	Humphrey	Morse
Bible	Jackson	Murray
Chavez	Johnson, Tex.	Neely
Clements	Johnston, S. C.	Neuberger
Daniel	Kefauver	O'Mahoney
Douglas	Kerr	Pastore
Eastland	Kilgore	Russell
Ervin	Langer	Scott
Frear	Lehman	Smathers
Fulbright	Long	Sparkman
Gore	Magnuson	Stennis
Green	Mansfield	Symington
Hayden	McClellan	Thurmond
Hennings	McNamara	

NAYS—50

Aiken	Dirksen	McCarthy
Allott	Duff	Millikin
Barrett	Dworshak	Mundt
Beall	Ellender	Payne
Bender	Flanders	Potter
Bennett	George	Purtell
Bricker	Goldwater	Robertson
Bridges	Hickenlooper	Saltonstall
Bush	Holland	Schoeppel
Butler	Hruska	Smith, N. J.
Byrd	Ives	Thye
Carlson	Jenner	Watkins
Capehart	Knowland	Welker
Case, N. J.	Kuchel	Wiley
Case, S. Dak.	Malone	Williams
Cotton	Martin, Iowa	Young
Curtis	Martin, Pa.	

NOT VOTING—2

Kennedy Smith, Maine

So the amendment in the nature of a substitute proposed by Senator JOHNSON of Texas on behalf of himself and other Senators was rejected.

Mr. BYRD. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. KNOWLAND. I move to lay on the table the motion of the Senator from Virginia.

The PRESIDING OFFICER. The question is on the motion of the Senator from California [Mr. KNOWLAND] to lay on the table the motion of the Senator from Virginia [Mr. BYRD].

The motion to lay on the table was agreed to.

Mr. GORE. Mr. President, I have an amendment at the desk——

Mr. KNOWLAND. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KNOWLAND. My inquiry is, Does not the vote now come on the committee amendments?

The PRESIDING OFFICER. That is correct.

The question is on agreeing to the committee amendments to strike out sections 4 and 5.

Mr. KNOWLAND. Mr. President, on that question I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. BYRD. Mr. President, I desire to make a brief statement. The committee amendment proposes to strike out the so-called $20 tax deduction as passed by the House of Representatives, which would result in a loss to the Treasury of approximately $2,100,000,000.

I sincerely hope that the amendment which was adopted by the Senate Committee on Finance, rejecting the action of the House, will be agreed to by the Senate.

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

Mr. BYRD. I yield.

Mr. KNOWLAND. As I understand, the amendment on which the Senate is about to vote is the committee amendment, which strikes out the language of the House bill providing for a $20 deduction. Is that correct?

Mr. BYRD. The committee amendment strikes out that provision of the House bill.

Mr. KNOWLAND. A vote of "yea" would be a vote to strike out the $20 deduction provided by the House. Is that correct?

Mr. BYRD. Yes. The Senate Committee on Finance vote on the amendment was 9 to 6.

Mr. GORE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Tennessee will state it.

Mr. GORE. Is an amendment to H. R. 4259 now in order; or must the committee amendment be voted upon first? If an amendment to H. R. 4259 is not now in order, when will it be in order?

The PRESIDING OFFICER. The Chair is advised that amendments to sections 4 and 5 of the committee amendment are in order.

Mr. GORE. I thank the Chair.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment. The yeas and nays having been ordered, the clerk will call the roll.

The legislative clerk called the roll.

Mr. CLEMENTS. I announce that the Senator from West Virginia [Mr. KILGORE] is absent on official business.

The Senator from Massachusetts [Mr. KENNEDY] is absent by leave of the Senate because of illness.

I announce further that on this vote the Senator from West Virginia [Mr. KILGORE], if present and voting, would vote "nay."

Mr. SALTONSTALL. I announce that the Senator from Maine [Mrs. SMITH] is absent by leave of the Senate, and, if present and voting, the Senator from Maine would vote "yea."

The result was announced—yeas 61, nays 32, as follows:

YEAS—61

Aiken	Bennett	Byrd
Allott	Bible	Capehart
Anderson	Bricker	Carlson
Barrett	Bridges	Case, N. J.
Beall	Bush	Case, S. Dak.
Bender	Butler	Cotton
Curtis	Hruska	Robertson
Daniel	Ives	Russell
Dirksen	Jenner	Saltonstall
Duff	Knowland	Schoeppel
Dworshak	Kuchel	Smith, N. J.
Eastland	Malone	Stennis
Ellender	Martin, Iowa	Thurmond
Ervin	Martin, Pa.	Thye
Flanders	McCarthy	Watkins
Frear	McClellan	Welker
George	Millikin	Wiley
Goldwater	Mundt	Williams
Gore	Payne	Young
Hickenlooper	Potter	
Holland	Purtell	

NAYS—32

Barkley	Johnson, Tex.	Morse
Chavez	Johnston, S. C.	Murray
Clements	Kefauver	Neely
Douglas	Kerr	Neuberger
Fulbright	Langer	O'Mahoney
Green	Lehman	Pastore
Hayden	Long	Scott
Hennings	Magnuson	Smathers
Hill	Mansfield	Sparkman
Humphrey	McNamara	Symington
Jackson	Monroney	

NOT VOTING—3

Kennedy	Kilgore	Smith, Maine

So the committee amendment was agreed to.

Mr. BYRD. Mr. President, I move that the vote by which the committee amendment was agreed to be reconsidered.

Mr. KNOWLAND. Mr. President, I move to lay on the table the motion to reconsider.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California [Mr. KNOWLAND] to lay on the table the motion of the Senator from Virginia [Mr. BYRD].

The motion to lay on the table was agreed to.

LEGISLATIVE PROGRAM FOR THE REMAINDER OF TODAY AND FOR TOMORROW

Mr. JOHNSON of Texas. Mr. President, I wish to make inquiry as to how many amendments there are at the desk.

The PRESIDING OFFICER. I am informed there are five printed amendments at the desk.

Mr. JOHNSON of Texas. Mr. President, if all those amendments should be called up and the full time taken on each amendment, both the pros and cons, we would be unable to finish unless the Senate sat late in the evening. I am hopeful that if only 2 or 3 of them are called up we may complete action on the bill today.

I should like to say, for the information of the Senate, that I have conferred with the minority leader and he is agreeable to the position I shall state. If it is possible to complete action on the bill by sitting until 7 or 8 o'clock this evening, the Senate will be requested to do so. If not, debate on the bill will go over until tomorrow.

Should the Senate complete action on the bill today, it is planned to consider the nomination of Judge Harlan to be a Justice of the Supreme Court tomorrow; and if action on that nomination is concluded, it is then planned to consider the nomination of Mr. Campbell to be Comptroller General.

Following action on those nominations, the Senate is expected to consider certain resolutions from the Committe on Rules and Administration, but that will probably not occur until late tomorrow evening, or perhaps the next day, depending on how much debate there is on the two nominations.

TAX RATE EXTENSION ACT OF 1955

The Senate resumed the consideration of the bill (H. R. 4259) to provide a 1-year extension of the existing corporate normal tax and of certain existing excise-tax rates, and to provide a $20 credit against the individual income tax for each personal exemption.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. GORE. Mr. President, I have an amendment at the desk, which I offer and ask to have stated.

The PRESIDING OFFICER. Does the Senator from Tennessee desire that the amendment be read in full, or that it merely be printed in the RECORD?

Mr. GORE. I merely request that the amendment be printed in the RECORD.

The PRESIDING OFFICER. The amendment will be considered as having been read, and will be printed in the RECORD.

Mr. GORE's amendment is as follows:

At the end of the bill insert a new section as follows:

"SEC. . Repeal of provisions allowing credit against tax and exclusion from gross income for dividends received by individuals.

"(a) Repeal of section 34 and section 116: Effective with respect to taxable years beginning after June 30, 1955, section 34 (relating to credit for dividends received by individuals) and section 116 (relating to partial exclusion from gross income of dividends received by individuals) are hereby repealed.

"(b) Application of section 34 to taxable years beginning before July 1, 1955: Effective with respect to taxable years beginning before July 1, 1955, section 34 (a) (relating to credit for dividends received by individuals) is hereby amended to read as follows:

"'(a) General rule: Effective with respect to taxable years ending after July 31, 1954, and beginning before July 1, 1955, there shall be allowed to an individual, as a credit against the tax imposed by this subtitle for the taxable year, an amount equal to the following percent of the dividends which are received after July 31, 1954, from domestic corporations and are included in gross income:

"'(1) 4 percent, in the case of a taxable year ending before July 1, 1955.

"'(2) 2 percent, in the case of the taxable year beginning on January 1, 1955, and ending on December 31, 1955.

"'(3) In the case of a taxable year beginning before July 1, 1955, and ending after June 30, 1955 (other than one beginning on January 1, 1955, and ending on December 31, 1955), a percentage obtained by—

"'(A) multiplying 4 percent by the number of calendar months in the taxable year prior to July 1, 1955; and

"'(B) dividing the product obtained in subparagraph (A) by the total number of calendar months in the taxable year.

For purposes of this paragraph and of subsection (b) (2) (D), a calendar month only part of which falls within the taxable year (A) shall be disregarded if less than 15 days of such month are included in such taxable year, and (B) shall be included as a calendar month within the taxable year if more than 14 days of such month fall within the taxable year.'

"(c) Limitation on credit under section 34 applicable to taxable years beginning before July 1, 1955: Effective with respect to taxable years beginning before July 1, 1955, section 34 (b) (2) (relating to limitation on amount of credit) is hereby amended to read as follows:

"'(2) The following percent of the taxable income for the taxable year:

"'(A) 2 percent, in the case of a taxable year ending before January 1, 1955.

"'(B) 4 percent, in the case of a taxable year ending after December 31, 1954, and before July 1, 1955.

"'(C) 2 percent, in the case of the taxable year beginning on January 1, 1955, and ending on December 31, 1955.

"'(D) In the case of a taxable year beginning after December 31, 1954, and before July 1, 1955, and ending after June 30, 1955 (other than one beginning on January 1, 1955, and ending on December 31, 1955), a percentage obtained by—

"'(i) multiplying 4 percent by the number of calendar months in the taxable year prior to July 1, 1955; and

"'(ii) dividing the product obtained in clause (i) by the total number of calendar months in the taxable year.'

"(d) Application of section 116 to taxable years beginning before July 1, 1955: Effective with respect to taxable years beginning before July 1, 1955, section 116 (a) (relating to partial exclusion from gross income of dividends received by individuals) is hereby amended to read as follows:

"'(a) Exclusion from gross income: Effective with respect to any taxable year ending after July 31, 1954, and beginning before July 1, 1955, gross income does not include amounts received by an individual as dividends from domestic corporations, to the extent that the dividends do not exceed—

"'(1) $50, in the case of a taxable year ending before July 1, 1955.

"'(2) $25, in the case of the taxable year beginning on January 1, 1955, and ending on December 31, 1955.

"(3) In the case of a taxable year beginning before July 1, 1955, and ending after June 30, 1955 (other than one beginning on January 1, 1955, and ending on December 31, 1955), an amount obtained by—

"'(A) multiplying $50 by the number of calendar months in the taxable year prior to July 1, 1955; and

"'(B) dividing the product obtained in subparagraph (A) by the total number of calendar months in the taxable year.

For purposes of this paragraph, a calendar month only part of which falls within the taxable year (i) shall be disregarded if less than 15 days of such month are included in such taxable year, and (ii) shall be included as a calendar month within the taxable year if more than 14 days of such month fall within the taxable year.

If the dividends received in a taxable year exceed the amounts prescribed in paragraph (1), (2), or (3), as the case may be, the exclusion provided by this subsection shall apply to the dividends first received in such year.'

"(e) Technical amendments.—

"(1) The table of sections to part IV of subchapter A of chapter 1 is hereby amended by striking out

"'SEC. 34. Dividends received by individuals.'

"(2) Section 35 (b) (1) is hereby amended by striking out 'the sum of the credits allowable under sections 33 and 34' and inserting in lieu thereof: 'the credit allowable under section 33.'

"(3) Section 37 (a) is hereby amended by striking out 'section 34 (relating to credit for dividends received by individuals),'.

"(4) The table of sections to part III of subchapter B of chapter 1 is hereby amended by striking out

"'SEC. 116. Partial exclusion of dividends received by individuals.'

"(5) Section 301 (f) is hereby amended by striking out paragraph 4.

"(6) Section 584 (c) (2) is hereby amended—

"(A) by striking out the heading and inserting in lieu thereof 'partially tax-exempt interest.—';

"(B) by striking out 'in the amount of dividends to which section 34 or section 116 applies, and'; and

"(C) by inserting a comma after 'interest' in the first sentence.

"(7) Section 642 (a) is hereby amended by striking out paragraph (3).

"(8) Section 643 (a) is hereby amended by striking out paragraph (7).

"(9) Section 702 (a) (5) is hereby amended by striking out 'a credit under section 34, an exclusion under section 116, or.'

"(10) Section 854 (a) is hereby amended by striking out 'section 34 (a) (relating to credit for dividends received by individuals), section 116 (relating to an exclusion for dividends received by individuals), and.'

"(11) Section 854 (b) is hereby amended by striking out 'the credit under section 34 (a), the exclusion under section 116, and' in paragraph (1) and by striking out 'the credit under section 34, the exclusion under section 116, and' in paragraph (2).

"(12) Section 854 (b) (3) is hereby amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"'(B) The term "aggregate dividends received" includes only dividends received from domestic corporations other than any dividend from—

"'(i) an insurance company subject to a tax imposed by part I or part II of subchapter L (sec. 801 and following);

"'(ii) a corporation organized under the China Trade Act, 1922 (see sec. 941); or

"'(iii) a corporation which, for the taxable year of the corporation in which the distribution is made, or for the next preceding taxable year of the corporation, either is a corporation exempt from tax under section 501 (relating to certain charitable, etc., organizations) or section 521 (relating to farmers' cooperative associations) or is a corporation to which section 931 (relating to income from sources within the possessions of the United States) applies.

"'(C) In determining the aggregate dividends received, any amount allowed as a deduction under section 591 (relating to deduction for dividends paid by mutual savings banks, etc.) shall not be treated as a dividend.

"'(D) In determining the aggregate dividends received, a dividend received from a regulated investment company shall be subject to the limitations prescribed in subsection (a) and paragraph (2) of this subsection.'

"(13) Section 6014 (a) is hereby amended by striking out '34 or.'

"(14) The amendments made by this subsection shall apply only with respect to taxable years beginning after June 30, 1955."

Mr. MILLIKIN. Mr. President, I suggest that the proposed amendment is not in order. It violates the rule of germaneness.

The PRESIDING OFFICER. The Parliamentarian has suggested that the Chair ask the Senator from Virginia [Mr. BYRD] if he considers there is anything in the bill which would make the amendment germane.

Mr. BYRD. Mr. President, I would have to get some advice on the question.

Mr. GORE. Mr. President, I should like to be heard on this point of order.

The PRESIDING OFFICER. The Senator from Tennessee has the floor.

Mr. GORE. The bill now before the Senate, H. R. 4259, deals with tax credit. It provides for a credit of $20 for each taxpayer and for each dependent.

The amendment which I have offered would add a new section, which would repeal the tax credit for income derived from stocks of corporations.

It is difficult for the junior Senator from Tennessee to understand how one can logically argue that an amendment dealing with tax credit from one source is not germane to a bill which deals with tax credit from another source.

Therefore I suggest that an amendment to the bill, H. R. 4259, seeking to repeal the dividend tax credit, is germane.

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

Mr. GORE. I yield.

Mr. MILLIKIN. I suggest there is nothing in the bill before the Senate that has to do with the "exclusion of gross income for dividends received."

Mr. GORE. Mr. President, the bill before the Senate is a revenue measure. As a part of that revenue measure the proposal seeks to extend taxes on certain corporate income, and extend excise taxes. The bill also provides a tax credit for each taxpayer. The amendment which I have offered would repeal the tax credit for each taxpayer receiving income from corporate stocks.

Where is the logic in the argument that a tax credit amendment is not germane to a tax credit provision of a bill? The bill seeks to raise and to lower revenue, depending on the source. So would the amendment which I have offered, and I respectfully suggest that though there might be some question as to whether it would be germane to the committee amendment, it is, I respectfully insist, germane to the bill, H. R. 4259; and I offer it as an additional section thereto.

Mr. MILLIKIN. Mr. President, I suggest again there is nothing in the bill which has to do with the "exclusion from gross income for dividends received."

Mr. LONG. Mr. President, I address myself to the point of order. The bill before the Senate relates to the tax which every corporation must pay, fixing schedules, as appears beginning on page 11 of the bill, which every individual in America must pay. It does not seem logical to me to contend that an amendment relating to individual incomes is not germane to a bill which fixes tax rates of corporations and of individual taxpayers in America.

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

Mr. LONG. I yield.

Mr. GORE. The Senator from Louisiana has cited the tables set forth in the bill. Would not the amendment which I have offered, if adopted, affect the content of the tables which are now a part of the bill?

Mr. LONG. Of course. The amendment would be relevant to the particular tables referred to.

Mr. GORE. Can the Senator see by what logic, if any, the amendment would not be germane to the bill?

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

Mr. GORE. I yield to the Senator from Florida.

Mr. SMATHERS. Is it not a fact that during the consideration of the bill by the Committee on Finance the committee studied not only this amendment, but similar amendments, and that the amendments were germane to the question of raising revenue for the Government?

Mr. GORE. Yes.

Mr. LONG. The bill simply relates to the matter of raising revenue. The amendment relates to the tax bill. It does not deal with any extraneous issues. The bill affects the income of every individual and corporation. Certainly it seems to me an amendment relating to revenues is germane to the bill, since it relates not to extraneous issues, but only to taxation.

Mr. BYRD. Mr. President, if the Chair will read the unanimous consent agreement, it will be found that it reads in part:

> That with the exception of the amendment designated as 3-10-55—B intended to be proposed by Mr. JOHNSON of Texas (for himself and certain other Senators) and ordered printed on March 10, 1955, no amendment that is not germane to the subject matter of the said bill shall be received.

In this bill there is nothing whatever relating to the taxation of dividends or to taxes on the individual. The bill does not contain a line on that subject.

The bill relates to extension of the corporate tax, the tax on corporations. But the dividend credit or dividend tax is entirely separate from the corporate tax. The dividend tax we are now speaking about is a tax the individual pays.

So I submit the bill does not contain a line relating to a dividend tax; and the unanimous-consent agreement makes it clear that after that agreement has been accepted, it is not in order to submit such an amendment, for the agreement controls the consideration of this bill.

Mr. GORE. Mr. President, let me say that I was aware of the unanimous-consent agreement when I prepared to offer the amendment. But if the Senator from Virginia will read the last part of the unanimous-consent agreement, he will see that it reads as follows:

> No amendment that is not germane to the subject matter of the said bill shall be received.

I respectfully suggest that the amendment I have offered is not ruled out by the unanimous-consent agreement, because the amendment is germane to the subject matter of House bill 4259. It deals with the rate of taxes which individual taxpayers will pay. It also deals with tax credits. Both of them are the subject matter of House bill 4259.

Mr. BYRD. But the bill does not deal with the tax credit on dividends, Mr. President; and that is the purpose of the amendment. Nothing in the original bill has anything whatever to do, either directly or indirectly, with the so-called tax credit on dividends.

Mr. HOLLAND. Mr. President, will the Senator from Tennessee yield for a question?

The PRESIDING OFFICER (Mr. NEUBERGER in the chair). Does the Senator from Tennessee yield to the Senator from Florida?

Mr. GORE. Yes, Mr. President.

Mr. HOLLAND. What was the purpose of the Senator from Tennessee in placing in the unanimous-consent agreement these words:

> That with the exception of the amendment designated as "3-10-55-B," intended to be proposed by Mr. JOHNSON of Texas (for himself and certain other Senators) and ordered printed on March 10, 1955, no amendment that is not germane to the subject matter of the said bill shall be received.

Does not that language make it clear that the amendment is not germane to the bill?

Mr. GORE. I did not have a hand in drafting the unanimous-consent agreement, and therefore I cannot reply directly to the able Senator from Florida. However, I can express the opinion that those who drafted the unanimous-consent agreement may have had in mind the exclusion of proposed legislative amendments dealing with subjects other than taxation, although I do not know that was the case.

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

Mr. GORE. First, Mr. President, I wish to say that I should not be surprised if some persons had had in mind preventing the offering of proposed civil-rights legislation, in connection with this bill.

Mr. HOLLAND. Mr. President, will the Senator from Tennessee yield to me at this time?

Mr. GORE. I yield.

Mr. HOLLAND. I thoroughly agree with reference to the provision that—

> No amendment that is not germane to the subject matter of the said bill shall be received.

That language clearly applies to proposed civil-rights legislation or to legislative matters in any other field.

But is it not quite correct, as a matter of the interpretation of words which are clearly stated in the unanimous-consent agreement, to say that those who drafted the agreement regarded the substitute amendment offered by the distinguished Senator from Texas [Mr. JOHNSON] and other Senators as not being germane to the subject matter of the bill?

Mr. GORE. That may be or it may not be, but that is not the question before us. The question before us is not the germaneness of an amendment which has been rejected, for that question was not raised. The question before the Senate is as to the germaneness of the amendment offered by me.

I respectfully suggest that the issue raised by the senior Senator from Florida [Mr. HOLLAND], able though he be, is extraneous to the question now before the Senate.

Mr. HOLLAND. Mr. President, will the Senator from Tennessee yield for an additional question?

Mr. GORE. Certainly.

Mr. HOLLAND. Is it not correct to say that the amendment now proposed to be offered by the distinguished Senator from Tennessee is itself a part of the so-called substitute amendment which is referred to in the unanimous-consent agreement as not being germane to the subject matter of the bill?

Mr. GORE. Mr. President, be that true or be it not true, it also is beside the point.

