By Mr. KING: Petition of George P. Wilson and 400 citizens of the fifteenth congressional district of Illinois, praying for neutrality and peace with the world during the present crisis; to the Committee on Foreign Affairs.

By Mr. LAFEAN: Memorial of Federation of Societies of Philadelphia and Vicinity, opposing war; to the Committee on Foreign Affairs.

Also, resolutions of Board of Temperance of the Methodist Episcopal Church, favoring exclusion of liquor advertising from the mails; to the Committee on the Post Office and Post Roads.

By Mr. LINTHICUM: Memorial of Baltimore (Md.) Chamber of Commerce, indorsing the act of the President in severing diplomatic relations with Germany; to the Committee on Foreign Affairs.

By Mr. MAGEE (by request): Petition of residents of Syracuse, N. Y., in re prohibition; to the Committee on the Judiciary.

By Mr. MAPES: Petition of the Zeeland Record and 204 other newspapers of the State of Michigan, favoring the exclusion of liquor advertising and solicitation from the United States mails except when addressed to licensed liquor dealers; to the Committee on the Post Office and Post Roads.

By Mr. MORIN: Petition of the Welsh Presbyterian Church, of Pittsburgh, Pa., Rev. E. L. Hughes, pastor, in favor of prohibition for the District of Columbia, national prohibition, and also the prohibition of liquor advertisements through the mails; to the Committee on the Judiciary.

By Mr. NEELY: Petition of sundry citizens of West Virginia, favoring the exclusion of liquor advertising and solicitation from the United States mails; to the Committee on the Post Office and Post Roads.

By Mr. NORTH: Petition of citizens of Sykesville, Pa., favoring antipolygamy amendment to the United States Constitution; to the Committee on the Judiciary.

By Mr. ROBERTS of Massachusetts: Memorial adopted by the city government of Somerville, Mass., pledging the full support and loyalty of said municipality to the President; to the Committee on Foreign Affairs.

By Mr. ROWE: Petition of Mutual Life Insurance Co., Brooklyn, N. Y., opposing the proposed tax on life insurance; to the Committee on Ways and Means.

Also, memorial of the Chamber of Commerce of New York State, favoring any taxation necessary to provide for the protection of American lives and American vessels and other American property; to the Committee on Ways and Means.

Also, petition of the New York Society for the Suppression of Vice, New York City, favoring the Sims-Kenyon bill to suppress turf gambling; to the Committee on the Judiciary.

Also, petition of Mrs. Mary C. Hally and Simeon B. Chittenden, both of New York City, and Walter S. Harley, of Brooklyn, N. Y., favoring the migratory-bird treaty act; to the Committee on Foreign Affairs.

Also, petition of D. E. Sicher & Co., New York City, opposing House bill 20573, to provide increased revenue, etc.; to the Committee on Ways and Means.

By Mr. SMITH of Minnesota: Petition of Butler Manufacturing Co., Minneapolis, Minn., protesting against the Kitchin bill; to the Committee on Banking and Currency.

Also, petition of the Operative Plasterers' Association of Minneapolis, Minn., protesting against war; to the Committee on Foreign Affairs.

Also, petition of Minneapolis Iron Stove Co., protesting against Kitchin bill; to the Committee on Banking and Currency.

Also, memorial adopted at a mass meeting at Minneapolis, Minn., protesting against war; to the Committee on Foreign Affairs.

Also, petition of the Minneapolis Lodge, No. 270, Brotherhood of Locomotive Firemen and Enginemen, against the enforcement of an eight-hour day; to the Committee on Railways and Canals.

By Mr. STEENERSON: Petitions of 212 publishers of newspapers in the State of Minnesota, relative to excluding liquor advertising from the mails; to the Committee on the Post Office and Post Roads.

By Mr. SWIFT: Memorials of Richmond Hill (N. Y.) Republican Club, Woodhaven (N. Y.) Republican Association, and Kings County Republican Club, of Brooklyn, N. Y., indorsing President Wilson's foreign policy; to the Committee on Foreign Affairs.

By Mr. TAGUE: Memorial of 3,000 people at a mass meeting at Tremont Temple, Boston, Mass., approving the recent act of the President in severing diplomatic relations with Germany; to the Committee on Foreign Affairs.

By Mr. TAYLOR of Colorado: Petition of certain citizens of Delta, Colo., protesting against the United States being involved in any foreign war; to the Committee on Foreign Affairs.

SENATE.

THURSDAY, *February 22, 1917.*

(Legislative day of Tuesday, February 20, 1917.)

The Senate reassembled at 10.30 o'clock a. m. on the expiration of the recess.

Mr. TOWNSEND. Mr. President, I understand that this morning there is to be read the Farewell Address of Washington. It seems to me that on such an occasion Senators could afford to be in their seats, and I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

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

Bankhead	Hollis	Nelson	Simmons
Brady	Jones	Norris	Smith, Ga.
Brandegee	Kenyon	Page	Smith, Mich.
Bryan	Kirby	Penrose	Smoot
Chamberlain	La Follette	Pittman	Stone
Chilton	Lane	Poindexter	Thomas
Clapp	Lea, Tenn.	Ransdell	Townsend
Curtis	Lippitt	Robinson	Vardaman
Dillingham	McCumber	Shafroth	Weeks
Fernald	Martin, Va.	Sheppard	Works
Fletcher	Martine, N. J.	Sherman	

Mr. LEA of Tennessee. I wish to announce that the senior Senator from Kentucky [Mr. JAMES] is absent on official business.

Mr. CHILTON. I wish to announce the absence on official business, upon committees of the Senate, of the Senator from Texas [Mr. CULBERSON], the Senator from North Carolina [Mr. OVERMAN], the Senator from New York [Mr. O'GORMAN], the Senator from Montana [Mr. WALSH], the Senator from Wyoming [Mr. CLARK], and the Senator from Iowa [Mr. CUMMINS].

Mr. CURTIS. I desire to announce the unavoidable absence of the senior Senator from New Hampshire [Mr. GALLINGER]. He is paired with the senior Senator from New York [Mr. O'GORMAN].

The VICE PRESIDENT. Forty-three Senators have answered to the roll call. There is not a quorum present. The Secretary will call the roll of absentees.

The Secretary called the names of the absent Senators, and Mr. JOHNSON of South Dakota, Mr. MYERS, Mr. WATSON, and Mr. WILLIAMS answered to their names when called.

Mr. LODGE, Mr. GRONNA, and Mr. STERLING entered the Chamber and answered to their names.

The VICE PRESIDENT. Fifty Senators have answered to the roll call. There is a quorum present.

Under the standing order of the Senate to the effect that after the reading of the Journal on the 22d day of February the Farewell Address of George Washington shall be read, the Chair construes that, in view of the recess, now is the time for the reading of the address.

Mr. PENROSE. Then, there is no morning business. Is that the understanding?

The VICE PRESIDENT. There is no morning business, because the Senate took a recess.

Mr. PENROSE. I have an amendment to the oleomargarine amendment that I should like to present in order that it may be printed. I ask that it may lie on the table.

The VICE PRESIDENT. It will be received, printed, and lie on the table.

READING OF WASHINGTON'S FAREWELL ADDRESS.

The VICE PRESIDENT. The Farewell Address of George Washington will now be read by the Senator from California, Mr. WORKS.

Mr. WORKS read the address, as follows:

To the people of the United States:

FRIENDS AND FELLOW CITIZENS: The period for a new election of a citizen to administer the executive government of the United States being not far distant, and the time actually arrived when your thoughts must be employed in designating the person who is to be clothed with that important trust, it appears to me proper, especially as it may conduce to a more distinct expression of the public voice, that I should now apprise you of the resolution I have formed, to decline being considered among the number of those out of whom a choice is to be made.

I beg you at the same time to do me the justice to be assured that this resolution has not been taken without a strict regard to all the considerations appertaining to the relation which binds a dutiful citizen to his country; and that in withdrawing the tender of service, which silence in my situation might imply, I am influenced by no diminution of zeal for your future interest, no deficiency of grateful respect for your past kindness, but am supported by a full conviction that the step is compatible with both.

The acceptance of and continuance hitherto in the office to which your suffrages have twice called me have been a uniform sacrifice of inclination to the opinion of duty and to a deference for what appeared to be your desire. I constantly hoped that it would have been much earlier in my power, consistently with motives which I was not at liberty to disregard, to return to that retirement from which I had been reluctantly drawn. The strength of my inclination to do this previous to the last election had even led to the preparation of an address to declare it to you, but mature reflection on the then perplexed and critical posture of our affairs with foreign nations and the unanimous advice of persons entitled to my confidence impelled me to abandon the idea. I rejoice that the state of your concerns, external as well as internal, no longer renders the pursuit of inclination incompatible with the sentiment of duty or propriety; and am persuaded, whatever partiality may be retained for my services, that in the present circumstances of our country you will not disapprove my determination to retire.

The impressions with which I first undertook the arduous trust were explained on the proper occasion. In the discharge of this trust, I will only say that I have, with good intentions, contributed toward the organization and administration of the Government the best exertions of which a very fallible judgment was capable. Not unconscious in the outset of the inferiority of my qualifications, experience, in my own eyes, perhaps still more in the eyes of others, has strengthened the motives to diffidence of myself; and every day the increasing weight of years admonishes me more and more that the shade of retirement is as necessary to me as it will be welcome. Satisfied that if any circumstances have given peculiar value to my services they were temporary, I have the consolation to believe that while choice and prudence invite me to quit the political scene patriotism does not forbid it.

In looking forward to the moment which is to terminate the career of my political life, my feelings do not permit me to suspend the deep acknowledgment of that debt of gratitude which I owe to my beloved country for the many honors it has conferred upon me; still more for the steadfast confidence with which it has supported me; and for the opportunities I have thence enjoyed of manifesting my inviolable attachment, by services faithful and persevering, though in usefulness unequal to my zeal. If benefits have resulted to our country from these services, let it always be remembered to your praise and as an instructive example in our annals that under circumstances in which the passions, agitated in every direction, were liable to mislead amidst appearances sometimes dubious, vicissitudes of fortune often discouraging—in situations in which not unfrequently want of success has countenanced the spirit of criticism—the constancy of your support was the essential prop of the efforts and a guarantee of the plans by which they were effected. Profoundly penetrated with this idea, I shall carry it with me to my grave as a strong incitement to unceasing vows that heaven may continue to you the choicest tokens of its beneficence; that your union and brotherly affection may be perpetual; that the free Constitution, which is the work of your hands, may be sacredly maintained; that its administration in every department may be stamped with wisdom and virtue; that, in fine, the happiness of the people of these States under the auspices of liberty may be made complete by so careful a preservation and so prudent a use of this blessing, as will acquire to them the glory of recommending it to the applause, the affection, and adoption of every nation which is yet a stranger to it.

Here, perhaps, I ought to stop. But a solicitude for your welfare, which can not end but with my life, and the apprehension of danger, natural to that solicitude, urge me, on an occasion like the present, to offer to your solemn contemplation, and to recommend to your frequent review, some sentiments which are the result of much reflection, of no inconsiderable observation, and which appear to me all important to the permanency of your felicity as a people. These will be offered to you with the more freedom, as you can only see in them the disinterested warnings of a parting friend, who can possibly have no personal motive to bias his counsel. Nor can I forget, as an encouragement to it, your indulgent reception of my sentiments on a former and not dissimilar occasion.

Interwoven as is the love of liberty with every ligament of your hearts, no recommendation of mine is necessary to fortify or confirm the attachment.

The unity of government which constitutes you one people, is also now dear to you. It is justly so; for it is a main pillar in the edifice of your real independence; the support of your tranquility at home; your peace abroad; of your safety; of your prosperity; of that very liberty which you so highly prize. But, as it is easy to foresee that, from different causes and from different quarters much pains will be taken, many artifices employed, to weaken in your minds the conviction of this truth; as this is the point in your political fortress against which the batteries of internal and external enemies will be most constantly and actively (though often covertly and insidiously) directed; it is of infinite moment that you should properly estimate the immense value of your national union to your collective and individual happiness; that you should cherish a cordial, habitual, and immovable attachment to it; accustoming yourselves to think and speak of it as of the palladium of your political safety and prosperity; watching for its preservation with jealous anxiety; discountenancing whatever may suggest even a suspicion that it can, in any event, be abandoned; and indignantly frowning upon the first dawning of every attempt to alienate any portion of our country from the rest, or to enfeeble the sacred ties which now link together the various parts.