It is true that the amendment I have offered is taken bodily from a part of the so-called Johnson amendment, but that would not have a bearing on this question. The question of germaneness was not raised as to the Johnson amendment. Had such a question been raised, the amendment might have been ruled germane or it might have been ruled not germane on either that point or some other point. But that question is not before the Senate.

The question now before the Senate is as to the germaneness of the amendment I have offered—not the amendment offered by the senior Senator from Texas [Mr. JOHNSON].

Mr. BYRD. Mr. President, will the Senator from Tennessee yield to me at this time?

Mr. GORE. I yield to the Senator from Virginia.

Mr. BYRD. The Johnson amendment was specifically exempted from the unanimous-consent agreement. We are operating under the unanimous-consent agreement, which relates to the bill; we are not operating under the general rules of the Senate. A reading of the unanimous-consent agreement will show that the Johnson amendment was specifically exempted.

Mr. GORE. I shall be glad to read that part of the agreement. It is as follows:

> *Provided further,* That with the exception of the amendment designated as 3-10-55—B, intended to be proposed by Mr. JOHNSON of Texas (for himself and certain other Senators) and ordered printed on March 10, 1955, no amendment that is not germane to the subject matter of the said bill shall be received.

I respectfully submit that my amendment is germane.

Mr. BYRD. Now let the Senator from Tennessee read the title of the bill we are considering.

Mr. GORE. If the Senator from Virginia would like me to read the title of the bill, I shall be glad to do so.

Mr. BYRD. Yes.

Mr. GORE. The title is as follows:

> An act to provide a 1-year extension of the existing corporate normal-tax rate and of certain existing excise-tax rates, and to provide a $20 credit against the individual income tax for each personal exemption.

Mr. President, my amendment seeks to repeal a personal tax credit for each taxpayer who has income derived from corporate stocks. I respectfully suggest that the amendment is germane to the title of the bill and to the substitute.

Mr. BYRD. The title of the bill refers only to a $20 credit against the individual income-tax liability.

Mr. GORE. Nor does the title of the bill differentiate as to the sources of income for which the proposed $20 credit is to be given.

Therefore an amendment dealing with a tax credit is germane, I respectfully suggest, to a bill dealing with a tax credit.

Mr. HUMPHREY. Mr. President, will the Senator from Tennessee yield to me?

Mr. GORE. I yield.

Mr. HUMPHREY. Should the Senator from Tennessee perchance be overruled on this matter—although I do not think he should, I believe his argument to be cogent and logical—it is entirely possible to offer as a substitute an amendment embodying all the provisions of the bill before us, plus the Senator's amendment, so as to eliminate stock-dividend credits, because the agreement provides ample opportunity for the submission of such a substitute, and permits 4 hours' time, to be equally divided.

So let me suggest there are always other roads to travel, in case one should be blocked.

Mr. GORE. I thank the Senator from Minnesota, but I am willing to have the Chair rule on the point of order.

The VICE PRESIDENT. In view of the statement made by the chairman of the committee that in the bill, as passed by the House of Representatives, there is nothing dealing with the subject matter of the amendment of the Senator from Tennessee, the Chair sustains the point of order raised by the Senator from Colorado [Mr. MILLIKIN].

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

The VICE PRESIDENT. The amendment of the Senator from North Dakota will be stated.

The LEGISLATIVE CLERK. On page 4, after line 16, it is proposed to insert a new section, as follows:

SEC. —. Payment to farmers of the amount of tax paid on gasoline used in farming.

(a) Subchapter B of chapter 65 of the Internal Revenue Code of 1954 (relating to special rules applicable to abatements, credits, and refunds) is hereby amended by renumbering section 6420 as section 6421 and by inserting after section 6419 a new section as follows:

"SEC. 6420. Gasoline.

"(a) Use in farming: Upon the use, after the date of the enactment of the Revenue Act of 1955, of gasoline in farm tractors or farm machinery or for other agricultural purposes by any person engaged in farming, the Secretary or his delegate shall pay to such person the amount of any tax paid under section 4081 with respect to such gasoline.

"(b) Cooperation with the States: Payments under subsection (a) shall be made pursuant to such rules and regulations as the Secretary or his delegate may prescribe. The Secretary or his delegate is authorized to enter into an agreement with any State which has a law authorizing payments or refunds, under conditions similar to those specified by subsection (a), of the amount of tax on gasoline imposed by such State whereby the Secretary or his delegate and the State may cooperate and exchange information with respect to payments under subsection (a) and payments or refunds under the State law."

(b) The table of sections for subchapter B of chapter 65 of the Internal Revenue Code of 1954 is hereby amended by striking out

"SEC. 6420. Cross references."

and inserting in lieu thereof the following:

"SEC. 6420. Gasoline.

"SEC. 6421. Cross references."

(c) (1) Subpart A of part III of subchapter A of chapter 32 of the Internal Revenue Code of 1954 (relating to the manufacturers' excise tax on gasoline) is hereby amended by adding at the end thereof a new section as follows:

"SEC. 4084. Cross reference.

"For payment to farmers of the amount of tax imposed under section 4081 on gasoline used in farming, see section 6420."

(2) The table of sections for such subpart is hereby amended by adding at the end thereof the following:

"SEC. 4084. Cross reference."

Mr. YOUNG. Mr. President, under existing law every farmer pays tax of 2 cents a gallon on all the gasoline which he uses for agricultural purposes. To me this is one of the most unfair taxes on our statute books today. I know of no industry, whether it be the railroads, the bus lines, or the power companies, which must pay a tax on all the fuel used in the conduct of its business.

The administration bill would extend this tax for 1 year. The Johnson substitute would have extended this tax for 27 months. That is one of the reasons why I voted against this substitute even though it contained some good provisions to lower income taxes.

The amendment I have offered would make a refund to every farmer of the 2 cents a gallon excise tax he pays on gasoline used exclusively for farming purposes. Many States have similar laws today effecting the refund of State gasoline taxes. I think the average farmer, and especially the operator of the family-sized farm, pays, under this unjust tax, an average of from $10 to $50 a year. If a farmer is a big operator, or if he has sufficient money, he will probably buy a diesel tractor. The cheapest diesel tractor costs four or five thousand dollars. If he can afford a diesel tractor, he does not pay any gasoline excise tax; or if he can afford a tractor which burns propane or butane, again he does not pay a tax. However, all the smaller farmers in the Nation, or practically all of them, burn gasoline in their tractors, combines, and other farm machinery.

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

Mr. YOUNG. I yield.

Mr. CARLSON. I think it should be brought to the attention of the Senate that when in 1932 there was enacted the law placing a Federal tax on tractor gasoline, and all other gasoline used on the farms, with no exemptions, the purpose was to collect a gasoline tax for general revenue. The last session of Congress wrote into the law a section which provides that all Federal gasoline tax collections shall go for public highways. Therefore, I think the Senator's amendment is meritorious and should be given consideration.

Mr. CASE of South Dakota. Mr. President, will the Senator from North Dakota yield?

Mr. YOUNG. I am glad to yield.

Mr. CASE of South Dakota. I think possibly the distinguished Senator from Kansas was confused by the fact that when the highway bill passed the House of Representatives it carried a provision known as "linkage," in which the highway funds were related to the gasoline tax. However, that provision was dropped in the Senate version of the bill. But the Senate highway bill did increase the funds apportioned to the several States for highway purposes, until they amounted to approximately the equivalent of the anticipated revenues from gasoline taxes. However, the provision referred to was not written into the act as such.

Nevertheless, I feel that there is a great deal of merit in the amendment of the Senator from North Dakota. In fact, along with the distinguished Senator from Kansas [Mr. CARLSON], the other day I introduced a bill which contains this same provision. It provides for the exemption from the Federal gasoline tax of gasoline which is put to nonhighway use.

It should be said, however, that the Senate Committee on Public Works, through its subcommittee on roads, is at present considering the entire question of highway legislation and methods of financing. I believe that before the committee is through with that program it will have given consideration to the question of the amount of money collected from the gasoline tax, the amount provided for highway purposes, and the amount provided for farm-to-market roads.

The worst feature of the present injustice is that the extension of the 2-cent Federal gasoline tax, as is proposed by the pending bill, and the use of the revenue equivalent to that amount primarily for completion of the interstate system of highways, would be taking revenue from the farmers and dedicating it to the completion of the interstate system of highways, which is not primarily a farm-to-market road system.

Therefore, either 1 of 2 things should happen. Either we should provide for an exemption or we should provide that the secondary roads, the farm-to-market roads, should receive a larger share of the amount allocated by the Federal Government for road purposes.

Mr. YOUNG. The farmer pays the same tax as everyone else pays on gasoline used in his car or truck when operating on public highways. This is an additional tax, which he pays for the gasoline which he uses in his tractor or combine that my amendment deals with.

The gasoline bill of the average farmer is considerable. I believe it amounts to probably 20 percent or more of the total cost of his operations.

Mr. CASE of South Dakota. I may say to the distinguished Senator from North Dakota that I recently obtained figures from the highway commission of my own State. I find that the refund of gasoline taxes to farmers, so far as the State gasoline tax is concerned, is important percentagewise; and, of course, percentagewise it would be the same for both State and Federal taxes.

The percentage of gasoline which is used by the farmers of South Dakota for nonhighway purposes amounts to

28.9 percent. Obviously the same percentage would apply with respect to the Federal gasoline tax, because both taxes apply to the same gallon of gasoline. So approximately 29 percent of the gasoline purchased by the farmers of my State is used for nonhighway purposes.

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

Mr. YOUNG. I yield.

Mr. BYRD. I have great sympathy for this amendment. It would simply do on a national basis what is done on a State basis in every State in the Union which has a gasoline tax. However, I hope the Senator will not insist upon placing his amendment in the pending bill. The Senator is aware of the fact that we are in a difficult situation with respect to the conference with the House. As the Senator knows, the House has taken a very determined position with respect to the credit of $20 per person. This bill must go to conference. I will say to the Senator from North Dakota, as chairman of the Committee on Finance, I am in favor of the bill and that at the appropriate time I shall join him in an effort to have his proposal enacted into law. However, I hope he will not insist upon adding it to the pending bill.

Mr. YOUNG. Mr. President, I now yield to the Senator from Minnesota.

Mr. THYE. Mr. President, the amendment offered by the distinguished Senator from North Dakota [Mr. YOUNG] should be enacted into law. The Senator from Virginia [Mr. BYRD] does raise a question, which I believe we should fully consider.

However, I wish to call to the attention of the Senate the fact that there is now pending in the Committee on Finance a bill which was introduced by the Senator from Kansas [Mr. CARLSON], and perhaps by other Senators, who joined as cosponsors. That bill proposes to refund the amount of taxes paid on gasoline used for purposes other than highway travel.

In Minnesota there is a law on the statute books which refunds to the farmer the taxes he pays on gasoline not used in highway travel. The Senator from North Dakota [Mr. YOUNG] has submitted an amendment, which is entirely timely.

I am greatly encouraged to hear the distingished senior Senator from Virginia [Mr. BYRD] say he will support such legislation. With his support and with the support of other Members of the Committee on Finance, I am confident that in the course of the next few weeks we will have favorable action on the bill which was introduced by the Senator from Kansas [Mr. CARLSON].

Again I state that the Senator from North Dakota [Mr. YOUNG] is entirely within his rights in reminding the Senate that there exists an unfair and unjust financial burden on the farmers of America, particularly in light of the fact that practically all farm power is now furnished by gasoline engines. It is no longer a matter of horses or oxen furnishing the power, as it was in the early days. Today the farmer powers his units with gasoline, and he must pay a tax which no one else must pay, unless he is engaged in other industries.

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

Mr. YOUNG. I yield.

Mr. KNOWLAND. I would say to the distinguished Senator from North Dakota that he has performed a very useful service to the farmers and that it will be highly appreciated in all sections of the country.

However, for the reasons stated by the distinguished Senator from Virginia [Mr. BYRD], I hope the Senator will not press his amendment at this time. With the assurances he has from the chairman of the Committee on Finance, and with his bringing the matter to the attention of the Senate, I am sure that action on his proposal will be accelerated. I therefore hope that he will not jeopardize the passage of the pending important bill by insisting on adding his amendment to it.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. JOHNSON of Texas. As I told the Senator from North Dakota earlier today, he has made a very constructive suggestion. I should like very much to have the Senate act favorably on his amendment. However, we are all realists and all of us understand the problems involved.

In the light of the commitment which the distinguished chairman of the Committee on Finance has just made, I am hopeful the Senator from North Dakota will withdraw his amendment, so that it will not interfere with the passage of the pending bill this evening. I, too, am a member of the Committee on Finance, and I shall urge that the committee give early attention to the subject.

Mr. YOUNG. Mr. President, I appreciate the several very fine statements which have been made by various Senators. I believe there is a recognition on the part of everyone in the Senate that the tax on gasoline which is used strictly for farm purposes is an unjust tax. I was happy to hear the statement made by the Senators, particularly the statement made by the distinguished senior Senator from Virginia [Mr. BYRD], who is chairman of the Senate Finance Committee, and who is in charge of the pending bill, that consideration will be given to my proposal when this legislation is considered soon by the Senate Finance Committee if I will withdraw my amendment. In view of that statement, I believe the best interests of the farmers of America would be served by my withdrawing the amendment, and I ask unanimous consent to do so.

Mr. BYRD. I suggest that the Senator introduce a bill on that subject. I am sure it would be referred to the Committee on Finance, where it would receive prompt consideration.

The VICE PRESIDENT. Without objection, the Senator from North Dakota withdraws his amendment.

Mr. NEUBERGER. Mr. President, will the Senator from Virginia [Mr. BYRD] yield for a question?

Mr. BYRD. I am glad to do so.

Mr. NEUBERGER. I should like to invite the attention of the Senator from Virginia to the fact that my State is a coastal State and that thousands of its ciizens are engaged in commercial fishing. They buy gasoline, which is exempt from State taxation, but not from Federal taxation.

If the question of taxes on gasoline used for farm purposes is considered by the Committee on Finance, would the Senator from Virginia also give consideration to the many thousands of men in our State, and elsewhere in the Nation, of course, who use gasoline in their commercial fishing operations. In that operation, they do not use any gasoline that is consumed in highway travel.

Mr. BYRD. I suggest that the Senator introduce a bill on the subject. If it is referred to the Committee on Finance, the committee will give it early consideration.

Mr. NEUBERGER. I thank the Senator from Virginia.

The VICE PRESIDENT. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and third reading of the bill.

Mr. NEUBERGER. Mr. President, I call up my amendment, which is at the desk. It proposes to raise the Federal gasoline tax from the existing rate of 2 cents to 3 cents.

The VICE PRESIDENT. Does the Senator from Oregon wish to have the amendment read?

Mr. NEUBERGER. I should like to have it included in the RECORD. It is very brief.

The VICE PRESIDENT. Without objection, the amendment will be considered as having been read, and will be printed in the RECORD at this point.

The amendment offered by Mr. NEUBERGER, for himself and in behalf of Mr. MORSE, is as follows:

On page 2, strike out line 20.

On page 2, line 21, strike out "(2)" and insert "(1)."

On page 2, strike out line 22.

On page 2, line 23, strike out "(4)" and insert "(2)."

On page 3, line 1, strike out "(5)" and insert "(3)."

On page 3, line 3, strike out "(6)" and insert "(4)."

On page 3, line 5, strike out "(7)" and insert "(5)."

On page 3, line 6, strike out "(8)" and insert "(6)."

On page 3, line 7, strike out "(9)" and insert "(7)."

On page 4, strike out lines 3 to 8, inclusive, and insert the following:

"(4) Section 6412 (a) (relating to floor stocks refunds on motor vehicles) is amended by striking out 'April 1, 1955' each place it appears and inserting in lieu thereof 'April 1, 1956', and by striking out 'July 1, 1955' and inserting in lieu thereof 'July 1, 1956'."

On page 4, after line 16, insert the following:

"SEC. 4. Increase in tax on gasoline, diesel fuel, and special motor fuels.

"(a) Gasoline: Section 4081 of the Internal Revenue Code of 1954 (relating to manufacturers' excise tax on gasoline) is hereby amended to read as follows:

"'SEC. 4081. Imposition of tax.

"'There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 3 cents a gallon.'

"(b) Diesel fuel and special fuels.—

"(1) Increase in tax: Subsections (a) and (b) of section 4041 of the Internal Revenue Code of 1954 (relating to retailers' excise tax on diesel fuel and special motor fuels) are

hereby amended by striking out '2 cents' and inserting in lieu thereof '3 cents.'

"(2) Repeal of rate reduction: Subsection (c) of section 4041 of the Internal Revenue Code of 1954 is hereby repealed.

"(c) Repeal of floor stocks refunds on gasoline.—

"(1) Repeal: Section 6412 (b) of the Internal Revenue Code of 1954 (relating to floor stocks refunds on gasoline) is hereby repealed.

"(2) Technical amendment: Section 6412 (c) of the Internal Revenue Code of 1954 (relating to other laws applicable to certain floor socks refunds) is hereby amended to read as follows:

"'(c) Other laws applicable: All provisions of law, including penalties, applicable in respect of the taxes imposed under section 4061 shall, insofar as applicable and not inconsistent with subsection (a) of this section, be applicable in respect of the credits and refunds provided for in such subsection to the same extent as if such credits or refunds constituted overpayments of such taxes.'

"(d) Effective date: The amendments and repeals made by this section shall take effect on April 1, 1955."

Mr. NEUBERGER. Mr. President, I have prepared a rather long analysis of the amendment. However, I shall not present it in full at this time. Instead, I should like to point out that there is now pending in the Subcommittee on Roads, of which I am a member, a proposal from the President of the United States, known as the Clay report, which proposes to deal with the necessary construction of interstate highways.

A great many people, including the distinguished chairman of the Committee on Finance, the Senator from Virginia [Mr. BYRD], are disturbed by the fact that the financing of the President's proposal would require the payment of $11,548,000,000 in interest alone. In other words, for each dollar spent on paving, 55 cents would go for interest.

To phrase it in another way, for each $1.55 spent on the road program, $1 would go for paving. I suggest that a greater proportion of the money should be spent on roads and a smaller amount on interest.

The proposal which I have before the Senate would reduce the amount from $11½ billion to about $3½ billion, or perhaps even to a smaller amount. The amount that would be spent on interest perhaps might be as low as $3.2 billion.

It seems to me that if we need the great interstate road system suggested in the Clay report, a maximum amount of money should go into roads and a minimum amount of money should go into the interest rates to be paid to the banks.

Only recently, when the Senate voted down the tax proposal of the Democratic Party, to provide some relief for the little taxpayer, it was said it had to be done in order to prevent deficit spending. Nevertheless the highway proposals of the administration involve an enormous amount of deficit spending of the most reckless sort.

For that reason I have offered the amendment to increase the Federal gasoline tax from 2 cents to 3 cents a gallon.

In conclusion, Mr. President, I ask unanimous consent to have the text of my prepared remarks printed at this point in the RECORD.

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

STATEMENT BY SENATOR NEUBERGER

I should like at this time to state briefly the reasons why I think the Federal tax on gasoline and related motor fuels for highway vehicles should be raised from 2 cents to 3 cents a gallon.

I believe that such an increase, although onerous, will prove to be necessary if we are to have a sound financial basis for the expensive but necessary program of highway construction which will no doubt be adopted by the Congress, and I am therefore introducing an amendment to that effect. I am sorry that this amendment could not be introduced in time to be considered by the Finance Committee along with the rest of the tax legislation now before the Senate, so that the Senate could have had the benefit of the wisdom of the distinguished members of that committee on the subject. This amendment is, however, a very simple one, and I hope to show that the need for it is so apparent and so urgent that the Senate ought to adopt it at this opportunity, in connection with the other tax legislation which we are now considering.

THE NEED FOR NEW HIGHWAYS

The Committee on Public Works, on which I have the privilege to serve, is now considering alternative proposals for a very ambitious program of extending and modernizing our highway system. There is no doubt that a program of extensive highway construction and improvement is urgently needed, and that some form of the proposals now under study by the Committee on Public Works will have to be adopted.

There can also be no doubt, Mr. President, that this necessary extension and modernization of our highways will cost us a great deal of money during the next decade, or perhaps the next few decades. The greatest single difference between the alternative programs before the committee is in the provisions for financing this expense.

The administration's proposal for a Federal highway corporation contemplates financing an intensive 10-year improvement program by the sale of bonds of the Federal corporation to be redeemed over a period of 30 years from collections of the present Federal 2-cent tax on motor fuels. I do not propose at this time to discuss the details of this administration proposal or the arguments for and against it. These issues will be brought before the Senate by the report of the Public Works Committee. I do, however, want to cite some figures from the report of the President's Advisory Committee on a National Highway Program—commonly called the Clay report—to demonstrate the immense cost of the financing scheme recommended by the administration and the need for an increase in our gasoline taxes to put our essential highway construction program more nearly on a pay-as-you-go basis.

ADMINISTRATION'S PLAN WOULD COST $11.5 BILLION IN INTEREST CHARGES

The financing scheme for the administration's highway program is set forth at the end of section V of the Clay report. I ask permission to have this table reprinted at this point in the RECORD.

The table shows that the administration intends to spend $25 billion over the next 10 years on our interstate highway system. During those 10 years, about $4¾ billion would come from Federal gas taxes. $20,235,000,000 would be borrowed by the Federal highway corporation by issuing bonds contemplated to carry 3 percent interest. These bonds are to be fully redeemed within 30 years from the beginning of the program, or in other words, payments to redeem them will have to be made for 20 years after the end of construction under the program.

The table further shows that on this 30-year basis, and at the rate of 3 percent assumed in the Clay report, the total interest burden which would be assumed by financing the proposed construction and improvements of our network of interstate highways would add up to $11,548,000,000. On the basis of the estimated receipts from the present 2-cent Federal gas tax over the next decades, the report suggests that this source of revenue can pay off that $11,500,000,000 in interest and the 20.2 billion principal—a total of $31,783,000,000—over the 30 years of this financing program.