For this you have every inducement of sympathy and interest. Citizens by birth, or choice, of a common country, that country has a right to concentrate your affections. The name of American, which belongs to you in your national capacity, must always exalt the just pride of patriotism, more than any appellation derived from local discriminations. With slight shades of difference, you have the same religion, manners, habits, and political principles. You have, in a common cause, fought and triumphed together; the independence and liberty you possess are the work of joint counsels, and joint efforts, of common dangers, sufferings, and successes.

But these considerations, however powerfully they address themselves to your sensibility, are greatly outweighed by those which apply more immediately to your interest. Here, every portion of our country finds the most commanding motives for carefully guarding and preserving the Union of the whole.

The North, in an unrestrained intercourse with the South, protected by the equal laws of a common Government, finds in the productions of the latter, great additional resources of maritime and commercial enterprise, and precious materials of manufacturing industry. The South, in the same intercourse, benefiting by the same agency of the North, sees its agriculture grow and its commerce expand. Turning partly into its own channels the seamen of the North, it finds its particular navigation invigorated; and while it contributes, in different ways, to nourish and increase the general mass of the national navigation, it looks forward to the protection of a maritime strength, to which itself is unequally adapted. The East, in a like intercourse with the West, already finds, and in the progressive improvement of interior communications by land and water, will more and more find a valuable vent for the commodities which it brings from abroad, or manufactures at home. The West derives from the East supplies requisite to its growth and comfort—and what is perhaps of still greater consequence, it must of necessity owe the secure enjoyment of indispensable outlets for its own productions, to the weight, influence, and the future maritime strength of the Atlantic side of the Union, directed by an indisoluble community of interest as one Nation. Any other tenure by which the West can hold this essential advantage, whether derived from its own separate strength, or from an apostate and unnatural connection with any foreign power, must be intrinsically precarious.

While, then, every part of our country thus feels an immediate and particular interest in union, all the parts combined can not fail to find in the united mass of means and efforts, greater strength, greater resource, proportionably greater security from external danger, a less frequent interruption of their peace by foreign nations; and, what is of inestimable value, they must derive from union, an exemption from those broils and wars between themselves, which so frequently afflict neighboring countries not tied together by the same government; which their own rivalship alone would be sufficient to produce, but which opposite foreign alliances, attachments, and intrigues, would stimulate and embitter. Hence likewise, they will avoid the necessity of those overgrown military establishments, which under any form of government are inauspicious to liberty, and which are to be regarded as particularly hostile to republican liberty. In this sense it is that your union ought to be considered as a main prop of your liberty, and that the love of the one ought to endear to you the preservation of the other.

These considerations speak a persuasive language to every reflecting and virtuous mind, and exhibit the continuance of the Union as a primary object of patriotic desire. Is there a doubt whether a common government can embrace so large a sphere? Let experience solve it. To listen to mere speculation in such a case were criminal. We are authorized to hope that a proper organization of the whole, with the

auxiliary agency of governments for the respective subdivisions, will afford a happy issue to the experiment. It is well worth a fair and full experiment. With such powerful and obvious motives to union, affecting all parts of our country, while experience shall not have demonstrated its impracticability, there will always be reason to distrust the patriotism of those who, in any quarter, may endeavor to weaken its hands.

In contemplating the causes which may disturb our Union, it occurs as matter of serious concern that any ground should have been furnished for characterizing parties by geographical discriminations—northern and southern—Atlantic and western; whence designing men may endeavor to excite a belief that there is a real difference of local interests and views. One of the expedients of party to acquire influence within particular districts is to misrepresent the opinions and aims of other districts. You can not shield yourselves too much against the jealousies and heartburnings which spring from these misrepresentations; they tend to render alien to each other those who ought to be bound together by fraternal affection. The inhabitants of our western country have lately had a useful lesson on this head; they have seen, in the negotiation by the Executive and in the unanimous ratification by the Senate of the treaty with Spain, and in the universal satisfaction at the event throughout the United States, a decisive proof how unfounded were the suspicions propagated among them of a policy in the General Government and in the Atlantic States, unfriendly to their interests in regard to the Mississippi. They have been witnesses to the formation of two treaties, that with Great Britain and that with Spain, which secure to them everything they could desire, in respect to our foreign relations, toward confirming their prosperity. Will it not be their wisdom to rely for the preservation of these advantages on the union by which they were procured? Will they not henceforth be deaf to those advisers, if such they are, who would sever them from their brethren and connect them with aliens?

To the efficacy and permanency of your Union, a government for the whole is indispensable. No alliances, however strict, between the parts can be an adequate substitute; they must inevitably experience the infractions and interruptions which all alliances, in all times, have experienced. Sensible of this momentous truth, you have improved upon your first essay, by the adoption of a constitution of government, better calculated than your former, for an intimate union, and for the efficacious management of your common concerns. This government, the offspring of our own choice, uninfluenced and unawed, adopted upon full investigation and mature deliberation, completely free in its principles, in the distribution of its powers, uniting security with energy, and containing within itself a provision for its own amendment, has a just claim to your confidence and your support. Respect for its authority, compliance with its laws, acquiescence in its measures, are duties enjoined by the fundamental maxims of true liberty. The basis of our political systems is the right of the people to make and to alter their constitutions of government. But the constitution which at any time exists, until changed by an explicit and authentic act of the whole people, is sacredly obligatory upon all. The very idea of the power and the right of the people to establish government presupposes the duty of every individual to obey the established government.

All obstructions to the execution of the laws, all combinations and associations under whatever plausible character, with the real design to direct, control, counteract, or awe the regular deliberations and action of the constituted authorities, are destructive of this fundamental principle, and of fatal tendency. They serve to organize faction, to give it an artificial and extraordinary force, to put in the place of the delegated will of the Nation the will of party, often a small but artful and enterprising minority of the community; and, according to the alternate triumphs of different parties, to make the public administration the mirror of the ill-concerted and incongruous projects of faction, rather than the organ of consistent and wholesome plans digested by common councils, and modified by mutual interests.

However combinations or associations of the above description may now and then answer popular ends, they are likely, in the course of time and things, to become potent engines, by which cunning, ambitious, and unprincipled men will be enabled to subvert the power of the people, and to usurp for themselves the reins of government; destroying afterwards the very engines which have lifted them to unjust dominion.

Toward the preservation of your Government and the permanency of your present happy state, it is requisite, not only that you steadily discountenance irregular opposition to its acknowledged authority, but also that you resist with care the spirit of innovation upon its principles, however specious the pretext. One method of assault may be to effect, in the forms of the Constitution, alterations which will impair the energy of the system; and thus to undermine what can not be directly overthrown. In all the changes to which you may be invited, remember that time and habit are at least as necessary to fix the true character of governments, as of other human institutions; that experience is the surest standard by which to test the real tendency of the existing constitution of a country; that facility in changes, upon the credit of mere hypothesis and opinion, exposes to perpetual change from the endless variety of hypothesis and opinion; and remember, especially, that for the efficient management of your common interests in a country so extensive as ours, a government of as much vigor as is consistent with the perfect security of liberty is indispensable. Liberty itself will find in such a government, with powers properly distributed and adjusted, its surest guardian. It is, indeed, little else than a name, where the government is too feeble to withstand the enterprises of faction, to confine each member of the society within the limits prescribed by the laws, and to maintain all in the secure and tranquil enjoyment of the rights of person and property.

I have already intimated to you the danger of parties in the state, with particular references to the founding them on geographical discrimination. Let me now take a more comprehensive view, and warn you in the most solemn manner against the baneful effects of the spirit of party generally.

This spirit, unfortunately, is inseparable from our nature, having its root in the strongest passions of the human mind. It exists under different shapes in all governments, more or less stifled, controlled, or repressed; but in those of the popular form it is seen in its greatest rankness, and is truly their worst enemy.

The alternate domination of one faction over another, sharpened by the spirit of revenge natural to party dissension, which in different ages and countries has perpetrated the most horrid enormities, is itself a frightful despotism. But this leads at length to a more formal and permanent despotism. The disorders and miseries which result gradually incline the minds of men to seek security and repose in the absolute power of an individual; and, sooner or later, the chief of some prevailing faction, more able or more fortunate than his competitors, turns this disposition to the purpose of his own elevation on the ruins of public liberty.

Without looking forward to an extremity of this kind—which nevertheless ought not to be entirely out of sight—the common and continual mischiefs of the spirit of party are sufficient to make it the interest and duty of a wise people to discourage and restrain it.

It serves always to distract the public councils and enfeeble the public administration. It agitates the community with ill-founded jealousies and false alarms, kindles the animosity of one part against another, foments occasional riot and insurrection. It opens the door to foreign influence and corruption, which finds a facilitated access to the Government itself through the channels of party passions. Thus the policy and the will of one country are subjected to the policy and will of another.

There is an opinion that parties in free countries are useful checks upon the administration of the government and serve to keep alive the spirit of liberty. This within certain limits is probably true; and in governments of a monarchical cast patriotism may look with indulgence, if not with favor, upon the spirit of party. But in those of the popular character, in governments purely elective, it is a spirit not to be encouraged. From their natural tendency, it is certain there will always be enough of that spirit for every salutary purpose. And there being constant danger of excess, the effort ought to be, by force of public opinion, to mitigate and assuage it. A fire not to be quenched, it demands a uniform vigilance to prevent it bursting into a flame, lest instead of warming, it should consume.

It is important, likewise, that the habits of thinking in a free country should inspire caution in those intrusted with its administration, to confine themselves within their respective constitutional spheres, avoiding in the exercise of the powers of one department to encroach upon another. The spirit of encroachment tends to consolidate the powers of all the departments in one, and thus to create, whatever the form of government, a real despotism. A just estimate of that love of power and proneness to abuse it which predominate in the human heart is sufficient to satisfy us of the truth of this position. The necessity of reciprocal checks in the exercise of political power, by dividing and distributing it into different depositories and constituting each the guardian of the public weal against invasions of the others, has been evinced by ex-

periments ancient and modern; some of them in our country and under our own eyes. To preserve them must be as necessary as to institute them. If, in the opinion of the people, the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates, but let there be no change by usurpation, for though this in one instance may be the instrument of good, it is the customary weapon by which free governments are destroyed. The precedent must always greatly overbalance in permanent evil any partial or transient benefit which the use can at any time yield.

Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. In vain would that man claim the tribute of patriotism who should labor to subvert these great pillars of human happiness, these firmest props of the duties of men and citizens. The mere politician, equally with the pious man, ought to respect and to cherish them. A volume could not trace all their connections with private and public felicity. Let it simply be asked, Where is the security for property, for reputation, for life, if the sense of religious obligation desert the oaths which are the instruments of investigation in courts of justice? And let us with caution indulge the supposition that morality can be maintained without religion. Whatever may be conceded to the influence of refined education on minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principles.

It is substantially true that virtue or morality is a necessary spring of popular government. The rule, indeed, extends with more or less force to every species of free government. Who that is a sincere friend to it can look with indifference upon attempts to shake the foundation of the fabric? Promote, then, as an object of primary importance, institutions for the general diffusion of knowledge. In proportion as the structure of a government gives force to public opinion, it should be enlightened.

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 toward 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.

Observe good faith and justice toward all nations; cultivate peace and harmony with all. Religion and morality enjoin this conduct, and can it be that good policy does not equally enjoin it? It will be worthy of a free, enlightened, and, at no distant period, a great nation, to give to mankind the magnanimous and too novel example of a people always guided by an exalted justice and benevolence. Who can doubt but, in the course of time and things, the fruits of such a plan would richly repay any temporary advantages which might be lost by a steady adherence to it; can it be that Providence has not connected the permanent felicity of a nation with its virtue? The experiment, at least, is recommended by every sentiment which ennobles human nature. Alas! is it rendered impossible by its vices?

In the execution of such a plan nothing is more essential than that permanent, inveterate antipathies against particular nations and passionate attachments for others should be excluded; and that, in place of them, just and amicable feelings toward all should be cultivated. The nation which indulges toward another an habitual hatred or an habitual fondness is in some degree a slave. It is a slave to its animosity or to its affection, either of which is sufficient to lead it astray from its duty and its interest. Antipathy in one nation against another disposes each more readily to offer insult and injury, to lay hold of slight causes of umbrage, and to be haughty and intractable when accidental or trifling occasions of dispute occur.

Hence frequent collisions, obstinate, envenomed, and bloody contests. The nation, prompted by ill will and resentment, sometimes impels to war the government, contrary to the best calculations of policy. The government sometimes participates in the national propensity, and adopts through passion what reason would reject; at other times it makes the animosity of the nation subservient to projects of hostility, instigated by pride, ambition, and other sinister and pernicious motives. The peace often, sometimes perhaps the liberty, of nations has been the victim.

So likewise, a passionate attachment of one nation for another produces a variety of evils. Sympathy for the favorite nation, facilitating the illusion of an imaginary common interest, in cases where no real common interest exists, and infusing into one the enmities of the other, betrays the former into a participation in the quarrels and wars of the latter, without adequate inducements or justifications. It leads also to concessions, to the favorite nation, of privileges denied to others, which is apt doubly to injure the nation making the concessions, by unnecessarily parting with what ought to have been retained, and by exciting jealousy, ill will, and a disposition to retaliate in the parties from whom equal privileges are withheld; and it gives to ambitious, corrupted, or deluded citizens who devote themselves to the favorite nation, facility to betray or sacrifice the interests of their own country, without odium, sometimes even with popularity; gilding with the appearances of a virtuous sense of obligation, a commendable deference for public opinion, or a laudable zeal for public good, the base or foolish compliances of ambition, corruption, or infatuation.

As avenues to foreign influence in innumerable ways, such attachments are particularly alarming to the truly enlightened and independent patriot. How many opportunities do they afford to tamper with domestic factions, to practice the arts of seduction, to mislead public opinion, to influence or awe the public councils! Such an attachment of a small or weak, toward a great and powerful nation, dooms the former to be the satellite of the latter.

Against the insidious wiles of foreign influence (I conjure you to believe me fellow citizens), the jealousy of a free people ought to be constantly awake; since history and experience prove, that foreign influence is one of the most baneful foes of republican government. But that jealousy, to be useful, must be impartial, else it becomes the instrument of the very influence to be avoided, instead of a defense against it. Excessive partiality for one foreign nation and excessive dislike for another cause those whom they actuate to see danger only on one side, and serve to veil and even second the arts of influence on the other. Real patriots who may resist the intrigues of the favorite are liable to become suspected and odious, while its tools and dupes usurp the applause and confidence of the people to surrender their interests.

The great rule of conduct for us, in regard to foreign nations, is, in extending our commercial relations, to have with them as little political connection as possible. So far as we have already formed engagements let them be fulfilled with perfect good faith. Here let us stop.

Europe has a set of primary interests which to us have none or a very remote relation. Hence, she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics or the ordinary combinations and collisions of her friendships or enmities.

Our detached and distant situation invites and enables us to pursue a different course. If we remain one people, under an efficient government, the period is not far off when we may defy material injury from external annoyance; when we may take such an attitude as will cause the neutrality we may at any time resolve upon, to be scrupulously respected; when belligerent nations, under the impossibility of making acquisitions upon us, will not lightly hazard the giving us provocation; when we may choose peace or war, as our interest, guided by justice, shall counsel.

Why forego the advantages of so peculiar a situation? Why quit our own to stand upon foreign ground? Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor, or caprice?

It is our true policy to steer clear of permanent alliance with any portion of the foreign world; so far, I mean, as we are now at liberty to do it; for let me not be understood as capable of patronizing infidelity to existing engagements. I hold the maxim not less applicable to public than private affairs, that honesty

is always the best policy. I repeat it, therefore, let those engagements be observed in their genuine sense. But, in my opinion, it is unnecessary and would be unwise to extend them.

Taking care always to keep ourselves by suitable establishments on a respectable defensive posture we may safely trust to temporary alliances for extraordinary emergencies.

Harmony and a liberal intercourse with all nations are recommended by policy, humanity, and interest. But even our commercial policy should hold an equal and impartial hand, neither seeking nor granting exclusive favors or preferences; consulting the natural course of things, diffusing and diversifying by gentle means the streams of commerce, but forcing nothing; establishing with powers so disposed, in order to give trade a stable course, to define the rights of our merchants, and to enable the Government to support them, conventional rules of intercourse, the best that present circumstances and mutual opinion will permit, but temporary and liable to be from time to time abandoned or varied as experience and circumstances shall dictate; constantly keeping in view that it is folly in one nation to look for disinterested favors from another; that it must pay with a portion of its independence for whatever it may accept under that character; that by such acceptance it may place itself in the condition of having given equivalents for nominal favors, and yet of being reproached with ingratitude for not giving more. There can be no greater error than to expect or calculate upon real favors from nation to nation. It is an illusion which experience must cure, which a just pride ought to discard.

In offering to you, my countrymen, these counsels of an old and affectionate friend, I dare not hope they will make the strong and lasting impression I could wish; that they will control the usual current of the passions, or prevent our Nation from running the course which has hitherto marked the destiny of nations; but if I may even flatter myself that they may be productive of some partial benefit, some occasional good; that they may now and then recur to moderate the fury of party spirit, to warn against the mischiefs of foreign intrigue, to guard against the impostures of pretended partiotism, this hope will be a full recompense for the solicitude for your welfare by which they have been dictated.

How far, in the discharge of my official duties, I have been guided by the principles which have been delineated, the public records and other evidences of my conduct must witness to you and to the world. To myself, the assurance of my own conscience is that I have, at least, believed myself to be guided by them.

In relation to the still subsisting war in Europe, my proclamation of the 22d of April, 1793, is the index to my plan. Sactioned by your approving voice, and by that of your representatives in both Houses of Congress, the spirit of that measure has continually governed me, uninfluenced by any attempts to deter or divert me from it.

After deliberate examination, with the aid of the best lights I could obtain, I was well satisfied that our country, under all the circumstances of the case, had a right to take and was bound, in duty and interest, to take a neutral position. Having taken it, I determined, as far as should depend upon me, to maintain it with moderation, perseverance, and firmness.

The considerations which respect the right to hold this conduct it is not necessary on this occasion to detail. I will only observe that, according to my understanding of the matter, that right, so far from being denied by any of the belligerent powers, has been virtually admitted by all.

The duty of holding a neutral conduct may be inferred, without anything more, from the obligation which justice and humanity impose on every nation, in cases in which it is free to act, to maintain inviolate the relations of peace and amity toward other nations.

The inducements of interest for observing that conduct will best be referred to your own reflections and experience. With me, a predominant motive has been to endeavor to gain time to our country to settle and mature its yet recent institutions, and to progress, without interruption, to that degree of strength and consistency which is necessary to give it, humanly speaking, the command of its own fortunes.

Though in reviewing the incidents of my administration I am unconscious of intentional error, I am nevertheless too sensible of my defects not to think it probable that I may have committed many errors. Whatever they may be, I fervently beseech the Almighty to avert or mitigate the evils to which they may tend. I shall also carry with me the hope that my country will never cease to view them with indulgence; and that, after forty-five years of my life dedicated to its service, with an upright zeal, the faults of incompetent abilities will be consigned to oblivion, as myself must soon be to the mansions of rest.

Relying on its kindness in this as in other things, and actuated by that fervent love toward it which is so natural to a man who views in it the native soil of himself and his progenitors for several generations, I anticipate with pleasing expectation that retreat in which I promise myself to realize, without alloy, the sweet enjoyment of partaking, in the midst of my fellow citizens, the benign influence of good laws under a free government—the ever favorite object of my heart, and the happy reward, as I trust, of our mutual cares, labors, and dangers.

GO: WASHINGTON.

UNITED STATES, *17th September, 1796.*

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had passed the following bill and joint resolution:

S. 7601. An act for the relief of Caleb T. Holland; and

S. J. Res. 201. Joint resolution requesting the President of the United States to designate and appoint a day on which funds may be raised for the relief of the Ruthenians (Ukrainians).

The message also announced that the House disagrees to the amendment of the Senate to the bill (H. R. 20755) to provide a temporary government for the West India Islands acquired by the United States from Denmark by the convention entered into between said countries on the 4th day of August, 1916, and ratified by the Senate of the United States on the 7th day of September, 1916, and for other purposes; agrees to the conference asked for by the Senate on the disagreeing votes of the two Houses thereon, and had appointed Mr. FLOOD, Mr. HARRISON of Mississippi, and Mr. COOPER of Wisconsin managers at the conference on the part of the House.

The message further announced that the House concurs in the amendments of the Senate numbered 19 and 34 to the bill (H. R. 19410) making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1918, and for other purposes, concurs in the amendments of the Senate numbered 15, 32, and 33, each with an amendment, in which it requested the concurrence of the Senate; disagrees to the residue of the amendments of the Senate to the bill; agrees to the conference asked for by the Senate on the disagreeing votes of the two Houses thereon; and had appointed Mr. MOON, Mr. BELL, Mr. COX, Mr. STEENERSON, and Mr. MADDEN managers at the conference on the part of the House.

POST OFFICE APPROPRIATIONS.

Mr. BANKHEAD. I move that two additional conferees on the part of the Senate be added to the conference committee on the Post Office appropriation bill (H. R. 19410) and that the Chair appoint them.

The motion was agreed to; and the Vice President appointed Mr. BRYAN and Mr. WEEKS additional conferees on the part of the Senate.

THE MILITARY ACADEMY (S. DOC. NO. 715).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of War, transmitting a letter from the Superintendent of the United States Military Academy relative to additions to the Military Academy to accommodate the increased number of cadets, which was referred to the Committee on Military Affairs and ordered to be printed.

BUREAU OF INSULAR AFFAIRS.

The VICE PRESIDENT laid before the Senate a communication from the Secretary of War, requesting that a compilation by the Bureau of Insular Affairs of the legislation affecting insular and other noncontiguous territory of the United States enacted since March 4, 1897, be printed as a document, which was referred to the Committee on Printing.

THE COAST GUARD (S. DOC. NO. 716).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of Commerce, calling attention to the recommendation of the Secretary of the Treasury for an appropriation of $250,000 to enable the Coast Guard to develop its telephone system of coastal communications, which was referred to the Committee on Appropriations and ordered to be printed.

PRESIDENTIAL APPROVALS.

A message from the President of the United States, by Mr. Sharkey, one of his secretaries, announced that the President had, on February 21, 1917, approved and signed the following acts:

S. 7872. An act to confirm and ratify the sale of the Federal building site at Honolulu, Territory of Hawaii, and for other purposes; and

S. 8105. An act granting the consent of Congress to the Conway County Bridge District to construct, maintain, and operate a bridge across the Arkansas River, in the State of Arkansas.

ENROLLED BILLS SIGNED.

The VICE PRESIDENT announced his signature to the following enrolled bills, which had previously been signed by the Speaker of the House of Representatives:

S. 1792. An act for the relief of settlers on unsurveyed railroad lands;

S. 5450. An act to provide for an additional judge in the State of Texas;

S. 5612. An act providing additional time for the payment of purchase money under homestead entries of lands within the former Fort Peck Indian Reservation, Mont.;

S. 6654. An act to validate a patent to certain lands heretofore issued to the State of Florida, to allow the said State to claim certain other lands, and for other purposes;

S. 7644. An act to create a new division of the northern judicial district of Texas, and to provide for terms of court at Wichita Falls, Tex., and for a clerk for said court, and for other purposes;

S. 5716. An act to establish the Mount McKinley National Park, in the Territory of Alaska; and

S. 8044. An act providing for the extension of time for the reclamation of certain lands in the State of Oregon under the Carey Act.

PETITIONS AND MEMORIALS.

The VICE PRESIDENT. The Chair lays before the Senate a telegram transmitting a joint resolution adopted by the Legislature of the State of Wisconsin, pledging support to the Government. The telegram will be printed in the RECORD and referred to the Committee on Foreign Relations.

The telegram is as follows:

[Telegram.]

MADISON, WIS., *February 20, 1917.*

Hon. THOMAS MARSHALL,
President United States Senate, Washington, D. C.:

By joint resolution adopted by the Wisconsin Legislature we are instructed to wire you that the people of Wisconsin have faith that the Government will do all things possible and consistent with the dignity of our Nation to prevent war and that the people of Wisconsin have implicit confidence in our Government and will loyally support the Government in whatever action it may ultimately be necessary to take in the present international crisis.