ADMINISTRATION'S SCHEME A BONANZA FOR BANKS

I believe there is no excuse for saddling ourselves and our children with an interest burden of $11,500,000,000 over the next 30 years to pay for borrowing less than twice that much—a little over $20 billion—to spend on our interstate highways in the next 20 years. In part, of course, this excessive interest charge is the result of the present administration's predilection for financing the responsibilities of government outside of the normal governmental budget—by high cost special purpose bonds instead of through the normal channels of Government financing. Such high-cost bonds offer a risk-free bonanza to banks, insurance companies, and other institutional lenders who would otherwise purchase Government bonds at their regular going rates. Yet if the administration had proposed to finance its highway program at those rates—at less than 2½—the interest burden would have been less than $9 billion, a saving to the taxpayers of over $2½ billion.

But even at that rate, the interest costs of building our highways would be much too high. Under the administration's proposal to spend $25 billion on construction, only $4,765,000,000 would be paid for on a pay-as-you-go basis. To pay for the additional $20,235,000,000, financing costs of $11½ billion are contemplated.

My concern over this program has grown while I have been listening to come very significant testimony on the question, as a member of the Subcommittee on Roads of the Senate Public Works Committee. This subcommittee has been working hard and earnestly under the effective chairmanship of the distinguished junior Senator from the State of Tennessee [Mr. GORE], with whom I have discussed this pending amendment.

Senator GORE and the rest of us have heard one administration witness after another oppose an increase of 1 cent in the Federal gasoline tax. These men admit that they prefer to underwrite the road program with deficit financing—although it seems to me that it is less of a road program and more of a financial picnic.

Yet the same administration has opposed income-tax relief for average families on the grounds that it would involve $2 billion in deficit financing.

I do not understand, Mr. President, how deficit financing on an extravagant scale can be good for roads but how deficit financing of modest proportions can be bad where tax relief for rank-and-file Americans is at stake.

PAY-AS-YOU-GO FINANCING IS CHEAPER

I think that far more of the essential highway construction and improvement which we shall have to face in the coming years should be paid for as it is built. A 1 cent increase in the Federal tax on motor fuels, as I have proposed, will go a long ways toward making this possible, at a great saving to the taxpayers in unnecessary interest charges. The staff of the Committee on Public Works has been good enough to prepare for me a set of figures to show the difference which one additional cent in Federal taxes would make in the financing of the extensive program we need. Over the 10 years during which the administration's program,

for example, would be spread, the additional revenue from a 1-cent increase would total $5,895,000,000. In other words, it would decrease the amount which would have to be borrowed and on which interest would have to be paid by almost $6 billion.

To demonstrate in another manner the fiscal soundness of contributing in this way toward the costs of our highway system, a construction program of the same dimensions as that advocated in the Clay Report could be built in 10 years with about $12 billion (instead of $4,765,000,000) coming from current gas-tax revenues and only $13,100,000,000 having to be borrowed for repayment out of subsequent revenues. Let us assume, then, that these borrowed funds were to be repaid over the following 10 years—in other words, within 20 years of the beginning of the program instead of 30 years—and at a hypothetical 2½-percent interest rate, which still is more than the actual cost of Government loans. Even on that conservative assumption, the total interest burden of the program would be reduced from the $11½ billion of the Clay Report to about $3¼ billion.

I have said that I cite these figures only to illustrate the very important savings which can come to the Nation's taxpayers from the adoption of a pay-as-you-go approach instead of the long-range bonus-for-bankers approach of the Clay proposals recommended by the administration. These savings are not, however, peculiar to any one highway-construction program. I believe the same arguments will necessarily hold true no matter what specific program we adopt for the Nation's highways.

The highways will have to be built. The Nation must have new interstate expressways, bridges, viaducts, farm-to-market roads, and forest roads. The money will have to be spent. To the extent that we do not pay for these necessary roads out of current taxation, the money will have to be borrowed, and interest charges will add to the actual costs of the highways.

Interest charges should be held to a minimum. Under the administration's program, for every dollar which goes for roadbeds and bridges and rights-of-way, 55 cents goes to the bankers for interest which does not add 1 inch of new surface to our roads.

GAS TAX SHOULD NOT CARRY WHOLE BURDEN

I do not advocate that we pay for the Federal share of new highway construction entirely out of current receipts from taxes on fuel. For one thing, the highways, once built, will serve for many years. Secondly, they serve the national interest, and particularly the interests of national defense, and there is no reason why the general revenues of the Government should not pay for our essential national highway network. But a 1-cent increase in the Federal tax on motor fuels will not in any case defray more than a part of the heavy investment which the Federal Government will have to make in its share of the highway construction which will be needed in the coming years.

ADMINISTRATION PROGRAM PROVIDES NOTHING FOR FUTURE NEEDS

Let me again refer to the financial plan of the administration as set forth in the table from the Clay report. That table shows that, of the present 2-cent tax revenues, $623 million a year would be reserved to continue the Federal share in our present highway programs other than the interstate network. The excess over these $623 million would, in effect, be pledged for 30 years entirely to paying for the interstate highways to be constructed during the next 10 years. In other words, it is contemplated to absorb the equivalent of all Federal motor-fuel taxes for the next 30 years in the financing of the administration's highway program and the continuation of other existing programs, without any provision being made for new needs which will arise at the conclusion of the 10-year construction period.

Yet it must be obvious that even the most intensive and ambitious program of highway construction during the next 10 years will not solve our road problems for the next generation. The administration's program would peg our existing programs at a flat $623 million. For our inevitable additional needs during the 20 years following the completion of the administration's construction program, the administration suggests no financing. It will then have to borrow new funds or find new sources of taxation at that time.

THREE-CENT FEDERAL GAS TAX WILL FINANCE FUTURE HIGHWAY NEEDS AT LOWER COST

We will provide better for the future if we prepare at this time for a sound financial program to pay for the needs of the future. As I have said, the 1-cent increase which I propose will not itself pay for the entire Federal share of the necessary extension and improvement of our highways, and it should not be expected to do so. But it will accomplish two things:

1. It will radically reduce the immense financial burden of completely unconstructive interest payments which is the greatest single evil in the administration's program. Even for that program, it would pare down by over two-thirds the proportion of this highway revenue which would go for interest, as compared with the sum to go toward roads and bridges and land acquisition.

2. It will permit a much faster amortization of the interstate system, in whatever form or manner such a system is to be financed, and at the same time make available necessary funds for the continuation and probable future expansion of our other existing national primary and secondary highway programs. For those reasons, I feel very strongly that this 1-cent increase in the Federal tax on motor fuels should be adopted at this time, in anticipation of the expensive highway program which will undoubtedly have to be adopted by the Congress later during its present session.

Mr. BYRD. Mr. President, I will say to the distinguished Senator from Oregon that if he will introduce a bill on the subject and if it is referred to the Committee on Finance, the committee will give it full consideration. I am sure he realizes that there is quite a large sum of money involved. I believe it is about $500 million. The committee certainly would like to have a separate bill presented on the subject and to have it referred to the committee. The committee could then invite the Senator from Oregon to appear before it to speak on the bill. I assure the Senator that such a bill would get full consideration of the committee after it has finished consideration of the extension of the so-called Reciprocal Trade Agreements Act.

I hope the Senator from Oregon will not insist on pressing his amendment to the pending bill. As I have explained, there is a very critical situation existing with the House as the pending bill goes to conference. The taxes involved must be renewed by March 31; otherwise there will be a severe loss of revenue, a loss in the neighborhood of $3 billion.

I hope the Senator will not complicate the conference with an amendment which increases taxes on gasoline to the extent of $500 million.

Mr. NEUBERGER. Mr. President, if it is the wish of the distinguished chairman of the Finance Committee that my amendment not be called up at this time because of the necessity of going to conference with the House, I shall withdraw my amendment.

One of the reasons why I submitted the amendment was because of the Senator's very valid concern, which I share, concerning the vast proportion of revenue under the proposed highway bill which would be expended in the form of interest rates. I hope that if later I resubmit my amendment the Senator from Virginia will give it due consideration.

Mr. BYRD. I can assure the Senator from Oregon that that will be done.

I think it is perhaps well also to wait to see what is done concerning the road bill. I believe the Senator is on the committee which will consider that bill.

Mr. NEUBERGER. I am associated with the Senator from Tennessee [Mr. GORE] who has been working very hard on the question.

Mr. BYRD. I think it may be pertinent later to resubmit the amendment. I am always in favor of a pay-as-you-go basis.

Mr. NEUBERGER. Mr. President, on the assurance of the distinguished Chairman of the Finance Committee, I withdraw my amendment.

The VICE PRESIDENT. The amendment offered by the Senator from Oregon is withdrawn.

Mr. CASE of South Dakota. Mr. President, I desire to call up my amendment 2-28-25-A.

The VICE PRESIDENT. The clerk will state the amendment offered by the Senator from South Dakota.

The LEGISLATIVE CLERK. On page 16, line 12, it is proposed to insert the following:

SEC. 6. Extension of Renegotiation Act of 1951 for two years.

That subsection (a) of section 102 of Renegotiation Act of 1951 is amended by striking out "December 31, 1954" and inserting in lieu thereof "December 31, 1956."

Mr. CASE of South Dakota. Mr. President, the Renegotiation Act went into effect in 1942 as an amendment to the 6th supplemental Appropriation bill of that year. An amendment which I had offered in the House of Representatives, which was subsequently modified in the Revenue Act of 1943, continued the Act throughout World War II. As a result the United States recovered more than $11 billion in the nature of excess war profits. That act continued in operation for a time, but was allowed to expire until the Korean conflict started and we had to build up our national defense. Then it was put into effect again. During the Korean conflict renegotiation again demonstrated its merits, but the act was allowed to expire during the past year, because the war in Korea had come to an end.

However, Mr. President, we are now engaged in a great build-up of the Air Force. We are building up 137 wings and switching over from the conventional propeller-type of aircraft to the jet-propelled aircraft. We are launching upon nuclear propulsion for submarines, and we are building new things in the electronic field, the result of which is that it is impossible to get firm prices. The Defense Establishment may try as

best it can to get a firm contract, but it simply cannot get a firm contract which does justice to the Government if we call upon a contractor to build new things and make the contract subject to change orders from time to time. Whenever there is a change order there is an increase in price. Furthermore, the Government provides plants, tools, and other aids for expediting production. The consequence is that when we apply a normal tax bill constructed upon a percentage plan, the same percentage which applies to the contractor or the manufacturer who is using his own plant applies also to the manufacturer who is using a Government-owned plant.

A percentage tax bill cannot differentiate between two types of contractors. Renegotiation can. That is why, in the build-up of our Air Force, in the build-up of new things, where firm prices cannot be quoted, we need a revival of the renegotiation statute.

Mr. KNOWLAND. Mr. President, will the Senator from South Dakota yield?

Mr. CASE of South Dakota. I yield.

Mr. KNOWLAND. Mr. President, I would say to the distinguished Senator from South Dakota that I know of his great interest in renegotiation legislation. I might point out to the Senator that in the intervening period the President has sent a message to the Congress of the United States urging renegotiation legislation. This is a subject matter upon which hearings have not been held at this session. Because it is not strictly germane to the pending bill, in view of the President's message urging that action be taken in this field, and inasmuch as Members on both sides of the aisle have an interest in the subject, I should think the matter would be facilitated greatly if the Senator from South Dakota would withdraw his amendment and allow the proposed legislation on renegotiation to proceed upon its own merits. I hope the Senator will find it possible to do that.

Mr. CASE of South Dakota. I appreciate the suggestion of the Senator from California.

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

Mr. CASE of South Dakota. I yield.

Mr. WILLIAMS. I wish to join with the Senator from California in asking the Senator from South Dakota to withdraw his amendment at this time, because I know the Committee on Finance is planning to give some study to the subject of renegotiation. I think this is a subject which can better be handled in the committee, where appropriate hearings can be held, rather than on the floor of the Senate.

Therefore, I join with the Senator from California in asking the Senator from South Dakota to withdraw his amendment at this time, upon the assurance that question of renegotiation will be studied by the committee.

Mr. CASE of South Dakota. I appreciate the suggestion made by the Senator from Delaware. I wonder if I might have a statement by the distinguished Senator from Virginia, who is chairman of the Committee on Finance, with respect to the prospect of consideration of this matter by the committee.

Mr. BYRD. Mr. President, as soon as the committee finishes the hearings on the reciprocal trade agreements bill, it will then undertake to hold hearings on the subject of renegotiation. However, it will be a week, or probably two weeks, before the committee finishes its work on the reciprocal trade agreements bill.

Mr. CASE of South Dakota. I appreciate the statement by the Chairman of the Committee on Finance. I recognize also that under the unanimous consent agreement it might be ruled that my amendment is not specifically germane to the subject matter of the bill. Therefore, I am willing to withdraw the amendment at this time.

However, I wish to impress upon Senators that the matter is urgent and that the companies concerned should not be permitted to proceed too long without appropriate knowledge that there will be the enactment of a renegotiation law.

I appreciate the fact that the President has made this matter the subject of a special message. This is the third time a President of the United States has seen fit to draw attention to the merits of the renegotiation provisions as they apply to defense contracts.

I, therefore, withdraw my amendment, but I urge that when the proposal comes before the Senate Committee on Finance, the committee expedite its consideration and report a measure on the subject to the Senate at the earliest possible date.

Mr. LANGER. Mr. President, I call up my amendments and ask that they be read.

The PRESIDING OFFICER. Is it the desire of the Senator from North Dakota to have his amendments read in full?

Mr. LANGER. No; but I ask that they may be printed in full in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendments will be printed in the RECORD.

The amendments proposed by Mr. LANGER are, on page 4, beginning with line 17, strike out all through line 11 on page 16, and in lieu thereof insert the following:

SEC. 4. Increase of personal exemptions to $800 for taxable years beginning after December 31, 1954, and before January 1, 1956.

(a) Increase in deductions for exemptions: Section 151 (relating to allowance of deductions for personal exemptions) is hereby amended by striking out "$600" each place it appears and inserting in lieu thereof "$800."

(b) Section 3402 (b) (1) (relating to percentage method of withholding income tax at source) is hereby amended by striking out the table and inserting in lieu thereof the following:

"Percentage method withholding table

"Payroll period:	*Amount of one withholding exemption*
Weekly	$17.00
Biweekly	34.00
Semimonthly	37.00
Monthly	74.00
Quarterly	222.00
Semiannual	444.00
Annual	888.00
Daily or miscellaneous (per day of such period)	2.40"

(c) So much of paragraph (1) of section 3402 (c) (relating to wage bracket withholding) as precedes the first table in such paragraph is hereby amended to read as follows:

"(1) (A) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee after April 30, 1955, a tax determined in accordance with the tables prescribed by the Secretary or his delegate, which shall be in lieu of the tax required to be deducted and withheld under subsection (a). The tables prescribed under this subparagraph shall correspond in form to the wage bracket withholding tables in subparagraph (B) and shall provide for amounts of tax in the various wage brackets approximately equal to the amounts which would be determined if the deductions were made under subsection (a).

"(B) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee before May 1, 1955, a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):".

(d) The following provisions are hereby amended by striking out "$600" wherever appearing therein and inserting in lieu thereof "$800":

(1) Section 642 (b) (relating to allowance of deductions for estates);

(2) Paragraphs (1) and (3) of section 6012 (a) (relating to persons required to make returns of tax);

(3) Section 6013 (b) (3) (A) (relating to assessment and collection in the case of certain returns of husband and wife); and

(4) Section 6015 (a) (2) (A) (relating to declaration of estimated income tax by individuals).

(e) The following provisions are hereby amended by striking out "$1,200" wherever appearing therein and inserting in lieu thereof "$1,600":

(1) Section 6012 (a) (1) (relating to persons required to make returns of tax); and

(2) Section 6013 (b) (3) (A) (relating to assessment and collection in the case of certain returns of husband and wife).

(f) (1) Section 3 (relating to optional tax if adjusted gross income is less than $5,000) is hereby amended by striking out "who has elected for such a year to pay the tax imposed by this section, the tax shown in the following table:" and inserting in lieu thereof "who has elected for such year to pay the tax imposed by this section—

"(1) In the case of a taxable year beginning after December 31, 1954, the tax shown in a table which shall be prescribed by the Secretary or his delegate. The table prescribed under this paragraph shall correspond in form to the table in paragraph (2) and shall provide for amounts of tax in the various adjusted gross income brackets approximately equal to the amounts which would be determined under section 1 if the taxable income were computed by taking the standard deduction.

"(2) In the case of a taxable year beginning before January 1, 1955, the tax shown in the following table:".

(2) Section 4 (a) (relating to rules for optional tax) is hereby amended by inserting after "the table in section 3" the following: "and the table prescribed under section 3."

(g) The amendments made by subsections (a), (d), (e), and (f) shall apply only with respect to taxable years beginning after December 31, 1954, and before January 1, 1956. The amendments made by subsections (b) and (c) shall apply only with respect to wages paid after April 30, 1955, and before January 1, 1956.

(h) Wherever in this section an amendment is expressed in terms of an amendment of any provision, the reference shall be con-

sidered to be a provision of the Internal Revenue Code of 1954.

SEC. 5. Increase of personal exemptions to $1,000 for taxable years beginning after December 31, 1955.

(a) INCREASE IN DEDUCTIONS FOR EXEMPTIONS.—Section 151 (relating to allowance of deductions for personal exemptions) is hereby amended by striking out "$800" each place it appears and inserting in lieu thereof "$1,000".

(b) Section 3402 (b) (1) (relating to percentage method of withholding income tax at source) is hereby amended by striking out the table and inserting in lieu thereof the following:

"Percentage method withholding table

"Payroll period:	*Amount of one withholding exemption*
Weekly	$21.00
Biweekly	42.00
Semimonthly	46.00
Monthly	92.00
Quarterly	277.00
Semiannual	554.00
Annual	1,108.00
Daily or miscellaneous (per day of such period)	3.00"

(c) So much of paragraph (1) of section 3402 (c) (relating to wage bracket withholding) as precedes the first table in such paragraph is hereby amended to read as follows:

"(1) (A) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee after December 31, 1955, a tax determined in accordance with the tables prescribed by the Secretary or his delegate, which shall be in lieu of the tax required to be deducted and withheld under subsection (a). The tables prescribed under this subparagraph shall correspond in form to the wage bracket withholding tables in subparagraph (B) and shall provide for amounts of tax in the various wage brackets approximately equal to the amounts which would be determined if the deductions were made under subsection (a).

"(B) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee before January 1, 1956, a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):".

(d) The following provisions are hereby amended by striking out "$800" wherever appearing therein and inserting in lieu thereof "$1,000":

(1) Section 642 (b) (relating to allowance of deductions for estates);

(2) Paragraphs (1) and (3) of section 6012 (a) (relating to persons required to make returns of tax);

(3) Section 6013 (b) (3) (A) (relating to assessment and collection in the case of certain returns of husband and wife); and

(4) Section 6015 (a) (2) (A) (relating to declaration of estimated income tax by individuals).

(e) The following provisions are hereby amended by striking out "$1,600" wherever appearing therein and inserting in lieu thereof "$2,000":

(1) Section 6012 (a) (1) (relating to persons required to make returns of tax); and

(2) Section 6013 (b) (3) (A) (relating to assessment and collection in the case of certain returns of husband and wife).

(f) (1) Section 3 (relating to optional tax if adjusted gross income is less than $5,000) is hereby amended by striking out "who has elected for such year to pay the tax imposed by this section, the tax shown in the following table:" and inserting in lieu thereof "who has elected for such year to pay the tax imposed by this section—

"(1) In the case of a taxable year beginning after December 31, 1955, the tax shown in a table which shall be prescribed by the Secretary or his delegate. The table prescribed under this paragraph shall correspond in form to the table in paragraph (2) and shall provide for amounts of tax in the various adjusted gross income brackets approximately equal to the amounts which would be determined under section 1 if the taxable income were computed by taking the standard deduction.

"(2) In the case of a taxable year beginning before January 1, 1955, the tax shown in the following table:".

(2) Section 4 (a) (relating to rules for optional tax) is hereby amended by inserting after "the table in section 3" the following: "and the table prescribed under section 3."

(g) The amendments made by subsections (a), (d), (e), and (f) shall apply only with respect to taxable years beginning after December 31, 1955. The amendments made by subsections (b) and (c) shall apply only with respect to wages paid after December 31, 1955.

(h) Wherever in this section an amendment is expressed in terms of an amendment of any provision, the reference shall be considered to be a provision of the Internal Revenue Code of 1954.

Mr. LANGER. Mr. President, I have been informed by the Parliamentarian that my amendments are subject to a point of order. However, in my 14 years as a Member of the Senate I have never seen Members of the Senate, on both sides of the aisle, so happy as they are today, so I have a hunch that no Member will raise a point of order, especially the chairman of the Committee on Finance, the distinguished Senator from Virginia [Mr. BYRD]. I have known him for 14 years, and I have observed him when he was harassed and gloomy; but today he is exuberant, and I think he is very anxious to have my amendments agreed to. [Laughter.]

I therefore wish to ascertain whether the Senator from Virginia will raise a point of order as to the germaneness of my amendments.

Mr. KNOWLAND. Mr. President, in case the Senator from Virginia should be so exuberant, I raise the point of order that the amendments of the Senator from North Dakota are not germane.

The PRESIDING OFFICER. The Chair sustains the point of order raised by the Senator from California.

The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

Mr. KNOWLAND. Mr. President, so far I have had only one request for an allocation of time. The distinguished senior Senator from Michigan [Mr. POTTER] has requested 5 minutes. So, on the bill itself, I yield him 5 minutes. If he wishes additional time, I shall be glad to yield it to him.