LAWRENCE C. WHITTET,
Speaker Wisconsin Assembly.
EDWARD D. DITTHMAR,
President Wisconsin Senate.

The VICE PRESIDENT presented petitions of sundry citizens of Wisconsin, praying for national prohibition, which were ordered to lie on the table.

Mr. LODGE presented petitions of sundry citizens of Worcester, Milford, Rockland, Cambridge, and Mendon, all in the State of Massachusetts, praying for national prohibition, which were ordered to lie on the table.

Mr. PHELAN presented a petition of the Farmers' Club, of Ukiah, Cal., praying for the enactment of legislation to provide for the development and improvement of the national parks, which was referred to the Committee on Public Lands.

UNLAWFUL RESTRAINTS AND MONOPOLIES.

Mr. OVERMAN. I desire to report from the Committee on the Judiciary a joint resolution, and I ask unanimous consent for its present consideration.

Mr. PENROSE. Let it be read for information, Mr. President.

The VICE PRESIDENT. The Secretary will read the joint resolution.

The Secretary read the joint resolution (S. J. Res. 206) as follows:

Resolved, etc., That the effective date on and after which the provisions of section 10 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, shall become and be effective is hereby deferred and extended to January 8, 1918.

Mr. OVERMAN. Mr. President, this joint resolution extends until January 8, 1918, the time when this law shall take effect, in order that the Newlands Commission, which has been appointed by a joint resolution of Congress to consider this question, may consider it. The Judiciary Committee feel that this law ought to be amended in some respects. but they can not consider it now, so they propose to extend this date until the 8th of January, 1918, in order that Congress may consider it. In the meantime the Newlands Commission will consider this very question, as to what amendments may be necessary.

Mr. SMOOT. Does the joint resolution carry any appropriation?

Mr. OVERMAN. None at all.

The VICE PRESIDENT. Is there any objection to the present consideration of the joint resolution?

There being no objection, the joint resolution was considered as in Committee of the Whole.

The joint resolution was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

BILLS INTRODUCED.

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

By Mr. CLAPP:

A bill (S. 8297) for the relief of Alfred B. Andrews; to the Committee on Claims.

By Mr. DU PONT:

A bill (S. 8298) to provide that noncommissioned officers and enlisted men of the United States Army on the retired list who had creditable Civil War service shall receive the rank or rating and the pay of the next higher enlisted grade; to the Committee on Military Affairs.

By Mr. SHEPPARD:

A bill (S. 8299) for a public building at Mission, Tex.; to the Committee on Public Buildings and Grounds.

By Mr. HARDING:

A bill (S. 8300) to authorize the change of the name of the steamer *Fred G. Hartwell* to *Harry W. Croft;* and

A bill (S. 8301) to authorize the change of the name of the steamer *Harry A. Berwind* to *Harvey H. Brown;* to the Committee on Commerce.

AMENDMENTS TO APPROPRIATION BILLS.

Mr. NELSON submitted an amendment proposing to increase the appropriation for educational purposes in Alaska from $200,000 to $215.000, intended to be proposed by him to the sundry civil appropriation bill (H. R. 20967), which was referred to the Committee on Appropriations and ordered to be printed.

Mr. SHEPPARD submitted an amendment proposing to appropriate $300,000 for the purchase of land adjoining the military reservation at Fort Sam Houston, Tex., for the use of an Army post, intended to be proposed by him to the Army appropriation bill (H. R. 20783), which was referred to the Committee on Military Affairs and ordered to be printed.

Mr. JONES submitted an amendment proposing to increase the limit of cost of the public building heretofore provided for at Juneau, Alaska, to $500,000, etc., intended to be proposed by him to the sundry civil appropriation bill (H. R. 20967), which was referred to the Committee on Appropriations and ordered to be printed.

THE REVENUE.

Mr. LA FOLLETTE submitted nine amendments intended to be proposed by him to the bill (H. R. 20573) to provide revenue to defray the expenses of the increased appropriations for the Army and Navy and the extension of fortifications, and for other purposes, which were ordered to lie on the table and be printed.

NAVY YEARBOOK.

Mr. SWANSON (for Mr. TILLMAN) submitted the following resolution (S. Res. 370), which was referred to the Committee on Printing:

Resolved, That there be printed 200 additional copies of Senate Document No. 555, Sixty-fourth Congress, first session, entitled "Navy Yearbook," for the use of the Committee on Naval Affairs.

DIPLOMATIC AND CONSULAR APPROPRIATIONS.

The VICE PRESIDENT laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 19300) making appropriations for the Diplomatic and Consular Service for the fiscal year ending June 30, 1918, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. OVERMAN. I move that the Senate insist upon its amendments, agree to the conference asked for by the House, the conferees on the part of the Senate to be appointed by the Chair.

The motion was agreed to; and the Vice President appointed Mr. OVERMAN, Mr. LEA of Tennessee, and Mr. JONES conferees on the part of the Senate.

PENSIONS AND INCREASE OF PENSIONS.

Mr. HUGHES submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 18181) entitled "An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war," having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 22, 33, and 41.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 37, 39, 40, 42, 43, 44, 45, 46, 47, 48, and 49, and agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$30"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 38, and agree to the same with an amendment as follows: Restore the matter stricken out, and in lieu of the sum proposed insert "$24"; and the Senate agree to the same.

CHARLES F. JOHNSON,
WILLIAM HUGHES,
REED SMOOT,
Managers on the part of the Senate.
ISAAC R. SHERWOOD,
JOE J. RUSSELL,
JOHN W. LANGLEY,
Managers on the part of the House.

Mr. HUGHES. I ask that the conference report lie on the table until to-morrow.

The VICE PRESIDENT. The report will lie on the table for the present.

Mr. HUGHES submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 19937) entitled "An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war," having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 8, 9, 27, 36, 43, and 49.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 28, 29, 30, 32, 33, 34, 37, 38, 40, 41, 42, 44, 46, 47, 48, 50, 52, and 53, and agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$30"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment as follows: Restore the matter stricken out and in lieu of the sum proposed insert "$24"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 31, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$36"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$36"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 39, and agree to the same with an amendment as follows: Insert the matter inserted by said amendment after the word "Regiment" where it first occurs; and the Senate agreed to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 45, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$36"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 51, and agree to the same with an amendment as follows: Restore the matter stricken out, and in lieu of the sum proposed insert "$24"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 54, and agree to the same with an amendment as follows: On page 62, line 5, of the bill, strike out "$20" and insert "$24"; and the Senate agree to the same.

CHARLES F. JOHNSON,
WILLIAM HUGHES,
REED SMOOT,
Managers on the part of the Senate.
ISAAC K. SHERWOOD,
JOE J. RUSSELL,
JOHN W. LANGLEY,
Managers on the part of the House.

Mr. HUGHES. I ask that the conference report lie over until to-morrow.

The VICE PRESIDENT. Without objection, that action will be taken.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 20573) to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes.

Mr. WEEKS. Mr. President, under ordinary circumstances I should not take the time of the Senate to discuss this bill, for I presume that the action taken by the majority in their caucus is to be carried out on the floor, and that, in a sense, it may be a waste of effort; but I have proposed a substitute for the bill, which I think is so preferable from the standpoint of the taxpayer that I do not only want to explain why I am opposed to the pending legislation, but I wish also to state my reasons for suggesting what I consider to be a better method of procedure.

Mr. President, this is a period of preparedness—military preparedness. We have appropriated, are appropriating this year, and will continue to appropriate large sums of money for this purpose. In order to raise the necessary revenue to pay for these unusual expenditures, unusual methods must be adopted; and the majority party, very largely at least, must be responsible for those methods. In the pending bill we find the possibility of raising revenue, but it is done at the expense of efficiency, of fairness, and is almost entirely a sectional measure.

This is the last period in our history when we should undertake any course which is going to penalize efficiency. The reports from Europe are unanimous that there has been an enormous increase in the industrial efficiency of those countries. Of course, it is impossible to determine this accurately, but we have evidence as to what is being done in Great Britain and in some other sections of Europe. The substance of this evidence is that the increase in efficiency in Great Britain, for instance, has been 60 per cent since the beginning of the war, notwithstanding the fact that men have practically been eliminated from manufacturing establishments and their places taken by old men, boys, and women.

If an examination of the industrial conditions of Europe had not been made, we might have reached the conclusion—due partially to the fact that our exports are tremendous—that the manufacturing industries of Europe were much more seriously crippled than they are. As a matter of fact, there has not been any invasion of Great Britain. Her industries are intact; in fact, have greatly increased in volume of production since the beginning of the war. There has been no enemy on German soil. Therefore, the same thing is undoubtedly true of Germany. Practically speaking, this is the situation in every manufacturing European country, with the exception of northern France, Belgium, and a very small area in Italy and Austria, and even in these invaded countries the greater part of their manufacturing interests are intact and have increased in efficiency and capacity. Although these nations are our important customers, they have always been our rivals and are going to be far more serious rivals in the future than they have been in the past.

In order to demonstrate the correctness of the statement I have made as to the increased manufacturing capacity of other countries, I want to bring these facts to the attention of the Senate:

England has produced and sold to the world during the 12 months of 1916 goods to the value of $2,465,107,140 as compared with $2,096,100,617 in 1914, a gain of $369,000,000. Of this enormous production and shipment, manufactured articles comprise practically two-thirds of the total.

I ask unanimous consent, Mr. President, to insert herewith a table showing the export from Great Britain in 1914 and in 1916 of articles wholly or partly manufactured.

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

The table referred to is as follows:

Export of articles wholly or mainly manufactured.

	1914	1916
Iron and steel, and manufacturers thereof	$202,776,494	$275,841,833
Other metals, and manufactures thereof	50,043,596	61,905,072
Cutlery, hardware, implements (except machine tools) and instruments	31,691,708	31,298,594
Electrical goods and apparatus	14,690,016	19,987,844
Machinery	152,628,492	98,455,981
Ships (new)	33,737,274	6,289,583
Manufactures of wood and timber	7,613,094	6,222,769
Yarns and textile fabrics:		
Cotton	502,546,607	576,401,594
Wool	153,294,189	228,243,355
Silk	9,078,810	11,106,769
Other materials	63,178,173	76,973,433
Apparel	70,718,391	81,440,510
Chemicals, drugs, dyes, and colors	94,935,978	134,089,283
Leather and manufactures thereof, including gloves, but not boots and shoes	22,799,624	23,820,081
Earthenware and glass	20,184,480	19,063,603
Paper	15,504,371	25,300,651
Railway carriages and trucks (not of iron), motor cars, cycles, etc	54,648,643	39,128,056
Miscellaneous	147,890,277	198,035,560
Total export of articles	1,647,960,238	1,915,795,570

Wholly or mainly manufactured—Gain in 1916 over 1914, $267,835,332.

Mr. WEEKS. Mr. President, it will be seen that the gain in 1916 over 1914 in these manufactured products is nearly $268,000,000 and includes most of the staple products, especially many of those articles in which Great Britain is in active competition with this country. For example, it shows an increase of $74,000,000 in cotton fabrics, $75,000,000 in woolen fabrics, $11,000,000 in wearing apparel, $40,000,000 in chemicals, and $73,000,000 in iron and steel and manufactures thereof.

Of course, it is fair to state that the difference in the prices of these goods at the manufacturer's door partially makes up for the increase; and comparing the British foreign trade of 1916 with 1915, which shows a gain of £218,000,000, and reducing the cost to the 1915 price shows that in many articles the volume of production has not materially increased. Substantially speaking, however, production in England is now at its highest level, notwithstanding the handicap under which that country has been laboring in fitting itself for its military necessities.

To illustrate the kind of competition we are likely to meet in the future, let us take another country. During the first 11 months of 1916 Japan exported $500,000,000 of her products and imported $350,000,000, showing a trade balance of practically $150,000,000. During this period exports of cotton yarns and fabrics showed an increase from $50,000,000 in 1915 to $71,000,000 in 1916. Matches increased two and a half million dollars; copper, eight millions; and there were very large increases in the Japanese exports of hosiery, much of it finding a place in the American market. In 1916, during these 11 months, Japan sent to the United States goods to the value of $164,822,000 as compared with $97,080,000 the year before, an increase of $67,000,000, or something like 70 per cent.

That, Mr. President, it seems to me, is a fair indication of the kind of competition we will receive from a nation which is expanding tremendously, which is producing at very much less cost than we can produce, and which is going to be an important rival of our industries in the future.

Since the beginning of the European war we have demonstrated how easy it is to transfer American industrial establishments intended for manufacturing commercial products into plants for the manufacture of war munitions. The same development has taken place in all European countries and at the termination of hostilities these war industries will be transferred to peace purposes with equal facility. This, in fact, is the great question which Congress should be considering at this time, and it is especially important that Congress give serious consideration to this question when passing legislation to raise revenue. Instead of wasting time and energy in enacting makeshift legislation of a most haphazard character intended to tide the Government over until another year, it should be working out a definite financial scheme to fit this country to cope with the commercial activities which will occur immediately hostilities cease.

Protectionists—and protectionists include a great majority of the people of this country, I believe—would prepare through the adoption of a protective tariff to meet this emergency. Even if it were not paramount for us to follow such a course, what folly it is for us to adopt such an untried policy and one which is going to be a tax on efficiency and necessitate enormous proportional expenditures in collecting the revenue required. What we should be doing is studying every phase of the European situation and determining the character of the protective policy we should adopt. There must be a restoration of many of the tariff rates which obtained in the past if we are going to have reasonable protection. Those rates must be determined somewhat by the conditions developing as a result of the European conflict and by the character of the commercial conflict which is to follow. No time should be lost in beginning a study of these problems.

We need not only to develop our efficiency and provide reasonable protection to enable us to meet the competition of our foreign commercial rivals at the end of the war, but we must prepare ourselves to face new conditions when this great European struggle is over. For example, we have several millions of men in the United States engaged in the manufacture of munitions. The minute the war is over their employment will cease and they will come into competition with the other workmen in the United States. It is probable that more than 30,000,000—possibly 40,000,000—of men are in the armies of the European countries at war or engaged in the manufacture of munitions of war. They have been taken from their normal pursuits. As soon as the war is over they will return to their employments; they will find their places occupied to some degree by a new element in industrial life, and this element will materially increase the competition for employment which will exist in those countries. As a result of this competition during the readjustment period, it is almost certain that the average wage paid in European countries will be even lower than before the war.

Exactly the opposite condition obtains in the United States. Wages are abnormally high. A reduction in wage and adjustment to new conditions always means that some interest is pinched and that many difficulties must be met during the readjustment period. Moreover, European countries are going to be poor. Poverty does not promote the purchase of products. You can only sell to those who have money to buy; and we should not for a moment be deceived by the specious story that European nations are going to need many of our products to rehabilitate themselves because of the destruction which has taken place. As I have suggested, this destruction has been confined to a very limited area. It will take a long time to replace it, but the replacement is going to be carried on by the people at home. In any event, they will not have the ready money to rehabilitate themselves immediately, and I predict that the purchasing power of Europe will be found to be materially lower than it was before the war.

We are going to find ourselves the great rich Nation of the world. We are going to be able to buy the products of others; they can not buy ours, and unless we erect an artificial barrier to protect our interests we are going to face enormous importations of goods.

Then there is another phase of this question which we must not overlook. Whatever the final action taken may be, it is beyond question that the countries of Europe are seriously considering trade alliances which will make scraps of paper of our commercial treaties and will place a further handicap on our export trade to them. Last year there was held in Paris what was known as the Paris Economic Conference. At this conference a scheme was proposed, seriously discussed, and reported to the allied nations which, in effect, substantially meant free trade between the allied countries, a rate of duty of considerable magnitude between the allies and countries which are now neutral, and a higher rate of duty imposed against the central powers. It has been reported that a similar arrangement was being considered by the central powers.

Moreover, the Scandinavian countries, including Holland and Denmark, have recently had a conference to consider this general question, and especially a proposal to protect the interests of the neutral powers after the war. It is worth noting that the United States was not invited to take part in the Paris Economic Conference. It was, however, invited to join the conference of the neutral powers. Whatever may be the final outcome of these proposed trade alliances, trade conditions after the war are going to differ from those of the past.

Our greatest export market has been in Great Britain. It has substantially been a free-trade market. There is no doubt about the adoption of a protective policy by Great Britain, to some degree at least, and this fact is demonstrated by instances rather than settled action. Not long ago the trade-unions of Great Britain in an annual convention or conference of first importance voted practically unanimously in favor of the adoption of a protective policy, and that represents the sentiment of

substantially two and a half millions trade-union laborers. There is also a very large element in Parliament favorable to this action.

The point I wish to particularly emphasize is that we are going to face unusual conditions after the war; the solution of the problems arising at that time will require the wisest statesmanship, and we should now be preparing ourselves to meet them. Notwithstanding these probabilities—almost certainties—no action has been taken by the Democratic Party to indicate that it has given the subject the slightest consideration. No tax levied or law proposed since the beginning of the European war would lead to the conclusion that those who compose the majority have any thought for this phase of the future.

On the other hand, just before the war a law was enacted lowering the tariff to one-half the average rate imposed under the lowest tariff law we have ever had on our statute books, and under which nearly 70 per cent of our imports come in free. Few people stop to consider that we are enjoying at this time in the war the benefits of a protection as important in its operation as any law we have ever passed. We are unable to obtain any importations from the central powers, or material importations from many other countries, and yet we are importing a larger volume of goods than ever before. People should not be deceived in the slightest degree by our large foreign trade, for the most cursory investigation shows that this trade is incident to the war and originates in those sections producing war materials. Of course these exports are not entirely confined to war materials; they include very many fabrics and articles used during war and for which there will be no demand when the war is over. Without going into detail, it is difficult to comprehend the enormous supplies of such articles as woolen blankets, material for uniforms, shoes, cotton fabrics, and incidentally almost every kind of manufacture in which our people are engaged which go to make up the immense volume of exports we are now shipping abroad and which will cease when the war terminates.

On September 4, 1914, the President called the attention of Congress to the fact that the customs receipts for the month of August were ten millions less than the month of August, 1913, saying that the loss was almost entirely due to the war in Europe and not to a change in our tariff law. Customs receipts for August, 1914, were about $19,000,000. In August, 1913, under a Republican tariff law they had exceeded $30,000,000. This falling off in revenues commenced earlier in the year of 1914. In February, for example, the customs receipts were about $17,000,000, or $2,000,000 less than the month of August. For the eight months prior to the war customs receipts averaged $22,200,000 a month, while for the corresponding months in 1913 they averaged $30,934,000, or a difference of $8,700,000 a month. It is not denied that this falling off in customs receipts was due to the decrease in rates of duty and not to a lessening in the importations.

During the calendar year ending December 31, 1916, our imports aggregated $2,391,716,000. If the rates of duty which obtained under the Payne-Aldrich law had been in operation in 1916—during the life of that law the average ad valorem duty was 19½ per cent—there would have been added to the Treasury through customs receipts $467,940,000 since the Underwood-Simmons law took effect, which would have practically paid for the extraordinary expenditures which have been made up to this time.

At this time if we would enact a reasonable protective-tariff law and issue bonds to provide for our military preparations we could repeal the war-revenue tax, the income tax, the corporation tax, the inheritance tax, and not pass this proposed excess profits tax, and still have sufficient revenue to meet the actual needs of Government, imposing such taxes as those to which I have just referred in time of unusual need and reserve them for that purpose. In the meantime we should leave to the States these means untrammeled in providing for their own revenue; in other words, if you ask how the Republican Party would provide for this situation we would reply, We would impose a suitably protective tariff law and provide for unusual demands on the Government through a bond issue, with stringent provisions for its elimination within a reasonable period of time.

This brief summary I have given of the probable situation which will confront us at the end of the war, it seems to me, is sufficient to show the desirability and necessity of adopting a permanent and systematic policy of taxation rather than levying special direct taxes.

There can be no difference of opinion as to the necessity of additional legislation to finance the Government. Notwithstanding the imposition of corporation taxes, income taxes, inheritance taxes, and war-revenue taxes, we find the ready resources of the Government at a lower ebb than they have ever been since the Civil War; in fact, if the condition of the Treasury were fully appreciated and we were not in the midst of a period of business activity in many lines which has been reflected in most directions, it would produce a financial panic. This is due to ineffective tariff legislation, unusual appropriations for military purposes, and an accumulation of harebrained schemes which the majority party have foisted on the country.

Recent discussions in the Senate, even those of yesterday, illustrate the condition in which we find ourselves. It is regrettable to have to say that there seems to be no concerted action to promote reasonable economy or conserve the best interests of our people, and I want to demonstrate to the Senate the deplorable condition of the Treasury.

The daily Treasury statement of Saturday, February 17, 1917, shows a working balance in the general fund of $70,736,613.82. There has been deposited to that date in this fund the sum of $48,128,727 for the retirement of outstanding national bank and Federal reserve bank notes that have been assumed by the United States. If that sum be deducted the amount remaining is $22,607,886.58. The sum of $66,485,461.85 has been placed to the credit of disbursing officers and was subject to their checks to the full amount, so that instead of a general fund in the Treasury of $70,736,613.82 on February 17, 1917, there was in reality a deficit of $43,877,575.27.

It is hard to take the view of the Secretary of the Treasury that this forty-odd millions paid in by banks to take care of retiring circulation, constituting a demand obligation on the general fund, is not a liability but considered as available funds to meet any other general expense. It is especially difficult to become reconciled to this position of the Secretary in this matter, when in his annual report for the year ending June 30, 1916, in his statement of the condition of the general fund, the item of money deposited by banks to retire circulation—aside from the 5 per cent—is neither carried as a liability nor is there anything to show it as being included in the balance of the general fund; but, on the other hand, it is found as an item in the statement of "Public debt."

The Secretary, in referring to the deposits to the credit of disbursing officers, states:

> These disbursing officers' balances consist of amounts placed by the Secretary of the Treasury to the credit of disbursing officers, against which they are authorized to draw checks in payment of public obligations. * * * As a matter of fact, money in many instances is not spent for months, and sometimes not at all, being returned to the Secretary's account. * * * Funds are placed to the credit of disbursing officers practically as a bookkeeping arrangement.

The "public obligations" referred to by the Secretary are, of course, already incurred and due, or are maturing, and it would seem unreasonable to take for granted that deposits would be made with disbursing agents without immediate or near demand for such funds to cover these obligations. Should the Secretary for any reason after making these deposits conclude to order balances with disbursing officers remitted to the Treasury—say, 30, 60, or 90 days after the date of such deposits—the probabilities are strong that such order would be complied with by disbursing officers by filing statements, accompanied with vouchers and other evidence of payments, instead of transferring actual money. It would be true also that the longer disbursing officers withhold statements covering expenditures, the greater would be the fictitious portion of the balance represented by these credits in the general funds apparently available, as shown by published statement.

The condition of the Treasury and the expenditures of the Government are more clearly demonstrated, perhaps, by making comparisons with the past than in any other way. We look back to the Civil War period with the feeling that at the time our armies were the largest in our history, when probably we had a million men in the field, this country had to face enormous expenditures. That is true; and yet, compared with the expenditures of to-day, with the exception of one year, they were almost trivial. I think it fair to say that the appropriations for this year will aggregate as much as $1,750,000,000. I have not the exact figures before me.

I wish to direct your attention to the expenditures during the Civil War period. Exclusive of postal deficiencies, as there were in those years, the total expenditures of the Government in 1861 were $61,000,000; in 1862, $466,000,000; in 1863, $717,000,000; in 1864, $863,000,000; in 1865, $1,294,000,000; and in 1866, $519,000,000. Even in the year 1865, when the expenditures were 50 per cent more than in any other year of the Civil War and provision was being made for at least a million men in the field, we were not spending very much more than two-thirds of the expenditures for the fiscal year.

Mr. THOMAS. May I ask the Senator if that statement includes the bond issues?

Mr. WEEKS. It includes all expenditures made. Of course, it does not mean that money was raised and expended during that time by the selling of securities. At the end of the war we had in the neighborhood of two and a half billion dollars of public debt, which, of course, included more than 50 per cent of the total expenditures during the war.

The highest expenditures made for our Navy, when we were blockading the whole coast of the Confederacy, during any one year was $122,000,000, and yet the naval appropriation bill which is about to be taken up will appropriate in the aggregate $531,000,000—more than four times as much as we spent for naval purposes in any year during the Civil War.