The PRESIDING OFFICER. The Senator from Michigan is recognized for 5 minutes.

Mr. POTTER. I thank the distinguished Senator from California for yielding me time to speak on the bill. It had been my intention to offer an amendment, permitting the scheduled reduction of excise taxes on automobiles from 10 percent to 7 percent to become effective.

In view of the present parliamentary situation, whereby the bill carrying out the administration's tax program will go to the House of Representatives as a result of the action of the Senate, there is a possibility that the bill will not have to go to conference.

Because the bill will become effective very soon, and because the Committee on Finance will, as I understand, report to the Senate another tax measure in the very near future, I shall not offer my amendment now.

However, I wish to say that probably there is no tax which is more unfair or unjust to the average small taxpayer than an excise tax of any kind. I realize that to reduce the excise tax on automobiles from 10 percent to 7 percent would result in an initial loss to the Federal Treasury of approximately $600 million. But I am old fashioned enough to believe that a high excise tax, which is discriminatory against a basic industry, such as the automobile industry, retards the industry concerned; and, in effect, its tentacles spread throughout the entire economy.

If the excise tax on automobiles could be removed entirely, or certainly if it could be reduced from 10 percent to 7 percent, the acceleration of our economy would be such that the $600 million would be recovered for the Federal Treasury.

I have been informed that the Committee on Finance plans another tax vehicle to which my amendment may be offered.

It has been a little amusing to me to hear the oratory which has been generated on the other side of the aisle concerning the so-called handback of $20 and $10. Automobiles today are not luxuries; they are necessities. To Senators who claim to be so much interested in the small taxpayers, I suggest that serious consideration be given to the reduction of certain excise taxes, rather than to the attempt to hand back $20 or $10.

In this connection, I am reminded of the days when I was a child on a farm. Once a month the family would go to the grocery store to pay its bill. After the bill had been paid, the grocer would give each child a licorice stick. My mother was a pretty frugal person. She always checked the bill ahead of time. The proposal just rejected by the Senate, embodying the so-called $20 and $10 handback, reminds me of the licorice stick given to the children by the storekeeper.

When the fiscal situation of the Federal Government becomes such that taxes can be reduced, I recommend that the Senate give serious consideration to a reduction of taxes which will result in the greatest good being done, namely a reduction of the unfair, unjust, discriminatory excise taxes.

I recommend that among the first products on which we should stop imposing excise taxes is automobiles and trucks.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. KNOWLAND. Mr. President, in order to keep the record straight, I think we shall have to yield back the time of the Senator from Virginia, if there are no Senators who desire to be heard.

Mr. BYRD. Mr. President, I thought my time had expired.

Mr. KNOWLAND. Not on the bill. We are prepared to yield back the time I control.

Mr. BYRD. I yield back all the time which remains to me. I am glad to do it.

The PRESIDING OFFICER. The question is, Shall the bill pass?

The bill (H. R. 4259) was passed.

The title was amended so as to read: "An act to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates."

LIFE BEHIND THE IRON CURTAIN

Mr. HUMPHREY. Mr. President, within the last few days the American people have had an opportunity to grasp a perceptive insight into life behind the Iron Curtain as a result of a series of extraordinary and valuable articles written by the distinguished American editor, Mr. William Randolph Hearst, Jr. Mr. Hearst was successful in obtaining a series of exclusive interviews with the top leadership of the Soviet Union. His articles are proving valuable to all students of communism, as well as to Government officials who have the responsibility first to understand, and then to cope with the strategy and tactics of international Communist aggression. I commend Mr. Hearst for his journalistic coup.

I wish to draw the attention of the Senate to the last of Mr. Hearst's articles, in which he advances a series of recommendations based upon his experience. His suggestion for the establishment of a permanent planning board commissioned to formulate an all-field, all-fronts strategy for winning the battle of competitive coexistence deserves the most serious attention by the Congress and the President. We need an overall planning and coordinating program which appreciates the fact that the struggle between democracy and totalitarianism is a diverse one, encompassing all levels of societal activity, both military and nonmilitary.

This proposal also leads me to take the opportunity, Mr. President, to bring once again to the attention of the Senate a proposal I have been making, that the Senate itself pay more attention to the need for developing expertness within its own ranks on Communist strategy and tactics. There are experts available who can provide the Senate with the detailed facts, as well as with the philosophical grasp essential for an understanding of the mechanisms and power drive which are an integral part of international communism. The Congress spends millions of dollars pursuing scores of investigations on a whole series of valuable subjects. It is time that we spend a small portion of that amount for an investigation of the most serious threat which faces our democratic society. If we add to our understanding of that threat, we can thus better assure our survival and victory.

I ask unanimous consent that the series of articles written by Mr. Hearst, which were published by the Hearst newspapers in late February and early March of this year, be printed in the body of the RECORD.

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

(William Randolph Hearst, Jr., made newspaper history and created worldwide headlines this month with an unprecedented series of exclusive interviews in the Kremlin with the four top rulers of Soviet Russia. Now, for the first time, Mr. Hearst gives his personal behind-the-headlines report on the people he saw inside and outside the Kremlin during this historic visit to Russia. This is the first of nine uncensored articles.)

(By William Randolph Hearst, Jr.)

Three weeks in Russia and several long, intensive conversations with the highest Communist leaders have convinced me of the following:

1. The Eisenhower policy of firmness without provocation is the correct one and is beginning to get results.

2. The Soviet leaders mean it when they say Russia wants peace—but only because Russia needs peace and recognizes the superiority of the Allied world in the essential sinews of the atomic age.

3. Recent changes in the Soviet hierarchy reflect internal disagreements over policy but will not basically alter the propaganda line of peaceful coexistence.

4. The Communist leaders are concerned over the Far Eastern crisis and are realists enough to know that Red China has absolutely no chance of taking Formosa or surviving a shooting showdown with the United States.

5. Discords among the Allies—such as occurred at Geneva—and domestic political turmoil—such as occurs too often in France—are likely to smooth the path of Communist expansion more than any planned maneuver of the Communists.

6. The western program of building armed strength, while fundamentally the right one, should be widened into a more flexible and imaginative strategy for competitive coexistence with the Communists in every field and on every front.

7. Communism's ultimate goal remains world domination and the Russian leaders are sure they will someday achieve it.

These may seem like extreme conclusions to draw from such a visit to the Soviet Union but I am convinced they are basically sound ones despite the limitations of our trip.

They are shared by my two colleagues, Kingsbury Smith, European general manager of International News Service, and Frank Conniff, of the New York Journal-American, who traveled to Russia with me and participated in my interviews with the top Communist leaders.

They are shared as well by several high-level folk with whom I conferred.

We were aware we were getting the "red carpet" treatment, or rather what we chose to call the "white wall treatment" from the tire sides of the gleaming Packard-like Zis that was made available to us every day.

We knew we were seeing only what the Soviet leaders wanted us to see and that no secret experiment or unflattering inner problem would be exposed consciously to our prying gaze.

RUSSIAN PEOPLE FRIENDLY

We recognized that our concentration on the top tier of the Communist leadership for interview purposes would eat up so much time and energy that the chances of achieving close contact with the Russian masses were correspondingly reduced.

Nevertheless, what we did see of the Russian people encouraged us to believe that a strong sentiment of friendliness toward Americans exists among them.

When we were recognized as Americans in the streets, the theaters, the restaurants, and stores, we were greeted with smiles and friendly looks. Ten postwar years of anti-American propaganda seem to have had much less effect on the people of Russia than one would expect.

As for an overall impression of life in the Soviet land as seen from two of its main cities—Moscow and Leningrad—I would say that living conditions in Russia are less bad than the West generally believes but by no means as good as the Russian people are led by their government to think they are in relation to the outside world.

A day in any Soviet city would, I am sure, convince an American shopgirl, factory or white collar worker that in comparison to conditions in Russia, the United States is the paradise of the proletariat.

NO PUBLIC DISCUSSION

Indicative of what little influence the people have on the government that rules them was the apparent lack of popular excitement over the sensational shift in political power that occurred during our visit.

Replacement of Georgi Malenkov by Marshall Nikolai Bulganin as head of the government was an event of far-reaching importance. It was accompanied by policy pronouncements which made it clear that the change would affect the life of every individual in the Soviet Union, since it meant less consumer goods and greater emphasis on the production of heavy industry.

Such a momentous political event would have aroused public controversy and excitement in any Western democracy. One would have overheard it being discussed in the buses, subways, and restaurants.

Yet if there was any discussion of it among the Russian people, it was confined to the intimacy of inner family circles. No one would dare debate the right or wrong of it in public.

As far as any public comments in Moscow or Leningrad were concerned, the downfall of Malenkov might never have occurred. We tried to draw out our intourist guide, but not a word would he say. The Western envoys likewise told us they had received no reports of any public excitement or agitation over the news.

Some of the Russian translators working with the Western newspapermen in the press gallery of the Soviet Parliament at the time Malenkov's resignation was announced could not restrain themselves from exclaiming, almost in a whisper: "It's sensational," or the equivalent of "what a development."

NO SIGNS OF INTEREST

But, in the streets of Moscow, all was calm.

In the shops, people did not even gather around the radios as the news was broadcast. They simply went about their business as usual. If they were listening intently, as they doubtless were, they allowed no sign of it to show.

Unusual interest in such things might be interpreted as questioning the wisdom of what the rulers were doing, and that would be deviationism—the first step to opposition.

To return to the subject of our own mission, our interviews ranged from Communist Party Boss Khrushchev to Shostakovich, the composer; from Premier Bulganin to Ulanova, the ballerina; from Marshal Zhukov to Patriarch Alexei, the head of the Russian Orthodox Church, and from For-

eign Minister Molotov to Svetlana Stalin, the late dictator's daughter.

In addition, we literally spent hours in discussion with the leading western ambassadors, checking our impressions and gaging our reactions against the experience of men who have viewed the Russian scene for years.

Our own Ambassador, Charles E. (Chip) Bohlen, was most helpful and considerate. We consulted him every step of the way. We made certain that no move of ours would embarrass American policy at this delicate moment in world affairs.

We turned over verbatim transcripts of our interviews with Khrushchev, Bulganin, Molotov, and Zhukov to the Ambassador as soon as Kingsbury Smith could type them out following our return from the Kremlin.

TRANSCRIPTS OF INTERVIEWS

Ambassador Bohlen's trained eyes scanned the Soviet officials' calculated answers to our questions for buried meanings hidden in the transcript, a task to which Smith also contributed his rich experience as a diplomatic correspondent.

I do not think I violate any confidence when I say the Ambassador congratulated us on what we had obtained from the diplomatic as well as professional viewpoint. He found more than one item of interest which was promptly communicated to the State Department.

We're happy to be able to report that America has on the spot in Moscow a man whose training and background have well prepared him for the painstaking job of unscrambling the devious Russian moves and puzzling shifts in Communist policy.

It's nice to report, too, that the American Ambassador enjoys the professional respect of his fellow ambassadors. In fact, 1 western envoy assured me, "You have not 1, but 2 fine representatives in Moscow."

"Avis Bohlen," he said, "does as much to promote America's interests as her husband."

The whole ambassadorial corps followed the progress of our high-level talks with deep interest. It is basic in the Russian system that the leaders seek to maintain a wall between themselves and the official spokesmen of foreign countries who, under orthodox Marxist definition, are enemies doomed to eventual penetration and conquest.

AMBASSADOR'S DEDUCTION

Some ambassadors spend years in Moscow without talking with the high Communist leaders, outside of Molotov, and even diplomats from the most important western countries are fortunate to establish face-to-face contact with the really influential men of Russia more than one in a long while.

Great was the interest and surprise, then, when I and my 2 compansions flew into Moscow and proceeded to see, one after another, the 4 men who unquestionably dominate Russian affairs today.

Far from resenting our intrusion, the western ambassadors welcomed us warmly. Shreds of information are so hard to come by in Moscow that they studied our every move as a possible beam of light on Russia's inscrutable plans.

One Western ambassador made a daring deduction on the basis of our journalistic success. Three days before it formally occurred at the Supreme Soviet, he cabled his home office that Malenkov was going into political eclipse.

"It was apparent that you were seeing only the important Communist leaders," he said. "And when I suddenly realized Malenkov was not going to see you, I felt he was in the shadow."

To lend some perspective to our Russian journey, I made certain that at both ends it would be sandwiched by balancing talks with the influential soldiers and statesmen of the free world.

At Paris on the way in, we talked with Gen. Alfred M. Gruenther, the SHAPE commander. Al Gruenther has a keen, agile mind and a penetrating understanding of the problems we face in Europe today.

At Frankfurt in Germany, we breakfasted with retired Gen. Lucian Truscott, the hard hitting, Patton-type leader of the Sicilian, Italian, and southern France campaigns. (He is now chief of CIA intelligence in Western Europe.)

And on our way home, when our party reached London after a day of flying from Moscow (we had breakfast in Moscow, lunch at Vilnius, Lithuania; dinner at the Tempelhof Airport in Berlin; and a late supper at Claridge's in London) I experienced the sentimental climax of the whole trip as far as I was personally concerned.

The very next day I spent an hour with Sir Winston Churchill in the historic Cabinet room at No. 10 Downing Street. Earlier in the day we had lunched with Minister of State Anthony Nutting and then talked informally with Sir Anthony Eden at the Foreign Office.

That hour with Sir Winston was something really special. He listened closely while I gave my impressions of the Russian leaders and ventured a few thoughts on the significance of recent Russian moves.

It is gratifying to me that this great man, this towering personality whose eventful life embraces so much of livng history, heard me out with such evident interest, and volunteered his comments on current developments.

Nothing Sir Winston said can be quoted, but it is permissible to say that his observations ranged the international scene from Europe to the Far East.

CONDITIONED OPTIMISM

It was a most inspiring experience. Added to my own observations in Russia, Sir Winston's appraisal left me with an optimistic glow concerning the eventual outcome of the competitive coexistence we have embarked upon with the Communist world, barring accidents.

But it is an optimism that must be severely conditioned by the knowledge that only great effort and firmness of purpose will suffice to carry us through the dangerous days which lie ahead.

The Russian leaders are dedicated men sworn to the theory that capitalism must ultimately topple before the thrusts of aggressive and subversive communism.

They count heavily on the indecision of the Western World. They base their judgments on the belief that internal discord will wreck the Allied coalition.

Weighing up Korea, Indochina, and other theaters where Allied resolution was not adequate to the challenge of the hour, the Communists are convinced we will never face up firmly to their relentless pressure. They think they can win the battle of coexistence. I think we can.

The Russians are apprehensive about the risky schemes of their Chinese allies. No strategist worth his salt in Europe thinks the Red Chinese can traverse those 100 miles of blue water to Formosa over the massed might of the 7th Fleet.

In subsequent articles I will fill out further the bare outlines cited in my opening paragraphs. I expect to discuss the Russian leaders and peoples in detail.

(1) Firmness without provocation. (2) Optimism without complacency. Such should be the order of the day for America and its allies.

(This is the second of nine uncensored articles in which William Randolph Hearst, Jr., is reporting on what he heard, saw, and learned on his visit to Russia this month, during which he obtained a recordbreaking series of interviews with the Soviet Union's top four leaders. The first article appeared in the Sunday American.)

(By William Randolph Hearst, Jr.)

The strongest hope for peace that I found in my 3 weeks' visit to the Soviet Union was the shrewdness of Russia's new rulers.

These men can be ruthless. They have been merciless. No humanitarian considerations would cause them to hesitate to wipe out with H- or A-bombs New York, Washington, Detroit, San Francisco, or any other American city.

They believe the end justifies the means. And for them the end remains Communist domination of the world.

But these men are cold, calculating realists. They are not possessed by the madness that drove Hitler to bring Germany down in ruins. Nor by the recklessness that led Mussolini to tie Italy's kite to the shooting star of nazidom's short-lived conquest.

Crafty all the time, cruel if the occasion, in their opinion, warrants it.

Yes, unquestionably. But they are not paranoiacs.

They know the destructive power of nuclear weapons. Even if they possess the H-bomb—which British officials doubt—and even if they use it first, they know America enjoys superiority in these weapons and the means to deliver them.

They know that the chance of emerging victorious from a thermonuclear conflict with the United States would be a very slight one. They know the risk of being wiped out along with their system would be great.

Furthermore, the Soviets have now become the bourgeois—the so-called middle class—of the Communist world. They have established an empire extending from the heart of Germany to the borders of China.

They are becoming property owners—cars, electric ice boxes, television sets, country homes. They have vested interests to protect. There is also the budding of a class society based on the aristocracy of a Red bureaucracy.

As long as they feel they are not going to be directly attacked, as long as they know they cannot themselves attack without the certainty of swift and terrible retaliation, I seriously doubt that they will deliberately precipitate a conflict with the West.

If America was to let down its guard, if the day were to come when the Soviets thought they could deliver a knockout blow that would neutralize the United States, then the temptation to strike would be so strong that I would not exclude the possibility of them doing so.

For the present, however, I think they realize they could not pull an atomic Pearl Harbor on Uncle Sam without getting back a nuclear punch that might well knock the Red right out of Russia.

Those are the impressions I carried away from talks with the top 4 of the 9 bold men who comprise the all-powerful presidium of the central committee of Russia's Communist Party—the governing body of the Soviet Union.

The four with whom I talked separately represented the leadership in the governmental, political, diplomatic, and military fields. They were Nikolai Bulganin, the new Soviet Premier, Nikita Khrushchev, the boss of the Communist Party, Vyacheslav Molotov, the Foreign Minister, and Marshal Georgi Zhukov, Defense Minister and wartime commander of the Red army in the Allied defeat of Germany.

The history of Soviet Russia during the past 30 years has shown that one can never be sure what is going to happen, especially within the inner circle of the Red hierarchy. As Marshal Zhukov said to me, "Fortune-tellers can go wrong."

Nevertheless, I am prepared to dare a guess about the future of the Soviet leadership. That is, if another Stalin is to emerge

on the Russian political scene, it will not be the new Premier.

Bulganin, with whom I talked for over an hour, did not impress me as the type who would be capable of seizing power and making himself the absolute ruler as Stalin did.

He lacked the dynamic personality and forcefulness of Khrushchev. He did not seem to possess the cunning that would be required for victory in a struggle for power with the tough ones in the Kremlin.

Bulganin struck me more as a front-man for the principle of collective leadership that I think, for the time being, at least, continues to be the basis on which the Soviet system is now being run.

With his wavy white hair, trim goatee, and neat moustache, Bulganin has a professorial look. He is a "political" general, not a professional soldier. Stalin bestowed the title of marshal on him during the war when he was commissar of the armed forces. He has a reputation for being an able administrator and organizer. More of an efficient bureaucrat than political crusader.

In his talk with me, Kingsbury Smith, the INS European general manager, and Frank Coniff, my editorial assistant, Bulganin adopted a conciliatory tone. He seemed to be trying to offset the violent attacks on the United States which he and Molotov had made a few days previously in the supreme Soviet, or parliament.

We took him to task for those attacks. We told him we did not see how he could reconcile them with the protestations for improved relations with our country. He denied that the attacks reflected any decision of the new government to pursue a more antagonistic attitude toward the United States, and insisted the Soviet leaders were sincere in their desire for the reestablishment of normal, friendly relations with America.

There is so much doubletalk in Soviet verbiage that it's difficult to know when they are speaking the truth. They practice a sort of double-entry bookkeeping line, saying things that can have different meanings. However, I do feel they think it is in their own interests to try to improve relations with us.

We thought we smoked out Bulganin on one thing. Molotov claimed in the supreme Soviet that Russia had surpassed the United States in the production of hydrogen bombs. We called Bulganin's attention to the warnings of scientists that the continued explosion of nuclear weapons could have dangerous effects on human and animal life. We asked him whether Russia would be willing to enter an agreement with the United States and Great Britain to limit the number of these explosions for experimental purposes.

The quick and sharply negative reaction of the Soviet premier convinced me that the Russians are far behind us in the stockpiling of these new weapons, and may not have the H-bomb at all.

Of the four top leaders we met, Khrushchev was in many ways the most impressive. If any of the four were to grab power and build himself up into a Stalin-like dictator, my guess is it would be this boss of Russia's 6,000,000 Communist Party members.

A bull-necked, blunt, and rugged individual, this heavy set little man with his beady blue eyes and aggressive vitality gave the impression of being the boss of the Kremlin show at the moment, and knowing it.

On the day Georgi Malenkov publicly lost his job as premier, it was Khrushchev who dominated the scene in the supreme Soviet. He nominated Bulganin as successor, and as he did so he remarked that he was sure the deputies would accept the suggestion. There was more than an expression of hope in that remark. It was clear that the "boss" was speaking.

No one else was nominated, and no one else spoke for or against Khrushchev's candidate. The vote was called and the hands of some 1,400 deputies sprang automatically into the air. That is how Soviet "democracy" operates.

During our private interview with Khrushchev, which lasted nearly 3 hours, he also spoke with the voice of authority. He did not seem to bother to weigh his words the way Bulganin, Molotov and even Marshal Zhukov did. He was fast on the come-back, and he talked with as much ease on foreign affairs as he did about internal policy.

He made no bones about the hope of the Communists to gain "the upper hand," as he described it, in the world one day. But he sought to convince us that the Soviet leadership wants to confine the global struggle between the Communist and capitalistic systems to measures short of war.

Unlike American Communists, he and most of the other leaders we met displayed a sense of humor.

Khrushchev laughed and joked and at times showed flashes of wit. He would doubtless order your throat cut without blinking an eye if he thought it would serve his ends. But he can be amiable.

He said quite frankly he could appreciate the feeling of our countrymen about Communist China's imprisonment of the American airmen, and added that he personally hoped the matter would be settled satisfactorily. That is more recognition of the wrong that has been done by the Peiping regime to our fliers than we would likely get from Communists and fellow travelers here at home.