No annual expenditure of the Government before 1890, exclusive of expenditures for postal purposes, exceeded $400,000,000. At that time, you will remember, there was a great cry against the large expenditures of the Government, and Mr. Speaker Reed, when criticized for his leadership of a Congress which had appropriated a billion dollars, or $500,000,000 a year, replied that it was a billion-dollar country. Yet we are appropriating very nearly four times as much as we did 26 years ago.

The expenditures during the Spanish War, when we had a considerable Army in the field and bought a great amount of new material, did not aggregate in any one year one-half the amount we are appropriating this year for general expenses.

EXCESS PROFITS TAX.

The excess profits tax proposed in this bill is unique in the history of taxation. I can not find any record of the imposition of such a tax in time of peace or war. It is a tax upon business; and yet, it does not tax all business, only that conducted by corporations and partnerships. It is not a tax upon the magnitude but essentially upon the economy of operation. It is not a tax on large capital; it may apply with equal force to men of small capital. As its provisions would tax the corporation and partnership differently, it will tend to drive the partnerships into a corporation. As it taxes partnerships or corporations and does not tax the individual conducting the same kind of business, it will have a tendency to prevent the successful individual giving those who have been his employees an opportunity to become interested in the direct profits of the business which their industry and capacity have helped to develop.

This provision of the bill seems to imply that the Democratic Party believes 8 per cent is a sufficient profit and that anyone receiving more than 8 per cent should be taxed—no, not exactly taxed, but should have some part of his profit confiscated for the purposes of government. Perhaps if we were entering upon a policy of controlling industrial action, including the rates of returns paid to those furnishing the capital, we might conclude that 8 per cent would be a sufficient average return; but anyone who knows anything about business will testify to the great irregularity resulting in every industry. There are years of plenty and years of almost complete failure. In the years of plenty, the frugal and prudent producer lays aside a part of his earnings for the development of his plant, the improvement of his machinery, or any other purpose which will promote the efficiency of his undertaking, in order to enable him to maintain some payment on the capital invested in years when a return is not earned. It is of vital importance to an industry to be able to pay regular dividends. There have become a great number of investors in this country who depend partially or wholly on the income they receive. They will not put their money into an industry which pays large dividends one year and does not pay any for three or four years, as would be the result if the manager, lacking in prudence, were to pay out all of his earnings one year; but if he does provide for the condition I have described the Government comes along and seizes a part of the money which really belongs to the investors in the enterprise in bad years and applies it to governmental purposes. It is a short-sighted and unfair method of procedure.

If you can take 8 per cent, why not take 10 per cent, or 20 or 30? Is that going to be the policy of the Democratic Party? Are we going to have continued the extravagance of the past three or four years—appropriations for purposes like the Shipping Board, the nitrate plant, the armor-making plant, and other similar schemes which every trained and prudent business man knows should not be made, and then seize by actual confiscation the property of our citizens to supply such facilities and go into competition with them? Is that going to be the policy of the Democratic Party? If so, as soon as it penetrates the public understanding there will be a revulsion of feeling which will destroy the ascendancy of a party inaugurating it.

You have already established an income tax, so unfairly levied that it imposes a very large burden on a comparatively few citizens. You have increased the income tax once since the original law was passed. You have imposed an inheritance tax in competition with our own States, which have depended on both of these forms of taxation to obtain necessary revenue. In this bill you propose to increase the inheritance tax. You are now establishing this excess profits tax. Are you going to increase it if you need more revenue? That is a question of vital importance to the American business man and will determine the kind of business he does and the manner of conducting it. If you are going to establish an 8 per cent limit as a fair profit resulting from the conduct of business, why not insist that any concern earning more than 8 per cent shall contribute to the losses of some other industry not making 8 per cent? Why not provide that no man shall, through his energy and brains, develop a better business than a less efficient competitor? There can be no other result if such a policy as is contained in this bill is adopted. The whole course of this legislation is going to adversely affect American progress, discourage efficiency, and in the long run reduce American wages.

I am going to give a few illustrations of the effect of the application of this proposed law, and I think they will fairly demonstrate the contention I make that the bill is unfair; that it is sectional; that it does not apply with the same force to the wealth of the country as it does to the efficiency of the country; and that from every standpoint it will be vicious in its results.

(1) The bill is objectionable because it is class legislation. The incomes derived from agriculture and from personal service are to be exempt. Thus, a wealthy farmer or a professional man who may be a lawyer receiving large fees escapes altogether.

(2) Although there is a flat exemption of $5,000, there would still be many partnerships or close corporations upon which this tax would be a burden, for in many cases the capital invested may be small, the business having been built up entirely by personal effort.

(3) Capital investment is defined as actual money paid in and actual property owned, together with undivided surplus. To ascertain this would involve great difficulty in some cases and would probably necessitate governmental inspection. The latter would be another step toward centralization. In short, the doctrine of "the less government the better" under Democratic rule is being thrown to the winds.

(4) The legislation is punitive in effect. It is leveled at the profits of business, at the effective results of capital and surplus. It is a tax upon the efficiency of the Nation.

(5) In theory an income tax is an ideal one, because the fundamental idea upon which it is founded is that taxation should be imposed according to ability to pay. But there should be as nearly as practicable equality of sacrifice among the taxpayers, and a tax levied at a uniform rate can not produce equality of sacrifice.

The proposed law is in effect an income tax possessing some of the vices and few of the merits which that form of direct tax contains. The only sound income tax is one which reaches everyone in a proportionate degree.

The basis upon which the 8 per cent of excess profits is proposed to be allowed is unfair. That basis is not the present value of the property of a partnership or a corporation, but the value of the property at the time it was transferred to the partnership or corporation. If, for example, two men became partners 20 years ago and contributed to the partnership $10,000 each, making a total original contribution of $20,000, by the ability and industry of those two partners that business might to-day be worth $1,000,000. They would not be allowed 8 per cent upon the present value of their business or plant of $1,000,000, but only 8 per cent upon the money originally contributed, or on the property at its value when originally transferred to the partnership; in the case I have supposed that would be 8 per cent upon $20,000.

In a word, the excess profits feature of this bill is unfair for the following reasons:

1. It is discriminatory.
2. It is unfair.
3. It will discourage initiative; it will prevent development of resources and industries.
4. It will favor certain classes or groups.
5. It will cause great confusion in its interpretation.
6. It fixes an arbitrary cash basis of value which, under the capital-stock tax rulings, is unsound and unreasonable.

NATIONAL INDUSTRIAL CONFERENCE.

A conference of industrial managers of some of the largest and most important enterprises in the United States has recently been established. This conference was originated and meetings held for the purpose of discussing trade relationships and the best and most effective means of developing our efficiency and capacity to successfully compete with the industries of the world. A short time ago this industrial conference board wrote to the Finance Committee of the Senate making some

comments on the bill under consideration, and I wish to put this communication in the RECORD in its entirety, because it is a calm, dispassionate discussion of this question.

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

The matter referred to is as follows:

FEBRUARY 10, 1917.

To the honorable the Finance Committee of the United States Senate, Washington, D. C.

GENTLEMEN: The National Industrial Conference Board, composed of 14 national associations of industrial employers who are jointly studying and investigating important questions which have a bearing on industrial development and the conduct of business, to wit: American Cotton Manufacturers' Association, American Paper and Pulp Association, Electrical Manufacturers Club, National Association of Cotton Manufacturers, National Association of Manufacturers, National Association of Wool Manufacturers, National Boot and Shoe Manufacturers' Association, National Founders' Association, National Metal Erectors' Association, National Founders' Association, National Metal Trades Association, Rubber Club of America, Silk Association of America, and United Typothetæ and Franklin Clubs of America, begs leave to submit herewith the following observations and criticisms in regard to the excess-profit tax feature of the pending revenue bill, H. R. 20573:

The board realizes the propriety of taxing corporate income. It admits the necessity of largely increased national revenues if the Nation is to be placed in condition for national defense. It believes that representatives of national business interests should not and will not object to any fair tax, however heavy, which is necessary for national defense, but it believes it to be a duty not less than a right to object to the impractical, arbitrary, and discriminating form in which the proposed measure is cast. The pending proposal represents a growing tendency to exempt a great mass of citizens who are well able to contribute, from the pecuniary burden of government. When the nations of the world are demanding universal service, our own country ought not to inaugurate a system in which nine-tenths of the population are deliberately relieved from any direct and proportionate contribution to the national revenue. The larger the revenue required, the broader should be the base of taxation.

The excess-profits tax appears to us seriously objectionable, because—

1. It is discriminatory. It arbitrarily and invidiously discriminates against all forms of business done in corporate as distinguished from individual capacity, although individuals come into competition with corporations. It also deliberately exempts partnership profits derived from the great industry of agriculture.

2. It is a disproportionate burden upon business done in corporate form. The present State taxes upon corporate property average for the several States not less than 2½ per cent. With the enactment of this measure the Federal tax upon income from this same property will approximate 2 per cent. It will also twice tax corporate income derived from holdings in other corporations.

3. It will operate unfairly and against the principles of good business in that it is levied upon nominal present profit without regard to the losses of past lean years or the prospective losses of lean years to come. Good business requires that unusual profits of one period be used to equalize the losses of others. When thus equalized, the excess profit of a certain period which has been taxed may be wiped out altogether and the business even show a loss.

4. It invades the legitimate field of State taxation. The continued use of direct taxation and the ignoring of its exclusive field of indirect taxation by the Federal Government steadily increases the difficulty of the States in raising necessary revenue. The report of the New York State Tax Commission for 1915 shows that there have been but 5 years in the preceding 25-year period when it was not necessary for the State to levy direct taxes. A proposal is now pending before its legislature to levy an income tax upon general corporations. Such a tax is now in force in Wisconsin, West Virginia, Connecticut, and Massachusetts. The Tax Commission of California has presented to the legislature a joint resolution calling for a congress of States to define a plan for the separation of State and Federal fields of taxation, to avoid the increasing friction.

5. It will constitute a direct and discriminatory tax upon our most valuable national assets—invention, initiative, and energy. The inventor properly looks to a high rate of profit during the life of his patent for his incentive and reward. The pioneer in shipping or foreign trade enterprise or new and untried fields of industry likewise looks to a high return during the period while high risk obtains for his inducement to risk his capital and effort. Unusual energy and ability with a small capital may produce much larger returns than moderate energy and ability with a much larger capital, and so may perform valuable public service. All these valuable public assets—invention, initiative, energy, and ability—are penalized by the proposed tax.

6. It constitutes an unwise and unfair discrimination against good will, which is not included in the bill under the heading of actual capital. Good will is property. It can be bought and sold. A corporation which has built up a valuable good will has added to its surplus property, its invested capital, just as truly as has a corporation with undivided profits employed in the business. To count the undivided profits, but not the good will, as capital, lays an unfair burden upon the good will and also penalizes the elements which enter into and promote good will, such as honesty, integrity, special ability, or service, which public interest requires should be encouraged.

7. Its collection will involve many serious practical difficulties, necessitating extensive and inquisitorial machinery, and lay an unduly large charge upon all corporate enterprises, successful or unsuccessful, in the shape of extra reporting and accounting. The widest variance exists in State corporation laws regarding the different elements involved by the proposed tax. The Federal Trade Commission has said that the great bulk of business in this country is conducted without a proper cost-accounting system, and without proper cost accounting profits can not be ascertained. Multiplicity of reports, increased and probably extensive revision of bookkeeping, complicated and extensive inquisitorial machinery, and wide latitude for inequity, fraud, and evasion are all necessary parts of the actual collection of the proposed tax.

All of which is respectfully submitted.

NATIONAL INDUSTRIAL CONFERENCE BOARD,
By FREDERICK P. FISH, *Chairman.*
By MAGNUS W. ALEXANDER, *Executive Secretary.*

Mr. WEEKS. Now, Mr. President, I am going to state a few examples which I think will demonstrate some of the criticisms I have made against this legislation. Corporations have been singled out as a fair prey for the imposition of taxes. Who compose the corporations? Under the present system very largely they are the people themselves. There are more than 100,000 stockholders, for example, in the Pennsylvania Railroad Co., and more than 100,000 stockholders in the United States Steel Co. You can no longer say because a corporation is large or important it only represents one or two or a half-dozen interests. It is a means, when large and important enough, through which prudent people trying to save something for their old age may safely invest their savings. It should be our purpose to encourage such organizations if they furnish safe investment facilities for those who generally have not had experience in investing their money with safety, and who are frequently led to put their savings in wild-cat enterprises and lose them.