As for Molotov, he seems to have become the elder statesman of the Soviet Government.

He has been an active revolutionary for nearly 50 years, a member of the Central Committee of the party for 35 years and in the top echelon of the Soviet hierarchy for nearly 30, and there is hardly a responsible post in the Soviet Government that he has not held from premier on down.

His name means "the hammer" and he is known among the Russians as old "Stone Pants." He was formally polite and courteous during the 1½ hour interview we had with him.

Always the professional diplomat, he was cautious in his statements and quick to give us the propaganda line. He talked at length about American military bases surrounding the Soviet Union and referring to our protection of Formosa, labeled it "interference in the internal affairs of China."

From time to time, Molotov offered me a Russian cigarette and while he talked or listened to our questions, he toyed with a match box.

He spoke with an air of self-confidence as though he was supreme in the handling of Soviet diplomacy and did not feel that he had to worry about what the other members of the Presidium might think of his handling of foreign policy.

However, I had much the same feeling about him that I did about Bulganin. I could not quite picture him as developing into another Stalin. He, too, seemed to lack the flair for lone wolf leadership.

The western diplomats thought the most important part of our conversation with Molotov concerned the questions of a temporary cease-fire in the Formosan area to facilitate the evacuation of Chinese Nationalist forces from the exposed Tachen Islands under the protection of the United States Navy.

When we put the question to Molotov, he said he thought hardly anyone would hinder such an operation. The western envoys seized on this statement as an indication that the Soviet Government would restrain Red China from attacking the American naval units protecting the evacuation.

A week later, the order was given for a powerful Navy task force to proceed to the Tachens and cover the withdrawal of the Nationalist forces.

Had the Chinese Communists attacked our sailors we might today have been at war with Red China. The evacuation, however, was completed with hardly anyone interfering. Some of our diplomatic friends in Moscow expressed the view that our talk with Molotov paved the way for that operation and—who knows—that might have been the case.

Of all the four top men whom we talked, Marshal Zhukov was the most pleasant. He received us alone, except for our interpreter "guide," and greeted us warmly when we arrived in his office in the National Defense Ministry.

Above eight rows of ribbons were three stars representing the triple award of the highest military honors his nation bestows.

Here was the old soldier who had been on such friendly terms with General Eisenhower in the closing period of the European war and for a short time thereafter. He had stood with "Ike" beside him in Moscow's Red Square for the great victory parade. He had accepted an invitation from Eisenhower to visit Washington and Ike had offered him his own plane and his son, John, as an aide. The cold war prevented Zhukov from making the trip. He told us that it was his dream to do so, though he doubted that the time was ripe for it.

This husky, forthright military man who commanded the defense of Moscow, prepared the Soviet stand at Stalingrad and led the Red army to victory against Germany gave me the impression of being sincere in his expressed hope for improved relations with the United States and the warm sentiments he voiced about General Eisenhower.

I felt almost a sense of relief later when I heard that he had moved up to the post of Defense Minister.

Not because he would hesitate to do everything within his power to defeat us in the event of war between our two countries, but because I believe that soldiers like Ike and Zhukov know all too well the horrors of war and want to avoid it. The presence of Zhukov in the high councils of the Soviet regime might be a conservative, perhaps even restraining influence on the recklessness.

Not that I think there is any likelihood of Zhukov exerting a dominant influence on Soviet policy. He strikes me as a soldier likely to carry out the orders given to him. He also gave me the impression of being a dedicated Communist, speaking rather proudly of being a member of the Central Committee. He said:

"We soldiers follow the party line."

Nevertheless, I had the feeling that Zhukov is a patriot first and a Communist second, and that as long as he remains in the top echelon of the Government he would raise his voice strongly and perhaps effectively against any wild whims for a war that might lead to the destruction of "Mother Russia."

With these four coldly realistic men at the top in the Soviet Union, I could not help feeling that any immediate threat to world peace is more likely to come from Red China than Russia.

(This is the third of nine uncensored articles in which William Randolph Hearst, Jr., is reporting on what he heard, saw, and learned on his recent visit to Russia, during which he obtained a record-breaking series of interviews with the Soviet Union's top four leaders.)

(By William Randolph Hearst, Jr.)

There is one important factor too often neglected or not given sufficient emphasis in assessing the power of the U. S. S. R. against the backdrop of the world picture.

That factor is the enormous problem confronting Russia at home as its leaders struggle to gear the country's economy to the modern age.

We are inclined to think of Russia as a smoothly functioning state run with push-button precision by men who have fitted every piece in its proper place.

It is, instead, a nation of 200 million souls in relative degrees of backwardness, painfully seeking to mold its resources into a form where it can rival the might of an industrial giant like the United States.

TALKS BARE TURBULENCE

This inner turbulence was clearly evident to us in our long talks with Russia's top leaders 2 weeks ago.

They are men at grips with problems of production, of food supply and of industrial expansion which would create headaches for the most gifted group of American production geniuses.

In the hands of this tight little knot of bureaucrats rests an authority reaching into every phase of Russian life. It is a power so huge that it is difficult for free-enterprising Americans to comprehend its scope.

BOLD MEN IN POWER

There are 9 bold men in the Presidium—the post-Stalin version of the Politburo—and of these 9 men, it is certain that 3, and at the most 4, wield supreme influence in its councils.

They are Krushchev, Molotov, Bulganin, and possibly Zhukov. There is power enough for all, so far-reaching is the authority which funnels up to the small elite at the tip of the pyramid.

There is no adequate comparison in American life to Russia's power pyramid. Not only do these few men run the big factories, the farms, and the food shops; the bus lines and the taxicabs; the schools and the subways; the railroads and the airlines; but also the ballet and the ballot box.

Superimposed on these pressing problems of everyday life—the questions which would plague Communist Russia if the cold war never existed—are the problems they have created for themselves by challenging America and the Western World to an armament race.

The men who rule Russia must be toiling over the intricacies of jet aircraft construction and production. They ride herd on platoons of scientists assigned to solve the mysteries of the atom. They lavish Russia's resources on plant expansion designed to keep Russia's war potential within reach of the West.

They must somehow find the means, amidst all the urgent claims of their own domestic needs, to supply the instruments of war to a Chinese ally who is long on boasts but short on bombs.

All this in a nation which only entered the industrial age 37 years ago, and which, after more than a generation of bone-breaking privation, still lags far behind America in vital items like steel and coal and iron that are the sinews of a war economy.

MALENKOV'S FAILURE

In my opinion, this inner insecurity played as big a role as any other factor in the shake-up which shuffled Georgi Malenkov out of the driver's seat 3 weeks ago.

True, there was a struggle for position within the little group of ruthless men at the top. That is a permanent condition in the Kremlin's competitive jungle, although almost certainly Party Boss Khrushchev is now the dominant force of the Presidium.

But it seems to me that Malenkov's position weakened only as his administration proved unable to solve Russia's most clamoring problems. He is rated by westerners in Moscow as a man of intelligence and proven executive talent.

But the figures and facts were against him. His number was up. He had to go or seize supreme control himself, and he lacked the personal power for the latter bid.

SOFT THEORIES INADEQUATE

In every field of Russian effort, dark spots were appearing.

The peasantry, always a restive element, were stirring again.

Production at one point slumped off 8 or 9 percent.

A rearmed Western Germany loomed on the horizon.

Malenkov's soft theories were clearly inadequate to meet the new threat.

Or so it must have looked to his associates on the Presidium. They are tough, ambitious men and more than one of them undoubtedly nourished reasons for welcoming Malenkov's downfall.

Had the Malenkov administration proved a big success—had production figures in industry and agriculture boomed under his leadership—there is at least the possibility that Malenkov would have survived.

EVALUATE UPHEAVAL

Now they have tapped Nikolai Bulganin for top administrative responsibility. It may well be that his past success at executive levels was his chief recommendation for the post while his known talent for intrigue had probably placed him in a good position for the elevation.

Since returning to America, I have read many explanations of the Malenkov upheaval. Interpretations based on previous Communist history, character analyses of the principals involved, and evaluations of the relationship between the Communist Party, the Russian Government, and the Red army.

There may be some truth to all of them. Certainly neither I nor Kingsbury Smith nor Frank Conniff, nor all three of us pooled together, claim to be Russian experts after 3 crowded weeks in the Soviet Union.

ON SCENE OF ACTION

But we can and have read and studied Russian history and we did have the advantage of being on the scene while world-shaking events were taking place. Also of talking to the four key men who emerged at the helm. Plus the Western ambassadors and their staffs in Moscow.

We could not escape the feeling that Russia is wrenched by problems of tremendous dimensions and that the men at the top are sorely tried to meet them.

Here in America we have problems of sufficient size to test the competence of some of the best administrators the world has ever known.

How much more difficult must it be in Communist Russia, far less endowed in basic equipment and whose administrative experience dates back scarcely more than a generation.

PULL OUT ALL STOPS

Now I know that nothing could be more dangerous to America's security at this time than to underestimate the capabilities and the potential of Soviet Russia—an enemy who is ruthless, implacable, and convinced that in the end communism is destined to dominate the world.

But if it is dangerous to sell the U. S. S. R. short, it is equally wrong, in my opinion, to overestimate its capabilities.

In our talks with the Communist brass, they pulled out all the usual propaganda stops about airbases, atom bombs, and the like. But running like a theme through their most brazen declarations was the counterpoint of "peaceful co-existence." Khrushchev, tugging at my arm, said:

"Look. We're coexisting at this table. Why can't we coexist in the world?"

The Russians want peace because they need time.

They need time to solve, if possible, their problems at home, consolidate their vast empire and perfect their devices for the possibility of an atomic showdown.

You may have been surprised to read here yesterday that many informed Europeans—and I heard this at the highest levels, so I know it wasn't idle speculation—doubt if Russia yet possesses the hydrogen bomb.

Without necessarily accepting that estimate, I can appreciate from my own experiences in the Kremlin that the Russian position is not as rosy as those loud talkers at the Supreme Soviet would like the world to believe.

Timidity has sometimes shackled our actions in the past.

American policy now is to operate from "positions of strength."

We are heading in the right direction, and Communist Russia knows it.

(This is the fourth of nine uncensored articles in which William Randolph Hearst, Jr., is reporting on what he saw, heard, and learned about the Russian leaders and people on his recent visit to Russia, a visit marked by interviews with the four highest ranking men in the Kremlin.)

(By William Randolph Hearst, Jr.)

Easily the most surprising aspect of my 3 weeks' visit to the Soviet Union was the friendliness of the Russian people.

In view of the constant efforts of Soviet propaganda to turn the people against the United States, to frighten them with fear that America is preparing to attack them with hydrogen and atomic bombs, I had expected to be met with suspicious and hostile glances in public.

To my amazement, the attitude of the people we encountered was quite the contrary.

I am not referring to the formal politeness of the Red officialdom. I mean the common people. The man in the street. The shopgirl behind the department store counter. The old women in the market place.

"AMERICANSKI" HAS MAGIC EFFECT

The word "Americanski" seemed to have an almost magic effect on them. Doubtless, curiosity had a good deal to do with it. But it was more than that. Their faces brightened up. They smiled pleasantly. They seemed eager to talk—though not about their government.

Some cynics might say it is naive to think the friendliness of these people was genuine. That they must have been planted—knew who we were—and told to be affable.

It would have been impossible to have arranged it in advance so that the people we just happened to encounter in the streets and elsewhere reacted as they did. We experienced the friendliness on the very first day of our arrival in Moscow. In different parts of the city, and before the Soviet press or radio had carried any information about our arrival.

I am positive that if you had been there with me, in the streets, the shops, the food markets and theaters of Moscow and Leningrad, you would agree with me that the amiable attitude of the people was spontaneous and sincere.

When I appeared with my two companions unexpectedly in the so-called free food markets, unaccompanied by any official guide, but by Charles Klensch, our Russian-speaking American correspondent in Moscow, the men and women at the food stalls greeted us with good natured looks and eagerly showed us what little they had to offer for sale.

ONLY RUSSIAN FREE ENTERPRISE

These markets, incidentally, were the only sign of free enterprise we saw in Russia, and they operated on a small scale. Most food is sold in government stores at controlled prices, but there is a serious food shortage and the supply in the state shops is by no means enough to meet the public demand.

Prices at the free markets are uncontrolled. Peasants from the farmlands around Moscow bring to the free markets the little they are not compelled to sell to the government. Carrots, potatoes. A few chickens and eggs.

A bit of beef, lamb or pork, though the meat is of poor quality and expensive.

In one shop, there was a single, scraggy chicken on the counter. Beside it were three eggs. The Russian peasant woman, in a soiled white apron, held it up to me to inspect.

Her eyes twinkled and she laughed. I doubt that her customers, if any, did, at the price. It was the equivalent of $24 at the official rate of exchange for the dollar. In terms of Russian purchasing power, it was about $9. Since the salary of an average Moscow white collar worker is about $50 per week, chicken is a costly luxury.

To return to the friendliness of the people, however, we found it on every hand. When we stopped at a little corner ice cream and candy wagon to sample a bar of the rare and expensive chocolate, a score of people quickly gathered. They first gazed curiously, but when we smiled at them, they were quick to respond. Smiles would light their faces when we said Americanski. They crowded around and peered over our shoulders as we made notes about prices, giggled, coyly, if we took photos of them.

LIKING FOR AMERICANS TOLD

On one occasion in the market place, a middle-aged, poorly dressed woman with the traditional shawl over her head approached us, and upon being assured we were Americanski proceeded to tell us how much the Russian people liked Americans.

"We like your union," she said. "We are grateful for what you did for us during the war. We want to be friends with you. We do not want war. Let us have peace."

That reference to war and peace reflected the propaganda campaign against the United States, but the surprising thing to me was that these people did not seem to be mad at us. There was no antagonism in the woman's voice. There was more of a plea for friendship; an expression of fervent hope that there would be no more war.

The apparent failure of the Hate America campaign which has been underway in varying degrees of intensity ever since the cold war started 10 years ago was rather astonishing. The anti-American propaganda in the press, on the radio, and in the movies seems to have had much less effect on the average Russian man and woman than one would have expected.

We could only surmise that the people automatically shut off their sense of hearing as we do sometimes when dull commercials come on the radio.

LESS ANTAGONISM THAN FRANCE

As Kingsbury Smith, the INS European general manager, who accompanied me along with Frank Conniff, my editorial assistant, observed:

"An American walking through the Communist districts of Paris gets more hostile glances than anything seen here."

Perhaps the answer is that not many Russians are Communists at heart. After all, only 6,500,000 Russians are members of the Communist Party out of a population of approximately 200 million.

In the light of the friendliness we encountered, I could not help but wonder if the Russian people may not yet prove to be America's secret psychological weapon in the cold war with Soviet communism.

That may seem a startling statement. It certainly is not intended to imply that the Russian masses think American foreign policy is right and their government's policy wrong. The vast majority have no opportunity to know what really are the bases or objectives of American policy. They are simply told that Uncle Sam is an imperialistic beast who is preparing for war.

That they seem to take such propaganda with a whole sack of salt struck me as encouraging.

NO INDICATION OF REVOLT

Not that they are going to revolt. We were told by the western envoys there is not the slightest sign of anything like that. Nor do I believe we could expect any humanitarian considerations from the Russian people if they were forced into a war with the United States. They are a patriotic people. They proved that during the last war when they fought with great bravery and stamina—certainly not because they wished to save the Soviet system, but because they wanted to defend "mother" Russia.

If war should come, they would be told that Russia had been attacked, and whether they believed it or not, they would, I am convinced, fight hard.

However, as long as there is no war between Russia and the United States, I think the apparent resistance which the Russian people have shown to anti-American propaganda indicates two possibilities:

First, that they are not wholeheartedly supporting the Soviet Government's policy of attempting to make Uncle Sam the world's No. 1 villain.

Secondly, that if we can find ways of strengthening the feeling of friendship toward Americans that seems to be inherent in the character of the Russian people, we can make it more difficult for the Soviet Government to turn them against us, at least as long as there is no war.

DIFFERENCES TO BE DRAWN

In criticizing Russia, in vigorously opposing and condemning its policies, both domestic and foreign, I think our Government should make a point of differentiating between the people and the Soviet regime.

We should strive during the coming months through the Voice of America, Radio Free Europe, and all other means which we have of reaching the Russian people to get across to them our sympathies for the new hardships that will confront them.

We should do this without inciting them to revolt against their government. That would be cruel, because if they attempted to do so they would be shot down mercilessly. We should simply express our sympathies for them in connection with the Soviet Government's decision to curtail the production of consumer goods in order to concentrate on the greater development of heavy industry.

The Russian people are no fools. They know what this decision means for them. They realize it means more guns and less butter; more aid to Red China and less necessities of life for them.

This became clear to them when Georgi Malenkov was replaced a few weeks ago as Premier. He favored a softer line. As far back, as October 1953, he told the people in effect, that there had been enough emphasis on heavy industry and the time had come to "organize the sharp development of the production of consumer goods."

SOFTER POLICY LINE

During his short reign as head of the government, conditions eased considerably for the people. There was less police terrorism. More goods appeared in the shops, more suits and dresses, ties and shoes, though by no means enough to meet the demand at reasonable prices. Television sets were mass produced for the people. We saw the aerials on the roofs of apartments and houses all over Moscow and the suburbs.

Malenkov also cut farm taxes, permitted collective farmers more leave in cultivating small private plots.

Now the trend appears headed back in the direction of the Stalinist policy of squeezing the utmost out of the people in order to develop the basic industries and strengthen Russia's war potential.

The people will be called upon to work harder and get less. Nikita Khrushchev, boss of the Communist Party and the man who appears to be running the show now, told me during the course of my long interview with him that the production of consumer goods must henceforth take second place to the development of heavy industry.

Only 12 percent of the government budget for 1955 will go for light industry. The balance will be applied to what the Soviet leaders described as production of the means of production. In other words, heavy industry.

Notice has been served on the people that the 5-year economic plan, now in its last year, must be fulfilled ahead of schedule. The government claims it has increased industrial production 71 percent since the plan was launched, 9 percentage points from its goal, which it hopes to reach before the end of this year.

AGRICULTURE OUTPUT LAGS

No comparable increase, however, has been achieved in agriculture. A new program has been laid down which calls for an eightfold increase in the planting of corn, and an overall annual production of about 160 million tons of grain by 1960. Also a rise of 2 to 2½ times in the output of livestock products.

The people realize that the basis of this factory and farm program will be further forced development of heavy industry at the expense of consumer goods. It has been made clear to them that the economic might and military potentiality of the Soviet Union is to be given preference once again over their own personal needs.

Furthermore, they are being told in the Soviet press that they must work harder and increase the output per worker. Like the donkey and the carrot, the hope is being held out to them that if they pull the barge a little harder, it will eventually be possible to increase once again the production of consumer goods.

That is likely to be of little comfort to the Russian people in their disappointment over the realization that in the immediate future the already difficult living conditions are going to become worse.

That is why I feel we should extend to them our sympathies and take advantage of every possible opportunity to let them know the difference between our free system and the totalitarian one under which they live.

(This is the fifth of nine uncensored articles in which William Randolph Hearst, Jr., is reporting on what he saw, heard, and learned about the Russian leaders and people on his recent visit to Russia, a visit marked by interviews with the four highest-ranking men in the Kremlin.)

(By William Randolph Hearst, Jr.)

After more than 30 years of Communist rule, the people of Russia are living today in what we would consider, by any comparison with our own way of life, a state of deep economic depression.

Living standards remain appallingly low in comparison with our own.

There is a scarcity of almost everything—food, clothing, housing, and especially the little comforts of life that we have come to regard as necessities.

Most of the inhabitants of Moscow, for example, live in what we would regard as exceedingly poor to semislum conditions in overcrowded, dilapidated apartment buildings and small but quaint and crooked wooden houses.

CONDITIONS IMPROVED

But, broadly speaking, conditions have improved for the people under the Soviet system, every Western Ambassador and diplomatic expert in Moscow assured us.

That does not mean, of course, that they would not have been better off if the czarist system had continued. Conditions for the

working classes in all European countries are better than they were 30 years ago.

Whether they would have been better in Russia than they are today must remain in the realm of speculation.

A lot more people undoubtedly would have been alive. Stalin starved millions in the Ukraine to impose farm collectivization on a primitive agricultural nation.

The people were not free under the czars and they are not really free now, but the fact is that they have more freedom and they regard themselves as much better off.

They did not get to vote under the czar and while their vote means nothing today, they really think that they have a democracy.

As Marshall MacDuffie quotes in his excellent book on Russian life, The Red Carpet, "It is not as bad in Russia as most people outside think it is, but it is nowhere near as good as the Russians think it is."

The comforts, happiness, spiritual welfare, and personal liberties of the Russian people are still being sacrificed in the interests of increasing the industrial strength of the country and spreading Sovietism throughout the world.

The basis now being laid could make Russia a strong and perhaps prosperous nation 50 years or so from now, especially if the system changes by that time, but this generation of Russians is paying a high price in drudgery and discomfort for an uncertain future.

LESS MEAT THAN IN 1928

Take the question of food, for example. The western diplomatic experts in Moscow told us the average Russian is getting less than the 40 pounds of meat per person annually that he was able to obtain in 1928.

Compare this with 155 pounds of meat per person that the average American is estimated to be eating each year.

I gathered that the shortage of livestock—6 million fewer than in 1928—is attributed to the wholesale slaughtering of cattle to which the rebellious peasants resorted when they were being forcibly collectivized by Stalin.

An ambitious new program of stock breeding is under way. Launched by Nikita Khrushchev, head of the Communist Party and apparently the real boss in Russia today. He told me that he hoped to get the Russian farmers to copy American methods of animal husbandry.

In his January 25 report to the central committee of the party, Khrushchev claimed that the new program had achieved last year an increase of nearly 2 million head of cattle.