Combination of the capital of small stockholders is necessary for the promotion and continuance of business on a large and economical scale for the production of the necessaries of life.

In order to make great business enterprises attractive for investors they must be stable and profitable.

The greater the risk, the larger the profit ought to be. The continued addition of new taxes to the burden of corporations is bound and has begun to lessen the value of the investment in industrial enterprises.

Twenty years ago investment in railroad stocks was considered most conservative. To-day such investments are investments to be avoided. The trend of legislation, if followed, will bring the same results to industrial corporations.

Incomes of partnerships derived from agriculture or personal services are exempt hereunder. This certainly is not for the protection of the small farmer. It rather encourages combinations of investors to control large agricultural interests.

If such an excess profits tax is to be imposed, why should it not fall upon partnerships controlling large areas and making profits in excess of 8 per cent? There are many such examples.

Mr. SMITH of Georgia. Would it interrupt the Senator if I would call his attention to the fact that we have amended the bill so as to include corporations and copartnerships engaged in agriculture?

Mr. WEEKS. No. I regret that I had not noticed that fact.

It is very frequently the practice for corporations located in other New England States to maintain offices in Boston. It is almost essential for them to do so in order to maintain their own selling departments. Such a corporation located in Maine would be taxed the local city taxes and the Maine franchise tax, the Massachusetts franchise tax, the city of Boston tax, the Federal income tax, and the Federal capital-stock tax.

Almost exactly that same condition would obtain in other States. Senators forget that we raise a very much greater amount of revenue in all States for local purposes than the proportion of the contribution which those States make for the support of the General Government. We go on levying taxes in Washington as if they were the only taxes imposed against our citizens, when as a matter of fact we are frequently taking from the States the only sources of revenue, or at least the main sources, they have, and are piling up taxation and indebtedness in a way which is going to bring us serious trouble unless we face the situation and stop some of the extravagance. We should adopt the budget system of government.

We can not avoid enormous expenditures in any other way, and it is up to Congress to consider that question without delay; stop this trend of unparalleled expenditures and the imposition of taxes not justified and in competition with the taxes imposed by our own States.

In some of the State franchise taxes and in the case of the Federal taxes the Government exercises supervision of the method of accounting and fixing the values for the purpose of determining the tax to be assessed. This has resulted in great confusion and uncertainty.

The excess profits tax does not fall fairly or equally.

PARTNERSHIPS.

Take two cases: A and B have $50,000 each which they invest in manufacturing raincoats—capital, $100,000. They make $20,000. Under this bill their exemptions would be $5,000 plus 8 per cent of $100,000, or $8,000, a total of $13,000. They would pay a tax of 8 per cent upon the excess $7,000, or $560.

C having $100,000 establishes the same kind of a business next door, makes $20,000, and is not taxed under this bill because he is operating as an individual. The smaller investors, who are obliged to join forces in order to do business, are taxed while the wealthier man pays nothing upon excess profits.

A brokerage concern having a large capital and making large profits would be exempt under the "personal-service" clause.

The success of corporations depends to a great degree upon the personal services of their managers, and there are many instances where a small capital plus valuable personal services yields large returns on the capital invested. These concerns would be unfairly and excessively taxed under this bill. Personal services in a partnership are free from tax. Personal services in a corporation with perhaps less capital involved are taxed.

For the purpose of fixing the income tax of corporations certain returns of financial condition are demanded by the Government.

Also under the new capital-stock tax other returns are required.

From these the Government determines the value of the capital stock of corporations.

Section 202 of this bill fixes another standard of value upon which excess profits may be determined.

If the Government determines the value under the capital-stock tax for purposes of taxation—and it is presumed that value thus determined is fair—it should accept its own valuation for the purpose of determining what constitutes excess profits.

Government appraisals of value fixed for determining one tax should be accepted as decisive and should not vary in the same year.

Business concerns to-day are hampered by the numerous requirements for returns and by the arbitrary demand of Government officials demanding changes in accounting and differing methods of fixing valuations. Uniformity would tend to economy both in the private and the public service.

Following the same methods of determining value in the capital-stock and excess profits taxes would remedy the discrepancy and discrimination which this bill raises and would allow a consideration of good will—the most valuable asset of many partnerships and corporations.

Take the case of a newspaper with $200,000 originally invested. For 10 years dividends are not paid. As a part of expenses large sums are paid out of earnings in advertising, in increasing circulation, in paying special writers. A strong personality controls the editorial policy. The paper gains a reputation, a circulation, and at the end of 10 years is worth $400,000, a value built on personal service and the foregoing of dividends. Its presses and physical assets for which cash was paid may be worth not more than $150,000, though the total value of the business may be worth two or three times that sum. The money earned and spent for circulation, advertising, special writers, and so forth, has built up a value which the Government taxes under the capital-stock tax, but would decline to consider under this act.

It will thus be seen that the bill operates to exempt personal services i: one case, but refuses to make allowance for them in another.

To show the difference, take the case of a corporation, a partnership, and an individual, each having a capital of $100,000, which makes an annual net profit of $50,000:

Actual capital invested		$100,000
Net profit		50,000
Exemptions allowable under proposed law:		
Eight per cent net profit on actual capital	$8,000	
Additional exemption	5,000	
		13,000
Sum on which "excess profits" tax will be levied		37,000
"Excess-profits" tax of 8 per cent		2,960
In the case of a corporation there would be an additional tax of 2 per cent on net profits in excess of $5,000, amounting in the above case to		900
Total tax		3,860

In addition each partner in a partnership or each stockholder in a corporation must pay an income tax on all income in excess of $4,000. This income tax was greatly increased last October, and yet an individual conducting that business would only have to pay the income tax which is now a part of the law.

Take the case of a partnership or corporation in which the principal owner has secured a patent on an invention and has from time to time made improvements upon it. In the course of many years it has acquired great value through his personal efforts. Comparatively little cash has been paid in. This value is taxed under the income tax and capital-stock tax laws, but no credit is given to it under the proposed bill, because the greater part of its value does not rest upon paragraphs (1), (2), or (3) of the proposed section 202. No allowance for losses in years immediately preceding is made. If it is impracticable to go back beyond one year, why not accept, for the purpose of determining the exemption, the fair average value of capital assets for the preceding year?

Mr. President, there was called to my attention the other day a case of a corporation which has not earned and has not paid dividends for seven years, and yet during the past year, having developed a quality and class of goods for which there was great demand, it made 40 per cent on its capital. That is only an average for the eight years of 5 per cent. Five per cent is certainly not an excessive profit for stockholders going into a manufacturing concern; and yet under this bill that corporation and its stockholders are going to be taxed on their proportion of the 40 per cent, which really belongs to them, and which should and would be reserved by any prudent concern to try to continue dividends during a term of years.

The States have depended upon direct corporation taxes for their revenue.

The United States Government is steadily encroaching upon this field with its income, inheritance, and capital-stock taxes.

The logical result of this Government exaction of taxes and control of accounting and valuations will be national incorporation laws, to which so many States object.

Let me take other examples showing the unfairness and inadequacy of this law.

The Massachusetts franchise tax is about 1.94 per cent of the value of the capital stock less real estate and taxable property, both within and without the State, and the minimum of one-tenth of 1 per cent less local tax.

Now, take the three cases of corporations having, respectively, a capital of $500,000, $1,000,000, and $2,000,000.

Cases.	Capital, $500,000; property valued at $300,000.	Capital, $1,000,000; property valued at $300,000.	Capital, $2,000,000; property valued at $300,000.
Property tax (local), about $18 per thousand	$5,400	$5,400	$5,400
Massachusetts franchise, tax 1.94 per cent	3,880	13,510	32,910
Federal income tax of 2 per cent	2,000	2,000	2,000
Eight per cent excess profits tax	4,800	1,600	.....
Total	16,080	22,510	40,310
Tax to profits, per cent	16.08	22.51	40.31
Earnings to capital, per cent	20	10	5

The above is based on the assumption that the capital stock is worth par. Of course, in the first case with 20 per cent earnings it would be worth more, just as in the third case with 5 per cent earnings it would be worth less.

Now, there are three concerns earning exactly the same amount of money, operating in the same kind of business, having different amounts of capital, and yet all will be taxed differently under this proposed law. That condition applies to New Jersey as well as to Massachusetts.

Taking a New York corporation, making net profits of $100,000, the New York franchise tax is based on the capital stock employed within the State. If dividends of 6 per cent or over are paid, the tax is one-fourth of a mill for each 1 per cent of dividends levied on each dollar of stock. If dividends are less than 6 per cent, or assets do not exceed liabilities, or stock averages to sell below par, then three-fourths of a mill for each dollar of capital. With dividends less than 6 per cent and assets exceed liabilities, or stock averages above par, then 1½ mills is the tax.

Taking the corporations to which I have referred in the case of Massachusetts, one having $500,000 capital, another $1,000,000, and the third $2,000,000 capital, and earning profits of $100,000, the results are indicated in the following table:

	Capital $500,000, dividend 7 per cent.	Capital $1,000,000, dividend 5 per cent.	Capital $2,000,000, dividend 2 per cent.
New York State franchise tax	$2,625	$3,750	$3,000
Local tax about $17 (property $300,000)	5,100	5,100	5,100
Federal income tax	2,000	2,000	2,000
Excess profits tax	4,800	1,600	.....
Total	14,525	12,450	10,100

In other words, under this excess profits tax the smaller concern would pay three times as much as the one twice as large, and the concern four times as large would pay no tax at all. You are not getting at the kind of people you think you are going to reach by enacting this legislation. To a great extent the very rich man is going to escape this taxation, but you are taxing the small stockholder in all of these corporations.

One of the features about this that will cause a great deal of difficulty and cause a great deal of unfairness, and has caused a great deal of difficulty and is not remedied in the old income tax, is the question of the valuation of the depreciation that may be allowed.

In the cotton industry in Massachusetts there has been much difficulty in this respect relating to determining valuation. Many corporations, such as cotton mills, some of which have been in operation for nearly a hundred years, under the old method of bookkeeping would carry perhaps a building worth $200,000 or $300,000 on their books at $100,000. Then the question came up as to how, when the income tax came along, they could determine their valuation for the purpose of making their depreciation, and an inspector from the Treasury Department would come along and say they must change their bookkeeping methods.

Another year another inspector would come along and find something wrong in their bookkeeping methods. Several of the New Bedford cotton mills, for example, are now endeavoring to work out with the Treasury Department certain definite forms of valuation; but the difficulty resulting from this question of what is a fair valuation of property can easily be seen. A mill which is in successful operation is worth a great deal of money; but, if it is not profitable or if it is closed down, its real estate is worth substantially nothing. In New England, one of the favorite loans is on real estate; in fact, a considerable portion of savings banks' deposits is loaned on real estate in Massachusetts; but loans are seldom made on manufacturing plants, because their success depends so largely upon the intelligence and ability of the management; and yet in this bill we are giving no credit at all to such intelligence and ability.

Incidentally, to show the scope of this proposed law and the army of people that will be required to enforce it, producing, in my judgment, a cost of collection out of all proportion to the amount of money collected, there are 366,443 corporations making returns to the Internal Revenue Bureau now, of which 190,911 were found to be subject to the income tax. Quite likely they will also be subject to the excess profits tax. The Finance Committee of the Senate estimates, I understand, that there will be 50,000 partnerships that will come within the scope of this law. I should think, if the committee's estimate had been 500,000 partnerships they would have been a great deal nearer right. I doubt if even that will represent the number; but if any one can imagine the expense, the time, and the difficulty of examining all these concerns, he will readily understand that the cost of carrying into effect this law is going to be unreasonably large.

Here are more examples to show the unfairness and the unevenness of the application of the law.

Another instance which will show the unfairness of this excess profits tax is that of John Wanamaker, who is conducting an enormous business in Philadelphia and New York as a private individual. He will not be taxed under the provisions of this bill, and yet it is probable that he has one of the most profitable businesses in the United States.

In immediate competition with him are many concerns in every city in the country, the names of which will come readily to the minds of any Senator, and they are partnerships or stock companies, and they will be taxed either as partnerships or as corporations.