However, he took the peasants to task for incompetent handling of their livestock, especially in respect to feeding.

He said that while stock breeding was increasing, the loss of live weight on the cattle totaled more than 40,000 tons.

NEW CORN-FEEDING PROGRAM

The stock-breeding program also calls for a tremendous increase in corn acreage for livestock-feeding purposes. The goal is 70 million acres by 1960, or about 15 million acres more than the normal United States corn acreage for such purposes.

American Embassy agricultural experts in Moscow will be surprised if these goals are achieved. They say there is not enough rainfall and too short a growing season for such massive corn production.

Khrushchev's plan is to develop millions of acres of virgin land in central Asia. He is urging the youth of European Russia to go east.

They are being offered bonuses, relatively high wages, and other incentives to take a wife along with them and settle down as pioneers in the undeveloped central Asian prairies.

This is also part of the Government scheme to increase the population. The Soviet leaders are talking about doubling and even tripling it.

While they don't mention China, the figures they mention are close to the population of their Far Eastern ally.

This has led some of the western diplomats to wonder whether, from a long-range point of view, the Russian rulers are concerned about the danger of an eventually industrialized China of 600 million people becoming the stronger partner in the Communist alliance.

Food shortage appears to be a basic weakness in the Soviet system, partly because under Stalin, attention was concentrated on the development of heavy industry.

Western diplomats also say it is due to the difficulty of training Russians to cooperate, and especially to take good care of modern agricultural machinery.

HARD TIME TO GET FOOD

Whatever the reason, the Russian housewife has a hard time getting things for the dinner table. This was evident from the queues we saw from before dawn until after dark in front of the food shops in Moscow and Leningrad.

In fact, those were about the only queues we were conscious of, outside the line that waits daily to visit the tomb of Lenin and Stalin in Red Square.

The best food shops in Russia are said to be the two government grocery and meat stores in Moscow, called "Gastronoms."

One is located in Gum, the big department store facing Red Square. The other is on Gorky Street also in the center of the city.

These are the grocery "show" places of Russia. They are crowded from morning till evening.

Even in these two shops, they often run out of meat, though they usually have one or another of pork, beef or mutton.

Most of the time they have eggs. Less frequently, sweet cream and butter. Oranges, lemons and other fruit are to be found irregularly.

Diplomats and foreign correspondents can phone orders to these two stores. Mrs. Charles Klensch, wife of the INS correspondent in Moscow, put in orders at the Gum Gastronom four times in January.

On January 7th and 11th, she was unable to get lean beef, sour cream, sweet cream or any frozen fruit or vegetables.

Five days later, she was still unable to get cream, frozen foods, or lamb. On January 21st, pork as well as the other meats and the vegetables were unavailable.

This winter the price of a single fresh egg at the official rate of the dollar exchange has averaged 25 cents.

In terms of the real purchasing value of the ruble, that would make it about 10 cents, which is still high when you realize that the basic wage scale for the Moscow white-collar worker is about $50 per week.

First quality lean beef costs about $3 a pound. Pork is a little more expensive. Lemons are approximately 50 cents each. Oranges $1.25 a pound.

OVER HALF INCOME FOR FOOD

The average Russian city dweller spends about 55 percent of his income on food as compared with approximately 28 percent spent by an American workers, and, of course there is no comparison what the Russian gets what we get.

An average American eats nearly 4 times more meat than a Russian, and that's not because Russians don't like meat. Their favorite dishes are based on it.

The basic diet during the winter time is grain porridge, beet soup and black bread. In the Moscow food shops, however, we saw counters loaded with good-tasting white bread. But Moscow is not Russia, any more than New York is America.

Clothing is scarce and expensive, though the people we saw in the streets appeared quite warmly clad. Many women wore fur coats and most of the men we saw wore fur-trimmed hats.

Kingsbury Smith, European general manager of International News Service, who, with Frank Conniff, accompanied me on this trip, said the people appeared better clothed than when he was in Russia in 1947.

They were well, though not stylishly shod, wearing mostly boots.

Military officers and police are the best-dressed men to be seen in the streets, and they are far more numerous than in any Western capital.

The civilians as a whole are drably dressed, and we saw no Russian woman in the streets, theaters or restaurants that would, in Western terms, be considered at all smartly attired.

Men's ready-made suits of very inferior quality were priced in the main department store at 1,600 rubles, or $400 at the official rate of exchange.

While there is no longer any rationing in Russia, prices are used for much the same purpose. Goods of which there is a shortage are priced high.

AUTOS TOO COSTLY

Cars are now for sale to the public, but delivery takes a minimum of 10 months, and they cost about double the price of an American car.

The Zis auto, which looks like a prewar Packard, costs about 25,000 rubles, or more than $6,000.

There is considerable traffic in the center of Moscow, though nothing like New York, London, or Paris. However, the aristocracy of the Red regime does have money to spend. The problem is finding something to spend it on.

Income taxes are kept relatively low. Less than 10 percent of the government's revenue comes from this form of taxation. Most of its comes from sales and profit taxes of factories, farms, and state stores.

The basic working schedule is an 8-hour day, 6 days per week. Sunday is retained as the day off, though it is no longer officially regarded as the Sabbath.

Bonus incentives are used to speed up production. A norm, or quota, is set for industrial workers. If they exceed the quota, they get paid extra.

In cases where the factory schedule permits, they can work overtime to earn additional money, or, as it is put in Communist terminology, to "fulfill the plan ahead of schedule."

STRIKES NOT PERMITTED

Strikes are not allowed in the "paradise" of the proletariat.

This incentive system is a far cry from communism. There is, in fact, no such thing as real Marxist communism in Russia today.

Even the Soviet leaders say that quite frankly. They contend they are simply in the "socialistic" phase of the march toward communism, which is the Red utopia they hold out to the people for some unpredictable time in the future.

One of the best informed Western Ambassadors we met in Moscow said to me:

"There are no Communists in Russia, not on the top or the bottom. This system is being operated on the basis of State capitalism. Anyone who tried to practice real communism would be shot as a deviationist."

From what I heard about the way things are being done in Russia, I could not help feeling that the Soviets are moving more in the direction of capitalism, while we over here have been heading more in the direction of socialism.

(This is the sixth uncensored article in which William Randolph Hearst, Jr., is reporting on what he saw, heard and learned of the Russian people and leaders on his

recent visit to that country, during which he interviewed the top four men in the Kremlin.)

(By William Randolph Hearst, Jr.)

The Russian woman appears to be the greatest source of human vitality in the Soviet Union today.

Husky, healthy, frank, and good natured with a great capacity for hard work and also for child bearing, the average woman one sees in the big cities and on the farmlands certainly seems to justify the Nation being called, as it has been traditionally, "Mother Russia."

Drably dressed in comparison with western standards, lacking most of the conveniences that make life comfortable, and granted little if any consideration over man, the Russian woman leads a burdensome life.

Because the Government wants to double the population, she is now being called upon to produce more children. She is being urged to marry young and migrate east with her bridegroom to the virgin prairie lands of central Asia, as the early American pioneer women went west with their menfolk.

If she is an industrial worker, as millions of Russian women are, and she wants to keep her job after the birth of a baby, she is expected when she returns from maternity leave—which usually lasts about 2 months—to breast-feed the child in a nursery attached to the factory. She is given time off for this purpose. After work she can take the baby home with her, or she can, if she wishes, turn it over completely to a government nursery.

MONEY AND MEDICAL AID PROVIDED

If she wishes to keep and feed the child herself, she is, during the nursing period of 1 year, transferred to light work. She also receives money grants and medical benefits during maternity and the nursing period.

While the Soviet regime at one time allowed easy divorces and did nothing to discourage "free love," the policy now is to strengthen the family ties. Abortions have been prohibited. Divorce laws have been tightened up, and they reflect an attempt to protect the interests of mother and child.

To annul marriage, it is no longer enough (as it was prior to 1944) to give a one-sided, unsubstantiated application to the registrar's office.

Divorce is now effected publicly by a court of law, and the plaintiff has to substantiate his or her claim for divorce. The case is heard in the presence of both parties—first, at the so-called People's Court, which tries to reconcile the parties, then, if no reconciliation is possible, at a higher court. The latter either dissolves the marriage or rejects the case.

Simultaneously with granting the divorce, the court decides which of the parents is to have the children, which of them is to pay alimony and how much.

Under Soviet regulations, a court of law can dissolve a marriage "only when there are serious grounds for divorce and when continuation in the married state will prove contrary to Communist morality and will interfere with the creation of normal conditions for living together and bringing up children."

The Soviet constitution grants women "complete equality with men in economic, government, cultural, political and other public activity."

That applies to streetcleaning, too. One of the sights that startles the Western visitor to Moscow is the women shoveling snow day and night on the icy streets.

Bundled up in padded, quilted coats, with shawls over their heads, these women really look like human beasts of burden. Some are young. Some are well beyond middle age. I must state though that they do not actually look or act unhappy.

We were told that they are peasant women from the farms on the outskirts of Moscow. They are paid the equivalent of about $2 per day, fed and sheltered. One of the Western diplomats told us that the women apparently apply for these snow-cleaning jobs in big numbers, since it gives them an opportunity to earn money in the winter time when there is not as much for them to do on the farms as during the milder seasons of the year.

EDUCATION COMPULSORY AT SEVEN

Under the equal rights system for women, they are being given the same opportunities for education as men. Compulsory education starts for girls as well as boys at the age of seven. During our visit to Moscow University, one of the skyscraper sights of the city, we were told by the superintendent that young women comprise 51 percent of the student body.

We certainly saw as many of them as there were boys walking through the corridors and in some of the assembly halls, although there was a winter recess while we were there.

About 6,500 students live at the university out of a total of 21,500 attending the classes. I visited the living quarters, and while the small dormitory rooms were by no means luxurious they were not uncomfortable.

Girl students, as well as boys, pay a tuition fee of 400 rubles, about $100 per year at the Moscow University. They receive from the Government, however, from 300 to 700 rubles ($75 to $175) per month to meet the costs of room and board, books, and incidental expenses.

Communist girls and boys get the best break on education. If they have good records as members of the Komsomols, the Communist youth organizations, their applications for admission to the universities are given more favorable consideration. Only students who pass entrance examinations with the top grades are admitted.

There are probably beautiful women in Russia, but we were certainly not conscious of them in Moscow. Unquestionably the lack of smart clothes has a lot to do with it. Outside the western diplomatic corps, you never see what would be considered in New York, London, or Paris a fashionably dressed woman.

BALLERINAS BEST DRESSED WOMEN

The ballerinas were the best dressed Russian women we saw, but a chic American secretary, by comparison with them would look as though she had been outfitted by Dior.

The women in Leningrad are more attractive than those in Moscow. They seem more European, more vivacious and less peasant-like. I am inclined to credit Scandinavian blood for their better builds.

Then, too, Leningrad was Russia's "Window on the West" under the Czars. It was the capital of the nation for 200 years and at a time when French cultural influence was strong. There is much more grandeur about the city itself than there is about Moscow.

On one occasion when we were photographing the sights outside our hotel, a group of teen-age boys and girls walked by with skis over their shoulders. We turned our movie cameras on them and while the boys looked rather bewildered, the girls laughed gayly.

A pretty one stepped out of the group and walked into full views of the camera of Kingsbury Smith, who, along with Frank Conniff, was accompanying me. With dancing eyes and a bright smile, that Russian girl would have been considered striking in any country.

One of the boys, or the leader of the group, came back and hustled her along. She smiled back over her shoulder at us and, sad to relate, that was the last we ever saw of her.

To give you an idea of what life is really like in Moscow for an upper middle-class, Russian working woman, I will set down a question and answer interview with a translator employed in one of the diplomatic missions. This woman is about 45 years old. We will call her Masha since disclosure of her real name might get her into trouble for talking so freely to Americans.

RATHER THEATRICAL IN APPEARANCE

Rather theatrical in appearance with dyed hair, bright lipstick, and a gay silk scarf around her shoulders, this woman leads an easier and more pleasant existence than the vast majority of Russian women.

She is looking forward to "retirement" 10 years from now when she will be eligible for old-age pension and other benefits. She will then be able to go to a sanitarium or hotel-type rest home in the milder climate of Georgia. Meanwhile, the type of life she now leads can be seen from the following questions and answers:

"Question. What time do you get up?

"Answer. Between 8:30 and 9 a. m.

"Question. What do you eat for breakfast?

"Answer. We, I mean most Russians, nearly always eat a cooked breakfast. Eggs or sausages. Bread and butter. Coffee or tea.

"Question. Where do you go for lunch?

"Answer. Sometimes I bring sandwiches to work with me. All the big government offices and the factories have buffets. I rarely lunch in a big restaurant, it is too expensive.

"Question. When do you shop?

"Answer. I do not care to shop myself for food, but when I do, I try to limit it to Sunday, when all the food shops are open, or after work. Some of the state food shops are open until midnight specially for people who work late.

"Question. Who does your shopping when you don't do it?

"Answer. I share a servant with my neighbor, who is a doctor. We pay the servant 300 rubles per month (about $75). We also feed and clothe her, and she has a room in the apartment we share. She also makes a little extra money doing washing or other work for other neighbors.

"Question. How many people live in the apartment you occupy?

"Answer. There are five big rooms. We have a kitchen, bath, and telephone. It is all shared by eight people, all of us friends."

HAVE SOME ELECTRICAL EQUIPMENT

"Question. Do you have electric gadgets in your apartment?

"Answer. We have a big electric ice box. Also an electric iron and sweeper. We have three gas stoves in the kitchen.

"Question. How about laundry?

"Answer. I wash my own silk things but the rest goes to a laundry.

"Question. How often do you go to the hairdresser?

"Answer. Usually twice a month, but the young girls I know like to go every week.

"Question. What is the price of a silk dress?

"Answer. The pure, very fine silk dresses are about 280 rubles ($70). Rayon dresses cost from 180 to 220 rubles ($45 to $55).

"Question. How many pure silk dresses do you buy a year?

"Answer. About four or five. In the summer, there are many in the shops from which to make a selection.

"Question. How much are winter coats, and how many do you have?

"Answer. A plain but warm heavy coat without fur trimming costs about 550 rubles ($137.50). I have 1 fur coat and 1 cloth, but I know a woman who has 6 fur coats. (This woman, we found out, was the wife of a Soviet Marine colonel.)

"Question. How many pairs of shoes do you have?

"Answer. Five pairs of all-the-year round shoes, including fur boots, and two pairs of white shoes for summer.

"Question. Do you ever wear an evening dress?

"Answer. Very rarely. Sometimes at a New Year party, or a big reception. I like my cocktail dress better.

"Question. What do you eat for supper?

"Answer. Like all Russians, we have soup. Then perhaps a little meat or fish, compote of canned fruit, or some cakes or cookies.

"Question. How often do you eat in restaurants?

"Answer. At least twice a month. More often in summer. My favorite restaurant is frequented by theater artists. Sometimes I go with friends, but now and then alone."

MOVIES, OPERAS, PARTIES ENJOYED

"Question. How often do you go to the theater or ballet?

"Answer. I go to the movies regularly twice a week and to the theater, opera, or ballet about twice a month.

"Question. Do you go to many parties?

"Answer. Oh, yes. Russians love to have little parties. Not big ones. Just a few friends to eat and drink—and sing. I go to three parties at least each month.

"Question. How many books do you read a week?

"Answer. About two each week. I can get them from the libraries in Moscow. Also, I subscribe to magazines.

"Question. Do you have any particular hobbies?

"Answer. I make hats for myself and my friends. Also I am a member of a dramatic club, and acted in Gogol's 'Inspector General' a short time ago. I do not belong to any political club or organization.

"Question. Do you make any of your own clothes?

"Answer. Some of them, but I have a good dressmaker. Most of the women I know have their clothes made by little dressmakers. The shops are too expensive. I own my own sewing machine. Most of my friends have them. My sister just purchased a beautiful electric German sewing machine for 750 rubles ($187.50) with all the attachments.

"Question. Do you have a savings account?

"Answer. Yes; but only to save enough money to buy the things I want. Then I spend it. Why should I save more? I will be taken care of by my pensions when I am old.

"Question. What are you saving for now?

"Answer. First, for a new fur coat—a mouton. I can buy one for 1900 rubles ($475), but they are scarce and one must queue up for days. I do not like to queue up and never join a line if I know I must stand for more than half an hour. When I have bought a coat, I shall save for a television set. One of my neighbors has one, and I watch that, but I would like to have one of my own."

SAVE MONEY FOR HOLIDAY TRIPS

"Question. Where do you go for holidays?

"Answer. Oh, that is what I save most of my money for. I always go to the Crimea, usually Sochi. My sisters and their families come, too. Sometimes I go to Kiev, or other parts of the Ukraine, since that is where I was born.

"Question. Do you keep in touch with school friends?

"Answer. Yes, I meet them often, and now and then we have reunion parties.

"Question. Did you go to high school in Moscow?

"Answer. Yes, and after I finished I took a degree in theater arts at the dramatic institute here.

"Question. Are you married?

"Answer. I am a widow. My husband was the director of a theater in Moscow. He was killed during the war.

"Question. What did your father do?

"Answer. He was a professor of science.

"Question. How do you feel about the United States?

"Answer. I am sure America does not want war. I do not believe what I read in the newspapers. I am sure there is a big misunderstanding somewhere. If Russians and Americans could meet a lot more, and get to know one another, I am sure things would be better.

"Question. How much do you earn?

"Answer. As translator for a foreign embassy, I earn 1,000 rubles ($250) per month for half a day's work 6 days per week. I also receive a special pension as the widow of a soldier killed in the great patriotic war."

(This is the seventh of nine uncensored articles in which William Randolph Hearst, Jr., is reporting what he heard, saw, and learned of the Russian system, its leaders and people on his recent visit to that country, a visit highlighted by interviews with the four top men in the Kremlin.)

(By William Randolph Hearst, Jr.)

A new elite has emerged in the Soviet Union to prove the theory that under the Communist dictatorship everyone is equal—but some are more equal than others.

An aristocracy based chiefly, though not completely, on performance and talent reaps the fruits of Russia's sweat and toil in the form of bonuses, cars, apartments, dachas (country homes), servants, etc.

Old traditions of birth and privilege have long since been abandoned. Of course, human nature being what it is, Soviet Russia has its share of political favoritism, bureaucratic boondoggling, and even nepotism. Relatives of ranking party leaders are not without advantages in the struggle for existence.

The loftiest echelon of the modern Soviet classless society is a managerial elite based on position in the Communist bureaucracy and production structure, topped by names from theater, the opera, and the ballet.

INTELLIGENTSIA IN UPPER CRUST

Plant directors and managers, chief engineers and technicians, directors of state farms and machine tractor stations, kolkhoz (collective farm) chairmen, the literary and scientific intelligentsia—these comprise the upper crust.

High-ranking army officers and their wives also occupy prominent places in the new social hierarchy.

Russians in these categories live far better and higher than the massed ranks of workers below them, the humble factory hands and peasants who drudge along on a diet of meager rations and hard work.

Tempering any desire to "live it up" and flaunt their comparative wealth, however, is the knowledge that the Kremlin's high command frowns on ostentation.

Hard work and rugged competition keep the comrades toeing the line, and the regime applies the incentive motive of the capitalist system. This is contrary to true Marxist communism under which the incentive urge must necessarily disappear, as there is no reason for having incentive, everybody being equal.

But in Russia today there are so-called millionaire factories, such as the Stalin plant in Moscow, the sales revenues of which run into millions of rubles.

There are also millionaire kolkhozes where superior management and production bring rewarding bonuses to directors and workers alike.

HINT PREFERENTIAL TREATMENT

Some observers feel that the millionaire Stalin factory gets preferential treatment in materials and first-class production techniques and that some millionaire farms mostly owe their success to the good, rich earth of their particular areas.

Others think these favors of nature are taken into consideration when the central committee of the Communist party—the top ruling body in Russia—sets up norms and big results are demanded from operators of the fortunate farms and factories.

How much are the top executives and managers paid? The chairman of a good kolkhoz about 18 miles from Moscow told INS he makes 2,400 rubles a month (about $600 at the official rate), plus produce amounting to double the amount received by the average worker on his farm.

He has now a new small Pobeda car, a TV set, a radio, a Longines watch, and a telephone, testimony to the relative luxury available in such positions.

In cases such as these, it is hard to estimate the real value of pay because the exchange rate of the ruble in terms of dollars is artificially pegged. It is set at 4 rubles to $1 but Western economists estimate the true rate at closer to 12 rubles to the dollar.

President Eisenhower became aware of this false exchange during his postwar visit to Russia. Two weeks ago in the White House, he recalled the answer he had given a kolkhoz worker who asked what his opposite number in America would earn.

ZHUKOV UPSET

The President told me:

"I knew that the salary alone wouldn't tell the true difference, so I translated it into what the American worker could buy with his pay.

"I told him that his opposite number in America would probably own his own home, a car, have his children at a university, attend the movies and theater regularly, and, in general, possess many of the good things of life."

The President smiled at the memory, and continued:

"Marshal Zhukov was listening and I could tell he didn't like this line of talk. He turned on the worker and said:

"'Stop bothering our guest with such silly questions.'"

Even the workers in Russia have their elite—the leading stakhanovites (workers who invent labor-saving shortcuts), outstanding shockworkers (those who overfulfill their norms or quotas by big margins), and top brigadiers foremen of collective farms (whose squads give impressive performances).

ARTISTIC WORLD

But the cream of Russian society is represented by the artistic world—the performers of the opera and ballet and theater who rise to the top on the strength of natural talent.

Ballerinas, opera singers, conductors, movie producers, directors, and writers get the best apartments and are among the few people in Russia to dress well, though not fashionably in Western terms.

They have big popular followers and are household idols throughout the Soviet Union. The wife of one Western Ambassador, with several years of experience in Russia, told me that the artists had a little world of their own in which they lived on a far better level than their adoring fans. She said:

"There's a society going on here that nobody sees."

A stiff artistic price is exacted from these beneficiaries of Soviet favors. Composers and writers must hew to the current line, and are soundly reprimanded in the party press for any deviation.

In an interview at the Moscow Conservatory of Music, Dmitri Shostakovich, the world famous composer who was severely reprimanded in Stalin's time for writing a deviationist symphony, stanchly defended the system which exposes creative artists to the bards of doctrinaire critics.

CRITICISM HELPS

He said:

"They're very helpful. Their criticism improves a composer's work. If I'm working in the wrong direction, I should be told."

There appears to be one exception to the blanket rule that all artists must accept party discipline or face stern punishment. The performing artists—the prima donnas and the actors and actresses as opposed to the composers and writers—seem to lead a charmed life in this respect.

Westerners tell the story of Kozlovsky, a top Russian tenor who always gets paid 25 times the stipulated state rate for each performance.

Kozlovsky rebelled against a proposed tour of the so-called people's democracies. He complained that the pay wasn't substantial enough and that the technical resources of some opera houses were beneath his standards.

For his show of temperament Kozlovsky drew the usual stern wigging in the party press. But nothing else happened. He was singing away as usual the next season and as popular as ever. One diplomat said:

"The Russians are like the westerners in that respect. They make allowances for the artistic temperament. As long as the fellow continues to perform satisfactorily, they'll let him get away with a lot of things."

NATIONAL IDOL

To really understand the grip performing artists hold on the affections of the Russian people, one must consider the case of Ulanova, the premiere ballerina of the famed Moscow ballet and rated by many critics as the world's greatest.

I may say in passing that I saw more ballet in Russia than I had in all my previous life put together. We went five times in Moscow and then attended the Leningrad ballet for good measure. People who are better qualified to judge than I am claim the Moscow ballet is the best in the world and I can only say it looked good to me.

Ulanova is the unrivaled star of this aggregation. Now in her mid-forties but still slender and poised, she no longer appears as frequently as she once did. Announcement of a Ulanova performance is enough to start a mad scramble for tickets.

While we were there she appeared in Gisselle for the first time in 7 years. Not one member of the Western diplomatic corps could obtain a ticket to the performance.

We knew we were getting special treatment when our party was allotted six precious tickets. Incidentally, you cannot just go to the box office and buy tickets to the ballet or opera. Tickets are allocated to workers organizations, visiting delegations, and to the Intourist bureau for foreign visitors.

Ulanova earns about 5,000 or 6,000 rubles a month, plus perquisites in the form of creature comforts, a decent apartment, and a maid. In addition, her title of People's Artist of the U. S. S. R. brings in extra money as do the Stalin prizes she regularly wins. Along with her basic salary, she now receives a substantial bonus for each performance.

COCKTAIL PARTY

We talked to this pleasant, unpretentious woman at the Bolshoi Theater and invited her to join a cocktail party we were giving that afternoon. I didn't entertain much hope she would show up but promptly at 6 o'clock Ulanova appeared, accompanied by Pliseskaya, another act ballerina, two male stars of the company, and the theater manager.

Our interviews with the Communist leaders were appearing from day to day in Pravda and we were slowly becoming well-known personages in Moscow. But we only became celebrities when Ulanova waved a greeting to us at the Bolshoi and Pliseskaya concentrated on us while taking her bows after a triumph in Shuralae, a ballet on Tartar folk songs.

That's how the artists rate in the new Soviet society. We had to be considered VIPs to draw personal attention from such popular favorites as Pliseskaya and the legendary Ulanova.

The new elite minds its manners in public and indulges in no flashy gestures to call attention to itself. Theater doors shut promptly at curtain time and there are no late comers swaggering down the aisle to disturb the intent audience. If late, you wait for a scene change.

Nikita Khrushchev, top boss of the Soviet regime, attended the performance of Giselle, but he was subdued indeed. He entered a front box only after the overture had begun, sat out of sight of the audience and slipped away as the curtain descended.

Nobody appeared to notice him except three American newspapermen. We also noticed two grim-looking gents who appeared in the otherwise empty box above him at the same time he entered the one below.

Somebody said they were the bodyguards. Even the elite can't take chances in the workers paradise.

(This is the eighth uncensored article in which William Randolph Hearst, Jr., is reporting what he heard, saw, and learned of the Russian system, its leaders and people on his recent visit to that country, a visit highlighted by interviews with the four top men in the Kremlin and other important figures.)

(By William Randolph Hearst, Jr.)

"Religious feeling among the Russian people is very strong. The strength of it is surprising. The people who believe in God are very firm in their belief. Their faith cannot be shaken."

These words were spoken to me by a leading ecclesiastic of the Russian Orthodox Church. With a flowing beard that reached to his chest, long hair that fell over his shoulders, and the black robes of priesthood, this acting chief monk of the famous monastery of St. Sergei looked like a character out of a passion play.

Named after the patron saint who founded the monastery in 1322, Father Sergei sat across a table from me in his tiny apartment in the seminary building of the walled, fortress-like headquarters of the Russian church at Zagorsk, about 50 miles northeast of Moscow.

The clear, frank, and apparently fearless eyes of this man of God in a land whose government creed is dedicated to atheism stared at me earnestly—as if trying to convey an impression even stronger than his words.

Through the frost-lined window behind him I could see the beautiful bell tower of one of the ancient Byzantine churches that grace this holy shrine of Russia.

WATCHDOG PRESENT

We had just finished a lunch that reflected the traditional hospitality of the Russians. Caviar, toast, hot meat cakes, borscht, or cabbage soup, baked chicken, rice, carrots, potatoes. Then a rich cake-like dessert, followed by oranges and apples. All washed down with vodka, red and white Georgian wine, Russian sweet champagne, and brandy.

That is certainly not the frequent fare of the average Russian. I would be inclined to doubt that Father Sergei himself eats like that very often. He had been informed in advance of our visit. Doubtless, he was ordered to provide a banquet.

Present at the luncheon was the civilian director of the monastery. He is the Government's watchdog. He never left the side of Father Sergei during our visit through the churches, the grounds, and the seminary itself and he, not the holy man, answered most of the questions we put about religion in Russia. A heavy-set, stern-featured man, he seemed to be on friendly terms with Father Sergei. I gathered they were coexisting as pleasantly as they could in the circumstances.

NO SUNDAY SCHOOLS

Our talks with Father Sergei and the director were conducted through the Intourist guide who accompanied Kingsbury Smith, European general manager for INS; Frank Conniff, my editorial assistant; and myself to the monastery.

We said we noted that most of the people we had seen in the churches were elderly women and we inquired whether the younger generation came regularly to religious services. The answer was that more young people came when there were sermons. It was difficult to estimate the percentage, but it was small.

We asked whether the church was allowed to teach religion to the young; whether there was anything like our Sunday-school classes. The answer was no.

In response to our question as to how the children learned about religion, since it was not taught in the schools nor in the churches, the director said:

"Children learn about religion from their families."

We said we understood that the Government discouraged belief in religion, and that those who dared to send their children to church or have them baptised ran the risk of getting into trouble with the authorities. If that was so, how could the families teach the children about religion?

The director replied that it was only members of the Communist Party, not the populace in general, who were not supposed to show an interest in religion.

Answering our question as to what were the relations between the government and the church, the director said:

"The church is completely separate from the state. Of course, it is necessary for it to have some relations with the government. Since 1944 there has existed a committee on matters relating to the Russian Orthodox Church. All the church needs from the state is handled by this committee, which is composed of members of the church and the state."

We inquired how this committee affected the freedom of the church in religious matters. That seemed to touch a sensitive spot, and the director spoke with a slightly sharper tone in his voice.

"The church is more free than before the revolution," he said. "Under the czars, the state ran the church. Today the state does not try to run the church."

PRIEST IS SILENT

Father Sergei sat silently by looking rather pathetically wistful, I thought. He did not nod his head over this assertion.

"As a principle," the director added, "we have freedom of religion." Since the director doubtlessly noticed the skepticism in our faces, he quickly added:

"Certainly it is possible that there have been some mistakes, but they have been rare, due to the fervor of some individuals. They are being corrected now. You may have heard of Comrade Khrushchev's decree."

We had heard of the recent decree, or statement, of Nikita Khrushchev, boss of the Communist Party and the man who seems to be running the regime now. That is another story, and a rather amazing one that confirmed Father Sergei's expressed conviction that the spirit of religion is deep and strong in the soul of the Russian people. I will get to it later on.

We asked whether the state allowed new churches to be built or established. The directors said that in order to open a church, 20 residents of the district in question had to sign a petition addressed to the Patriarch Alexei, the head of the Russian Orthodox

church. The Patriarch would, if he was disposed to support the petition, bring it to the attention of the committee.

"Would the committee automatically grant the request?" we inquired. "It would be considered," was the reply.

We then directed our questions to Father Sergei and heard, in response to our inquiries concerning the attitude of the people towards religion, the encouraging statements I quoted at the beginning of this article.

"I often hear confessions," he added, "and am surprised when, in the evenings, young girls come and ask forgiveness for small sins. The souls of these girls are good, and their belief in God is firm. I think this is a result of the profound religious feeling of the people."

Before lunch, Father Sergei and the director had escorted us around the grounds of the monastery and through the ancient churches. The foundations of the main church date back to 1354, when work was started on it 32 years after St. Sergei had founded the monastery.

NO SEATS IN CHURCH

There were no pews or chairs inside the church, although a service was being held when we entered. It was a week day. There were about a score of women and a few men standing on the stone floor, all facing in the direction of the tomb of a saint.

At the head of the tomb, a bearded monk was chanting prayers. We were told these services were conducted by the monks from 5 o'clock in the morning until 6 in the evening. The walls and cathedral-like columns supporting the high-domed church were covered with priceless old paintings or icons, as they call holy pictures, of the Madonna, Christ on the Cross, and other religious scenes. Clusters of lighted candles caused reflections on the gold and silver chalices, candelabra, and other rich ornaments.

One felt awed by both the beauty and the spiritual atmosphere of this House of God that had stood there in the heart of Russia for so many centuries and through so many turbulent times. And we emerged with a sense of great reverence and a strengthened conviction in the stability of Christianity.

STUDY FOR PRIESTHOOD

In answer to our question, as we walked across the snow-covered courtyard, Father Sergei estimated that there are now in Russia between 60 and 80 convents and monasteries.

Later he took us through the seminary, where about 200 young students are being educated for the priesthood. We sat in an exquisitely decorated little music room that had been built for the seminary by Catherine the Great, and listened to the choir sing Russian Christmas songs for us.

We spent the entire day at this monastery of St. Sergei and returned to Moscow long after dark, feeling somehow very much at peace with the world.

It was not until a few days later in Moscow that we learned the full significance of Father Sergei's assurances about the strength of religious feeling in the Russian people.

Then from a source whose word you would not doubt if I could identify him for you here, but which I must refrain from doing lest I endanger his position, we heard a truly remarkable report on how the Russian people have exerted their will to force the dictatorship that rules them to curtail the persecution of those seeking to return to the church.

ANTICHURCH PRESSURES

This source told us that back in about 1951, before Stalin died, the government had conducted an investigation to determine the attitude of the people toward religion. The check showed, according to our source, that not more than 40 percent of the population of 200 million was atheistic.

As a result, Stalin ordered an intensification of the antireligious campaign. For the next few years, strong pressure was applied.

The husbands of women who had their children baptised suddenly found themselves transferred to inferior jobs. The older children whose parents attended church services were denied access to the Komsomols, the Communist Youth organizations which assure the best opportunities of education. Girl students who had been going to church found they could not get into the universities.

Then this happened.

REVOLT OF THE PEOPLE

In Moscow, Leningrad, and other big cities production in the factories began to fall off. In some instances, it dropped 8 to 9 percent. At first, the government could not account for it. The secret police were instructed to find out what was happening. They reported that a deliberate slow-down in work was taking place. Absenteeism was increasing. And the reason was the resentment of the workers of religious persecution. The people of Russia were making their wishes known in the only way available to them.

There were threats, warnings, even arrests. The slow-down continued. The Government could not put the entire population of the cities in jail. For months this situation continued.

Then one day, not long ago, Khrushchev issued a policy pronouncement. He condemned persecution of the people on religious grounds. He said such pressure must end; that "scientific" education—propaganda, not persecution—must be used to further the creed of atheism. The slow-down in production ceased. The religious spirit of the people of Russia had triumphed, at least temporarily, over totalitarianism.

This does not mean, however, that the Soviet leaders have changed their basic doctrinaire opposition to belief in God. They have not. They may shift tactics from time to time, but they remain opposed to real religious freedom.

Their callous attitude in respect to Christianity was evidenced this last week in the deplorable expulsion order issued against Father Georges Bissonnette, the only American religious representative allowed in the Soviet Union.

We had the pleasure, and it was a genuine pleasure, of meeting this ardent, affable 33-year-old Roman Catholic priest during our visit to Moscow. We attended mass on Sunday in his little apartment in the residential block assigned to the diplomatic corps. He was not allowed to hold services in any church, and had to confine his activities to administering the faith to the Catholic members of the American and other Western diplomatic missions.

OUSTER VIEWED AS RETALIATION

We lunched with him one day and found him a keen, intelligent, and devoted servant of God.

I consider it highly improbable that he personally did anything to justify his expulsion from Russia on a 4-day notice.

It is more likely, as the State Department seems to think, that the Soviet Government's action was intended as retaliation for the refusal of the United States to renew the visa of Archbishop Boris, of the Russian Orthodox Church, who was allowed to enter this country on a 2 months' permit that expired the end of February.

Boris, who came over here ostensibly to look into the affairs of a faction of the Russian Orthodox Church, had requested permission to remain permanently. Apparently a puppet of the Soviet Government, he had, according to our officials, engaged in other than spiritual activities.

If that was the case, the State Department was certainly right in refusing to renew the visa.

However, it seems to me that the matter might have been handled in a manner that would have made it somewhat less easy for the Soviets to retaliate in a propaganda manner against Father Bissonnette.

When the renewal request of Boris was rejected, the State Department should have issued a statement explaining that Boris had engaged in other than spiritual activities.

UNITED STATES MIGHT HAVE AVERTED ACTION

At the same time, the American Government should have added that if the Russian Orthodox Church wished to send another representative to the United States who would confine his activities to spiritual matters, he would be allowed to come.

This might not have averted the retaliatory move against Father Bissonnette, but it would have made the action even less justifiable than the Communist propaganda will doubtlessly attempt to make it appear to the people of Russia and other countries of the world.

Perhaps it is still not too late for the State Department to make such an offer. That might facilitate the sending of another American Catholic priest to Russia to replace Father Bissonnette.

I think the presence of an American religious representative in Soviet Russia is of great importance.

Before leaving Moscow, I visited the Patriarch Alexei in his home in Moscow. It was not unlike a cardinal's residence, with religious paintings and icons on the walls. We sat around a large, bare, polished drawing room-dining room table. A bejeweled cross hung on a silver chain around the neck of the patriarch. We talked for a while about my impressions of Russia, how I liked my visit, etc.

RELIGION STILL IS STRONG

Suddenly I made the remark that I had been carrying in the back of my mind for some days.

"You know," I said, "it has occurred to me that one of the reasons our two countries have such difficulties in believing one another is that we believe in God, as you do, while the governing body of Russia, the Communist Party, insists on godlessness—atheism—in their ruling hierarchy."

He evaded a direct answer, asserting that there was religious freedom; that there were many religions in Russia. He said that in the eastern parts of the Soviet Union there was Mohammedanism and even Buddhism.

I said that might be so, but repeated my original statement.

He looked straight into my eyes, and tapping his heart with his hand, said:

"Who knows. I think perhaps there are times when they do think of God."

With that, he rose and asked if I would like to see his chapel. He led me through a door into the candle-lit room with its icons. As I stood there beside him, I silently asked God for a blessing in behalf of my wife and children, and my mother. We then returned to his reception room, and as I bade him farewell, he gave me a little mother-of-pearl crucifix on a gold chain.

I say the spirit of religion is strong in Russia despite all that has been done to stamp it out.

(This is the final article in which William Randolph Hearst, Jr., reports on his recent visit to Russia, a visit highlighted by interviews with the four top men in the Kremlin and other important figures.)

(By William Randolph Hearst, Jr.)

In concluding this series today, I would like to advance a few ideas based on our 3-week visit to Russia indicating how the West can most effectively marshal its resources in order to win the continuing battle with world communism.

The previous 8 articles have catalogued many of the weaknesses of the Soviet Union. I have spoken of the dissension within the

leadership, the grave problems besetting Russia at home, the shakiness of the satellites, and the drawbacks on Russia's one worthwhile ally, Communist China.

But it would be wrong to get the idea that the Russian Communist system does not possess many assets, not the least of which is the chance that domestic turbulence and old national jealousies will divide and splinter the Allied coalition.

KHRUSHCHEV BOAST

If this happens, Communist Party boss Nikita Khrushchev or his successor may well witness the achievement of the confident boast he made to me during our long interview, that communism would ultimately gain "the upper hand" throughout the world.

He said it confidently and matter-of-factly, although acknowledging my right to believe that our way of life would ultimately win out.

It's up to us to devise a strategy that will demolish Khrushchev's calm assurance.

First of all, let's dispose of the question whether the conflict between communism and freedom can be solved by resort to war.

CAN'T STAND WAR

As I have already written, the Soviet Union can't stand a war with the West within the foreseeable future and therefore won't start one. I have further predicted that Russia's realistic rulers will exert a cooling influence to keep the Chinese teapot from boiling over.

"We're glad the fire in Korea was put out," Krushchev told us. "We don't want to see another one start up."

The democracies won't start a war with the Soviet Union because it is against the very nature of democracy to launch an aggressive war.

The only spark that might touch off an atomic showdown, as I have repeatedly stated, would be the failure of the West to keep up its guard and encourage the Kremlin to think we were weak and defenseless.

If I am right in thinking that war is no solution to the current struggle, and that Russia will not pull the trigger for varying reasons, then we pass into the much more difficult battleground of peace.

The West is well equipped in any trial at arms. But are we prepared practically and philosophically to surpass communism in the thornier problems of peace?

I wrote in the first article of this series: "The Western program of building armed strength, while fundamentally the correct one, should be widened into a more flexible and imaginative strategy for 'competitive coexistence' with the Communists in every field and on every front."

PLANNING BOARD

Last week at the National Press Club in Washington, I recommended the establishment of a permanent planning board commissioned to formulate an all-fields, all-fronts strategy for winning the battle of competitive coexistence.

This board, I told the overflow audience, should be scrupulously nonpartisan. It should be culled from the finest minds and talents available. It should not bog itself down in catch phrases like "psychological warfare" or "merchandising the hell out of the American program."

Instead, it should coolly survey the whole global scene and develop plans for getting the people of the world on our side.

The idea that such a board was necessary had grown on me during our Russian visit, when it became evident that the Communists were moving ahead in many fields which the present Western strategy neglects.

Since making this recommendation at the press club, I have been pleased to learn that many other Americans, both in governmental and private levels, agree that it is an imperative requirement if we want to win the cold war.

SURPASS RUSSIANS

As I visualized this board, it should plan and coordinate a program designed to surpass the Russians in fields like sports, the theater, and educational exchanges. No area should be neglected in this competition of two diametrically different systems.

Who can doubt that America would emerge on top in any such competition?

Thus far, the efforts to oppose communism's steady pressure on nonmilitary fronts has been piecemeal and uncoordinated. Planners who are enthusiastic about our progress in one area have little knowledge of what is going on in another.

In fact, they may be enthusiastic about possibilities in their own particular bailiwick and take a dim view of the potentialities of another.

For instance, some Americans think we should stress the cultural side of American life in our presentation. These people, like as not, have little regard for sports as a weapon in the cold war.

Sports people are likely to believe that only their own field can capture the imagination of uncommitted millions. They are just as likely to think that culture is "old hat" and of no particular consequence as an ideological "persuader."

The answer to this clash of opinion is that the Russians take both into consideration. That is why we need a planning board to take the large view and see all sides of "competitive coexistence."

After the Press Club speech last Monday, I had the pleasure of a long talk with Theodore Streibert, Director of the United States Information Agency. He told me of several interesting developments.

Next May in Paris, several famous American artists are scheduled to appear at an "American festival" which should give the French a better idea of our cultural prowess.

EXCELLENT START

Actresses Helen Hayes and Mary Martin, and Conductor Eugene Ormandy and the Philadelphia Symphony Orchestra have already been lined up for the festival. "Oklahoma" will be performed by a professional troupe.

This is a step in the right direction, it seems to me, and the French shouldn't be the only people to get a look at these distinctively American stars.

The New York Philharmonic Symphony Orchestra is scheduled to appear at the Edinburgh festival during the coming year, while the Toscanini-trained Symphony of the Air has been booked for a tour of major Japanese cities.

ECHOES OF TRIUMPH

Streibert was quite proud, and properly so, of the cultural projects laid on for next year in this field of the cold war. Right now, I might add, the Porgy and Bess troupe is on tour through the Mediterranean countries and making friends for America everywhere it appears. I heard echoes of its triumphs as far away as Moscow.

Streibert and I disagreed on only one point during our conversation. He seemed to think that what was and is being done in this field is sufficient, whereas I believe it is only a beginning and a drop in the bucket.

Through funds made available by President Eisenhower—$2,500,000 for the year, according to Streibert—a modest program has been launched. When you compare this sum with the billions which we pour out each year to our Allies, I claim a few more dollars should be spent on unveiling the American story to interested foreigners.

As I have said before, we have so much more to offer than the Communists that any comparison must show up in our favor.

But it is not enough to sit complacently by while the Soviet Union throws its smaller resources into the scales and makes its weight felt because we do not choose to compete.

I can't stress this often enough: We should seek to convey to the world—to our Allies, to the uncommitted countries especially, and to the Russians if possible—the idea that America is not only proud of its motor cars, its bathtubs and its television sets, but of many other achievements as well.

I am certain that any cultural exchange between the United States and Russia is bound to show up in our favor. Within limits, I think such exchanges should be encouraged.

We have nothing to lose by exposing young Communists to the wonders of our civilization. Their faith in communism might be destroyed by a view of America with its vastly higher standard of living, its free press, its cultural institutions, its cities and its farms, and its open-hearted give-and-take.

The second half of the 20th century will determine whether Boss Khrushchev was right when he predicted that communism would win in this continuing battle of "competitive coexistence."

The faith of the Communist leader in the eventual triumph of his cause must be matched by a conviction on our side that is just as strong and just as deep.

Time alone will tell whether the free world is equal to the sacrifice, the self-denial and the courage required to win this epic struggle with aggressive communism.

After 3 weeks in Russia, I'm more convinced than ever that our side—the side of honor, dignity, and individual freedom and a humble belief in God—will prevail over the evil scourge of communism.

LEGISLATIVE PROGRAM

Mr. KNOWLAND. Mr. President, for the information of the Senate, I wonder if we might be advised as to the program for tomorrow. A number of Senators have made inquiry with respect to it, and I think the Senator from Texas had announced previously that following the disposal of the tax bill in the Senate it would proceed, as in executive session, to the matter of the confirmation of the nomination of Judge Harlan to be a Justice of the Supreme Court. Then, I believe it was stated, the Senate would consider the nomination of Mr. Campbell to be Comptroller General, which is on the Executive Calendar and awaiting action.

Mr. JOHNSON of Texas. Mr. President, I am delighted to comply with the request of my friend, the distinguished minority leader. I had announced earlier today, for the information of the Senate, that when the Senate concluded action on the tax bill, it would proceed as in executive session to consider the Executive Calendar. The first nomination on the calendar to be considered would be that of Judge Harlan to be a Justice of the Supreme Court of the United States.

When action is concluded on that nomination, the Senate will then proceed to the consideration of the nomination of Mr. Campbell to be Comptroller General.

When the Senate has concluded action on nominations on the Executive Calendar, it is planned to consider certain resolutions reported by the Committee on Rules and Administration.

I would like to be able to give the Senator from California more detailed information about the program for later in the week and the early part of next

week. I hope it may be possible for the policy committee to meet tomorrow, at which time it may reach certain decisions. In that event, of course, I shall promptly communicate the information to the minority leader.

Mr. KNOWLAND. I thank the Senator from Texas.

RECESS

Mr. JOHNSON of Texas. Mr. President, I now move that the Senate stand in recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 8 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, March 16, 1955, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 15 (legislative day of March 10), 1955:

DIPLOMATIC AND FOREIGN SERVICE

The following-named persons for appointment as Foreign Service officers of class 2, consuls, and secretaries in the diplomatic service of the United States of America:

Wilson T. M. Beale, Jr., of the District of Columbia.
Samuel D. Boykin, of Alabama.
Bernard A. Bramson, of New York
Edward G. Cale, of Maryland.
William W. Chapman, Jr., of Maryland.
W. Pierce MacCoy, of Virginia.
Harold W. Moseley, of Massachusetts.
Donald L. Nicholson, of Pennsylvania.
Walter K. Schwinn, of Connecticut.

The following-named persons for appointment as Foreign Service officers of class 3, consuls, and secretaries in the diplomatic service of the United States of America:

John A. Birch, of Maryland.
Lee B. Blanchard, of Oklahoma.
Perry H. Culley, of California.
Edgar A. Dorman, of the District of Columbia.
Edwin M. Duerbeck, of Virginia.
Coulter D. Huyler, Jr., of Connecticut.
Donald B. McCue, of Virginia.
Charles J. Merritt, Jr., of Massachusetts.
Jack B. Minor, of New Jersey.
Thomas G. Murdock, of North Carolina.
Albert Post, of the District of Columbia.
John T. Sinclair, of Maryland.
Edward J. Thomas, of Ohio.
Alfred E. Wellons, of Maryland.

The following-named persons for appointment as Foreign Service officers of class 4, consuls, and secretaries in the diplomatic service of the United States of America:

Sverre M. Backe, of California.
LeRoy E. Colby, of Maryland.
James A. Dibrell, of Texas.
Michael J. Dux, of Florida.
Nels E. Erickson, of Virginia.
Robert C. F. Gordon, of California.
Miss Betty C. Gough, of Maryland.
Homer C. Kayle, of Missouri.
Emery R. Kiraly, of Maryland.
Joseph B. Kyle, of Virginia.
Seymour Levenson, of California.
Ralph K. Lewis, of California.
William P. McEneaney, of Michigan.
Bruce H. Millen, of Louisiana.
Joseph F. Proff, of California.
Miss Marie E. Richardson, of Arkansas.
Earle J. Richey, of Kansas.
Norman V. Schute, of California.
Charles H. Taliaferro, of Virginia.
Miss Ruth J. Torrance, of Virginia.
Joseph E. Wiedenmayer, of New Jersey.

The following-named persons for appointment as Foreign Service officers of class 5, vice consuls of career, and secretaries in the diplomatic service of the United States of America:

Robert A. Brown, of California.
Harrison W. Burgess, of Virginia.
Stephen A. Dobrenchuk, of Massachusetts.
Miss Dorothy J. Dugan, of New Jersey.
James J. Ferretti, of Connecticut.
William H. Gleysteen, Jr., of Pennsylvania.
Leaman R. Hunt, of Oklahoma.
Alexander C. Mancheski, of Wisconsin.
Louis B. Marr, of Pennsylvania.
William M. Olive, of Missouri.
William W. Sabbagh, of Maryland.
Ree C. Shannon, of North Carolina.
George W. Small, of West Virginia.
J. Harlan Southerland, of the District of Columbia.
Robert N. Wellman, of Ohio.

The following-named persons for appointment as Foreign Service officers of class 6, vice consuls of career, and secretaries in the diplomatic service of the United States of America:

John T. Bennett, of California.
G. Ryder Forbes, of Virginia.
Elmer G. Kryza, of Michigan.
Miss Mary Manchester, of Texas.
James D. Mason, of Indiana.
Miss Nancy V. Rawls, of Georgia.
Robert P. Smith, of Texas.

POSTMASTERS

The following-named persons to be postmasters:

ARIZONA

Wayne M. Sweetland, Salome, Ariz., in place of J. B. Watkins, retired.

Floy M. Martin, Thatcher, Ariz., in place of B. T. Lee, resigned.

CALIFORNIA

Josephine D. Bloching, Clayton, Calif. in place of Dolores Foubert, retired.

Arthur H. Morgenstern, Hermosa Beach, Calif., in place of P. L. Davis, removed.

Charles C. Herrick, Oakland, Calif., in place of S. E. Graham, deceased.

Katie B. Smith, Oro Grande, Calif., in place of H. M. White, resigned.

Lester P. Frost, Placerville, Calif., in place of A. W. Scherrer, retired.

John J. Shanahan, Saint Mary's College, Calif., in place of C. D. Mangan, retired.

Thurston C. Jordan, Skyforest, Calif., in place of M. P. Henck, resigned.

Louis K. Fies, Tulelake, Calif., in place of K. R. Rudisill, removed.

Gladys E. Beard, Veterans Home, Calif., in place of L. L. Long, retired.

DELAWARE

Henry V. Tobin, Sr., Kings College, Del. Office established September 1, 1949.

Elwood B. Rickards, Selbyville, Del., in place of I. K. Tubbs, retired.

FLORIDA

Elbert L. Brown, Oxford, Fla., in place of G. H. Stapp, deceased.

Bonita R. Swann, Wauchula, Fla., in place of J. W. Farr, deceased.

ILLINOIS

Carl E. Heideman, Algonquin, Ill., in place of M. W. Struwing, removed.

Frank T. Huggins, East Moline, Ill., in place of J. M. Ryan, retired.

James A. Blakemore, Glenwood, Ill., in place of J. F. Cahl, deceased.

Roy E. Thomas, Marengo, Ill., in place of C. T. Carney, removed.

Walter E. Grauel, Mascoutah, Ill., in place of N. A. Schilling, retired.

Kenneth W. Willman, Metamora, Ill., in place of O. F. Giehl, retired.

Lester E. Brown, New Lenox, Ill., in place of E. J. O'Daniel, deceased.

INDIANA

Albert L. Pyke, Lafayette, Ind., in place of G. W. Burnell, resigned.

IOWA

Homer I. Stearns, Sutherland, Iowa, in place of K. H. Chesley, resigned.

KANSAS

Paul H. Turnbull, Bushton, Kans., in place of A. L. Miller, retired.

Henry Clay Davis, Colby, Kans., in place of C. G. Eddy, retired.

John J. Keener, Rush Center, Kans., in place of L. R. Campbell, removed.

KENTUCKY

Guy Samuels, Baxter, Ky., in place of E. P. Leger, resigned.

Alden M. Lewis, Eminence, Ky., in place of B. G. Pollard, retired.

Velma L. Lane, Flatwoods, Ky., in place of Nancy Clark, retired.

William H. Cecil, Lexington, Ky., in place of R. F. Williams, deceased.

Pauline M. Collins, Lynch, Ky., in place of O. A. Brannon, resigned.

LOUISIANA

John E. Bishop, Lacombe, La., in place of L. G. Andrieu, removed.

Thomas N. Sofford, Morgan City, La., in place of R. J. Belanger, transferred.

James H. Smith, Newllano, La., in place of E. O. Joynes, removed.

MARYLAND

Wilma G. Raley, Ridge, Md., in place of A. M. Gatton, resigned.

MASSACHUSETTS

Ray D. Adams, Great Barrington, Mass., in place of E. C. Tyler, retired.

James E. Elphinstone, Ludlow, Mass., in place of Hormisdas Boucher, retired.

MICHIGAN

Ralph H. Derickson, Manitou Beach, Mich., in place of M. L. Schmidt, resigned.

Vada M. Green, Winn, Mich., in place of C. M. Ryman, resigned.

MINNESOTA

Clair N. Lund, Byron, Minn., in place of B. H. Anderson, transferred.

James E. Avenson, Cohasset, Minn., in place of J. R. Forsythe, retired.

Dexter N. Femling, Dent, Minn., in place of O. H. Voigt, retired.

Albert H. Temanson, Grand Meadow, Minn., in place of C. K. Peterson, removed.

Charles A. Lukens, Hadley, Minn., in place of C. R. Solter, removed.

George M. Freking, Heron Lake, Minn., in place of A. H. Smith, retired.

Lester W. Kamholz, Morgan, Minn., in place of C. R. Whitcomb, transferred.

Edmond L. Farrell, Slayton, Minn., in place of J. W. Lowe, deceased.

MISSISSIPPI

James K. Baker, Jr., Aberdeen, Miss., in place of Walter Darracott, retired.

Melvin G. Nesbit, Ecru, Miss., in place of E. M. Hattox, retired.

Charles D. Davis, Northcarrollton, Miss., in place of W. G. Sloan, deceased.

James D. Burch, Pattison, Miss., in place of Kay Eakin, deceased.

Lowrey T. Martin, Smithdale, Miss., in place of D. R. Butler, retired.

Dan Reece Monroe, Taylorsville, Miss., in place of J. T. Rainer, deceased.

MISSOURI

George O. Clarke, Laddonia, Mo., in place of L. B. Diggs, retired.

MONTANA

Delbert Trulson, Kremlin, Mont., in place of E. C. Winter, retired.

NEBRASKA

Virgil W. Benson, Upland, Nebr., in place of E. L. Bunger, retired.

Raymond E. Paulson, Wakefield, Nebr., in place of E. B. Gustafson, transferred.

NEW JERSEY

Marian T. Killoran, Almonesson, N. J., in place of E. M. Busch, removed.

Francis C. Monks, Harvey Cedars, N. J., in place of S. M. Lear, retired.

Sebastiano B. Dellagatta, Mizpah, N. J., in place of F. A. Bailey, resigned.

NEW MEXICO

Byron C. Withers, Fort Sumner, N. Mex., in place of J. W. Patterson, retired.

NEW YORK

Reginald A. Erick, Angola, N. Y., in place of F. V. Wiatrowski, retired.

Joseph C. Latham, Canisteo, N. Y., in place of W. L. Brown, retired.

Charles Walter Smallman, Fort Covington, N. Y., in place of N. B. Taillon, retired.

William H. Bero, Hogansburg, N. Y., in place of J. J. Lantry, resigned.

William G. O'Hara, Melrose, N. Y., in place of William Diefendorf, retired.

Joseph L. McKiernan, New Hampton, N. Y., in place of H. H. Sly, transferred.

James Egbert Foster, Ransomville, N. Y., in place of J. E. Molyneux, deceased.

Richard M. Hunter, Wappingers Falls, N. Y., in place of W. J. Eagan, retired.

NORTH CAROLINA

Floyd H. Shoaf, Linwood, N. C., in place of W. H. Lomax, transferred.

NORTH DAKOTA

Norman J. Dahl, Hillsboro, N. Dak., in place of F. O. Johnson, retired.

OHIO

Homer E. Charleston, Byesville, Ohio, in place of W. J. Grandy, retired.

Richard H. Mikesell, Cadiz, Ohio, in place of J. W. Martin, deceased.

David H. Reynolds, Cedarville, Ohio, in place of R. C. Ritenour, retired.

Clarence E. Felker, Gibsonburg, Ohio, in place of C. W. Zeller, resigned.

Wayne F. Grosse, Hiram, Ohio, in place of Arthur Fisher, deceased.

Adolph F. Raab, Lancaster, Ohio, in place of P. F. Hammond, retired.

Stanley L. Hartman, Medina, Ohio, in place of N. D. Roshon, transferred.

Dale A. Parker, North Bloomfield, Ohio, in place of W. S. Matson, retired.

Harold E. Zornes, South Webster, Ohio, in place of Etta Newell, retired.

Marjorie A. Sine, Zanesville, Ohio, in place of J. P. Orsborn, transferred.

OKLAHOMA

Bill M. Penwright, Calumet, Okla., in place of I. E. McCann, retired.

Bessie M. Hill, Cameron, Okla., in place of E. E. Hill, retired.

Vada R. Robertson, Webb City, Okla., in place of R. D. Taylor, retired.

John N. Wheatley, Yukon, Okla., in place of J. A. Whelan, retired.

OREGON

Ruth E. McLeod, Maupin, Oreg., in place of D. E. Miller, deceased.

PENNSYLVANIA

Donald C. Reese, Berwick, Pa., in place of J. F. Peterson, removed.

LeRoy W. Creasy, Bloomsburg, Pa., in place of Arthur Rabb, retired.

Stanley A. Dubos, Chestnut Ridge, Pa., in place of S. B. Ozegovich, removed.

Edna D. Lennon, Churchville, Pa., in place of L. K. Lennon, retired.

Edward R. Quinn, Clifton Heights, Pa., in place of J. A. McShane, retired.

Blair E. Goodlin, Clymer, Pa., in place of L. W. Olligher, retired.

Clair W. Wood, Conneautville, Pa., in place of C. G. Melcher.

Glenn P. Whelan, Croydon, Pa., in place of M. E. Tryon, transferred.

Karl W. Schempp, Jr., Donora, Pa., in place of T. W. Daley, retired.

Norman L. Bender, Dry Run, Pa., in place of B. M. McCartney, retired.

Norman L. Foust, East Brady, Pa., in place of H. L. Verner, retired.

James W. Hutchison, Elizabeth, Pa., in place of E. E. Hall, retired.

Dorothy G. Fritz, Garrett, Pa., in place of J. A. Habel, resigned.

Fred M. Ganoe, Heilwood, Pa., in place of J. A. Donahue, deceased.

Angelo P. Cellini, Midland, Pa., in place of K. H. Haydon, retired.

Neil J. O'Brien, Renovo, Pa., in place of Luke Binder, retired.

Gerald E. Ray, Rouseville, Pa., in place of J. W. Casey, resigned.

Arthur B. Coulter, Saltsburg, Pa., in place of C. P. Hilty, retired.

John P. Withers, Jr., West Elizabeth, Pa., in place of R. A. Miller, resigned.

Arthur V. Gridley, Westfield, Pa., in place of H. L. Parsons, transferred.

RHODE ISLAND

Charles J. Butler, Westerly, R. I., in place of G. A. Dolan, retired.

SOUTH CAROLINA

John T. Mabry, Abbeville, S. C., in place of C. C. Stewart, deceased.

Nellie E. Hodge, Alcolu, S. C., in place of W. D. Hodge, removed.

Herbert G. McGraw, Clemson, S. C., in place of R. L. Morris, deceased.

James R. Chitty, Jr., Olar, S. C., in place of J. G. Brabham, retired.

W. Loring Lee, Jr., Sumter, S. C., in place of J. C. Pate, retired.

SOUTH DAKOTA

Glen L. Engwall, Vermillion, S. Dak., in place of W. A. Bauman, retired.

TENNESSEE

James O. Buttram, Athens, Tenn., in place of C. W. Jones, retired.

Betty L. Milton, Duff, Tenn., in place of E. A. Thornton, removed.

James F. Darnell, Dukedom, Tenn., in place of G. T. Cunningham, retired.

James H. Ross, Englewood, Tenn., in place of W. W. Eledge, Sr., retired.

Ollie L. Davis, Gates, Tenn., in place of G. V. Anderson, deceased.

Ernest Neil Muzzall, Henry, Tenn., in place of M. B. Curry, transferred.

James C. Pendergrass, Hixson, Tenn., in place of R. B. Pitts, transferred.

Edmund E. Ward, Huntingdon, Tenn., in place of F. E. Joyner, transferred.

Albert B. Thomas, Mountain Home, Tenn., in place of C. G. Taylor, retired.

TEXAS

Crook T. Waller, Eldorado, Tex., in place of E. W. Brooks, retired.

Berney C. Kempf, Fabens, Tex., in place of O. P. Ford, retired.

Charles W. Ford, McGregor, Tex., in place of J. F. Bennett, Jr., transferred.

James B. Miller, Mount Calm, Tex., in place of Nona Hillyer, retired.

Donald L. Morrison, Throckmorton, Tex., in place of K. B. Daws, transferred.

UTAH

Douglas R. Jensen, Redmond, Utah, in place of S. M. Peterson, retired.

VERMONT

John H. Northrop, Enosburg Falls, Vt., in place of M. B. Depatie, retired.

VIRGINIA

Roger D. Clark, Alexandria, Va., in place of Elmore Mudd, retired.

Sarah C. Russo, Beaverdam, Va., in place of L. J. Taylor, removed.

Sylvia M. Goad, Dugspur, Va., in place of Adline Quesenberry, retired.

Paul P. Jones, Fancy Gap, Va., in place of Etta Mitchell, retired.

John H. Brown, Holland, Va., in place of J. R. Jones, resigned.

Mary M. Blaydes, Spotsylvania, Va., in place of A. T. Coleman, retired.

WASHINGTON

John C. Nowadnick, Chehalis, Wash., in place of L. K. Sullivan, deceased.

Alva Nadine Duvall, Hunters, Wash., in place of Mattie Laugenour, retired.

Maebelle C. Torres, Quinault, Wash., in place of J. F. G. May, resigned.

Charles C. Hedrick, Retsil, Wash., in place of J. F. Tostevin, retired.

WEST VIRGINIA

Lawrence E. Crow, Cameron, W. Va., in place of W. R. Kincaid, deceased.

Ivan E. Stewart, Ceredo, W. Va., in place of P. M. Alvis, removed.

Harold A. Buchanan, Gilbert, W. Va., in place of Eddith Fox, retired.

Hayden K. Wolfe, Glen Rogers, W. Va., in place of E. L. Williams, removed.

Frances L. Spencer, Hastings, W. Va., in place of Flossie Dougherty, resigned.

Robert Bruce Cooke, Iaeger, W. Va., in place of C. C. Francisco, resigned.

Vernon Squires, Newburg, W. Va., in place of M. H. Campbell, removed.

Richard U. Duerr, New Martinsville, W. Va., in place of H. E. Chapman, deceased.

Margaret G. Billings, Thorpe, W. Va., in place of E. A. McBrayer, removed.

WISCONSIN

Albert T. Fillnow, Clintonville, Wis., in place of E. F. Moldenhauer, transferred.

Sister M. Lenora Stein, Sinsinawa, Wis., in place of Sister Mary Martine, retired.

Donald A. Denison, Soldiers Grove, Wis., in place of L. E. Doll, deceased.

Minard F. Gaulke, Wisconsin Rapids, Wis., in place of J. P. Wheir, retired.

Alvin A. Kaziak, Woodruff, Wis., in place of C. C. Schlecht, retired.

HOUSE OF REPRESENTATIVES

TUESDAY, MARCH 15, 1955

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

Almighty and ever-blessed God, in these days that try men's souls, may we be numbered among the courageous and stout-hearted builders of the kingdom of righteousness and peace.

We beseech Thee to banish from our minds and hearts all feelings of fear and anxiety and lift us by Thy grace to the higher levels of faith and fortitude.

God forbid that we should ever surrender to a mood of defeatism or fatalism as we struggle to hold back the forces of evil that are endeavoring to block and barricade the way by which mankind may enter into its heritage of freedom and justice.

May we be a Nation whose hopes are fixed and founded eternally upon the solid and impregnable rock of Thy divine sovereignty.

Hear us in the name of the Captain of our Salvation. Amen.

The Journal of the proceedings of yesterday was read and approved.

SECOND DEFICIENCY APPROPRIATION, 1955

Mr. CANNON, from the Committee on Appropriations, reported the bill (H. R. 4903) making supplemental appropriations for the fiscal year ending June 30, 1955, and for other purposes (Rept. No. 207), which was read a first and second time, and, with the accompanying