Take another more extreme example: A New York broker reported to be close to the administration stated recently to the "leak" committee that he made $476,000 because an English statesman used the word "but" in a recent statement. Not a cent of that $476,000 will be taxed under this proposed law. If the man who profited by his own cleverness in taking advantage of the situation which he foresaw had had a partner, he would have been taxed. No broker operating as an individual will be taxed under this law.

If legislation must be passed along the proposed lines, then I submit that the tax of 8 per cent should be based on net sales and not on capital, as this latter method would be inequitable. Owing to the varying nature of business the capital requisite for a stated volume of sales varies widely. For example, it might require a capital of $100,000 to produce sales of $100,000 in one line, and in another line the same capital might be sufficient to produce a very much larger volume of sales, say, for instance, $800,000.

With a tax of 8 per cent on capital as proposed the first-named company would be allowed 8 per cent profit on sales before the tax would apply, whereas the latter company would be allowed only 1 per cent profit on sales. Is this fair? This is no fanciful illustration, and I submit that it clearly shows that net sales and not capital is the only fair basis.

The bill bears with particular severity upon partnerships, because the net income of such is arrived at before distributing any remuneration to the partners for their services, whereas corporations are entitled to charge as expense the salaries paid to the general officers. Moreover, the fact that a tax is laid upon an income over 8 per cent on actual cash investment bears heavily upon a partnership as compared with a corporation, because the corporation may have issued stock against intangible assets, such as good will, patents, and so forth, and the age of the corporation may be such that it will not be practicable to determine the actual cash invested in the business except to take book values. In the case of a partnership not having issued stock, no value has been given to the good will or payable assets which they have declared as a result of the growth of its business. Their capital invested will, therefore, stand at the actual amount invested in the business or at the current cash value of tangible assets.

Take, for example, two corporations engaged in cotton and woolen manufacturing. A corporation owns its real estate and machinery and is capitalized at $80,000. B corporation rents its real estate and machinery and is valued at only $50,000, and yet it may be a third or a half larger in its manufacturing capacity. Suppose their profits are equal and that they make $20,000, of which $5,000 is exempt; omitting the corporation tax, their taxes would be as follows:

A corporation, having a taxable profit of $15,000—$6,400, being 8 per cent of capital or actual cash and assets paid in, would have left a taxable amount of $8,600, which, at 8 per cent, would be $688.

B corporation, having a taxable profit of $15,000—$1,200, being 8 per cent of its capital or actual cash and assets paid in, would have left $13,800, which, at 8 per cent, would require $1,104 for taxes.

One of the unfortunate developments connected with this legislation, it seems to me, has been the palpable sectional emphasis given it by those responsible for its promotion. The leader of the majority party in the House of Representatives, who is an old friend, and whom I should hesitate to criticize even if the rules and propriety did not forbid it, in discussing the bill called to the attention of the country a rather unfortunate expression, which emphasizes quite forcibly the attitude of the Democratic Party. He is said to have made this statement:

I think most or the greater part will be levied north of Mason and Dixon's line. All these fellows who live in States that will pay a large part of this tax can get rid of the location argument by removing down to my town of Scotland Neck and pay the tax from there.

I do not know that he made that remark, but such statements, coming from a responsible source, create a feeling which, I contend, is bad for the country.

During the debate in the House it was suggested by those responsible for the legislation in defending the unfair distribution of the taxation imposed that certain of the Northern States should be willing to pay a majority part of the tax because a large portion of the money thus collected would be expended in those States, and Mr. KITCHIN used this language:

Take the Fore River Co. in the city of Boston—

Meaning, I suppose, the Fore River Co. located in Quincy, Mass.—

that will get more of these appropriations than the entire South and 15 Western States.

That seems on its face a reasonable statement, and yet let us examine it from another viewpoint. The last first-class battleship constructed by the Fore River plant was the *Nevada*. This vessel cost approximately $11,000,000, and required three years and four months to construct. Under the existing corporation-tax law the industries of Massachusetts paid an income tax of $2,858,713 during the fiscal year 1916. In three years and four months, the time required to build the *Nevada*, those industries under the present law will have paid approximately $10.000,000 in income taxes, an amount practically equivalent to the total cost of the *Nevada*. In other words, the industries of Massachusetts—and if the personal income tax of that State were included the figures would be very much larger—will have paid the National Government in one form of taxes nearly enough to pay the cost of a battleship for the privilege of having it constructed in a Massachusetts shipyard. I think it entirely possible that the State of Massachusetts, if it could be relieved of this tax, would be willing to have the next battleship constructed in Mr. KITCHIN's State or any other State which is not bearing a fair share of the burdens of government.

Indeed it is not unreasonable to call to the attention of the Senate the fact that there is no hesitation on the part of States in other sections of the country, and especially in the South, in which section the dominant party now obtains its political power, to spend money collected in the northern part of the country. The slightest investigation—and I will not go into it because I do not believe in making sectional arguments—will demonstrate the fact that the North is paying on every dollar of its wealth five or six times as much as our Southern States and that a

much larger percentage of the appropriations made by the Government in proportion to the wealth of the States goes to the sections paying the lesser tax.

As I have stated, the State of Massachusetts paid $2,858,713 in corporation taxes during the fiscal year 1916, an amount which exceeds by a considerable figure the entire tax paid by the nine Southern States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia. It is estimated by the Democratic leaders that 90 to 95 per cent of the new excess profits tax will be levied upon the Northern States, so that it is entirely probable that the State of Massachusetts, under the proposed law, will pay more toward the proper protection of the country and general rehabilitation of the Federal Treasury than the entire South. The States of New York and Pennsylvania already pay many times more in Democratic direct taxes than the entire South, and under the new law the proportionate difference will be even more marked.

I would not raise this argument, Mr. President, if it had not been made in another House and in public discussions. I simply want to point out the facts as they bear on the case.

The Democratic leader in the House contends that the North should be willing to pay this great proportion of the preparedness expenditures because the demand for protection comes from that locality. But he does not suggest that a sufficient tax should be imposed upon the industries of the States of Texas, New Mexico, and Arizona to defray the expenditure of $162,000,000 in protecting those States from incursion by Villa; nor does he suggest that a tax of $11,000,000 should be laid upon the industries of the State in which will be located the armor-making plant; nor that $21,000,000 shall be imposed against the State in which the nitrate plant will be situated. Those expenses are to be met by the issuance of bonds which the administration, no doubt, will expect the North to purchase out of any funds remaining after it has paid all of the other Democratic taxes.

No fair-minded man would contend that it would be fair to impose a tax of $162,000,000 upon the industries of Texas merely because the United States was threatened with attack at that particular point, and yet we have found a great many prominent Democrats ready to champion the theory that the North should be made to pay practically the entire cost of national preparedness because it is from there that the country would most probably be attacked. No foreign enemy will ever declare war against the State of New York or the State of Pennsylvania or the State of Massachusetts. Such a declaration, if it should ever come, would be against the entire United States, and no section of the country should be exempt from paying its proper share of the cost of preparedness against such a day.

The four States of New York, Massachusetts, Pennsylvania, and Illinois pay $30,000,000 of corporation taxes, which is over one-half of the total corporation tax of the country. The same States pay $45,000,000 of individual income taxes, which is about two-thirds of the total income tax, and it is undoubtedly true that the same States will pay a proportional amount of this proposed tax. The net result of this form of taxation is extremely harmful. Only 330,000 people directly pay an income tax, which is less than one-third of 1 per cent of our population, and a comparatively small proportion of the people pay the corporation tax and will pay this excess profits tax directly. As long as one-third of 1 per cent of our population are paying this tax there is nothing to prevent the other 99⅔ per cent clamoring for additional appropriations, and the average politician is going to listen with approval to that clamor. If those who insist on following such a course were honest enough to explain to the people that they are not standing their share of this taxation, quite likely this clamor would cease.

In the section of the country which I in part represent there has developed a frugality in saving money, and this has been promoted by the mutual savings bank system, which is one of the prides of Massachusetts and contiguous States. In Massachusetts there are $928,000,000 deposited in savings banks, which represents deposits made by 2,349,207 depositors; in other words, substantially two-thirds as many depositors as there are people in the State. Necessarily there are some duplications among these depositors; that is, a depositor may have accounts in more than one bank—sometimes in several banks—but I think it is fair to assume that from one-third to one-half the people of Massachusetts have deposits in the savings banks. Those banks invest in real estate mortgages and in certain classes of securities, like railroad bonds and other profit-making corporations. In many States the laws surrounding the investment of savings funds are not as stringent as in Massachusetts. The money of some of these banks may be invested in securities directly affected by this 8 per cent excess profits tax. Does anyone think that if these frugal people, who have saved between three and four hundred dollars each, were told they were to be taxed in this imprudent and unfair way in order to maintain the Government, that they would not make a protest? The trouble is that the tax does not fall directly on them, and they do not understand it. Instead of the clamor being against the so-called rich corporation it would be to protect the investments of those who, to a large extent, are the wage earners and savers of money and who by their own efficiency are demonstrating the course the Government should follow.

I ought to add, in the case of the Massachusetts savings banks, that deposits are not taken in amounts larger than $1,000; and when the deposits with accrued interest amount to $1,600 the interest stops, which indicates the comparatively small amounts that can be deposited by any one person.

Mr. President, it should be a fundamental rule in governmental financial operations that all current expenses should be paid from the proceeds of the annual tax levy, and that if loans are issued their duration should be within the life of the object for which the appropriation is expended. The expenditures provided for in this bill are very largely of a contrary character to ordinary expenses of government, and it is unfair to the taxpayer of to-day to require him to provide for improvements which are going to be equally beneficial to the taxpayers of future years. Therefore I have provided in the proposed bond issue I have introduced that it shall extend over a period of 20 years, which is quite within the life of most of the objects for which the expenditures are made. I do not wish it to be understood, Mr. President, that I at all approve all of these expenditures. I voted against most of them—the bill to establish a nitrate plant, the shipping bill, and others—but I assume that money is going to be appropriated to provide for the purposes for which legislation has been adopted, and therefore, if that is to be done, I want it done in this way.

The Alaskan Railway, with ordinary annual appropriations for maintenance of way, will be in quite as good condition 20 years from now as to-day. The life of any ship which may be purchased under the existing law will easily be from 20 to 30 years, and ships are now performing good service which are much older than the maximum limit I have suggested. Even battleships are kept on the rolls as first-class ships for a period of about 20 years. Therefore substantially all of the purposes for which we are making provision will be equally material to the people for at least 20 years, which is the life of the bonds I propose.

Having reached that conclusion, another important question is to determine the character of bond. The United States Government has never issued a serial bond. Its bonds issued after the Civil War were intended to be retired by sinking-fund provisions. For many years this policy was carried out by using surplus revenues for that purpose, and as early as 1890 the debt had been reduced from about two and a half billions to substantially a billion dollars. No appropriations for the sinking fund, however, have been made in recent years. I presume one reason for this has been that the estimated revenues were not sufficient to provide for these appropriations. Then another problem has entered into the question in recent years of enough importance to prevent the operations of the sinking fund. I refer to the necessity for bond-secured circulation issued by the national banks.

As time has gone on practically all of our national debt has been used as a basis for circulation and is being used for that purpose to-day. The passage of the Federal Reserve act has removed the necessity for the continuance of issuing that kind of circulation. There is no reason, therefore, in times of ample revenues, provided reasonable economy is used, why the entire national debt should not be paid, and I hope when the present difficulties have been passed that such a course will be consistently followed. It is not an element of strength to a country to have a considerable outstanding indebtedness; it is an element of financial and physical weakness. A country without debt is in much better position to defend itself or wage active hostilities than a country which will be embarrassed by outstanding indebtedness, and in this respect alone the United States will be in a position of great strength as compared with other first-class nations at the end of the present war.

The finances of a municipality, a State, or a nation do not materially differ from those of the private citizen. No private citizen could acquire a good financial reputation if he constantly renewed his indebtedness when it matured. In other words, if the individual or copartnership repeatedly renews indebtedness, it is taken as an indication that they have not sufficient capital to conduct their business operations and their credit is greatly impaired. The sound business concern is the

one which borrows temporarily and goes out of debt at some time during its annual operations. The only indebtedness of a relatively permanent character which is justifiable is that required in the large extension of a plant, which might be covered by a mortgage, but that mortgage should be gradually liquidated. Even that kind of indebtedness is an embarrassment to corporations if they wish to go into the market to borrow for temporary purposes. This argument is equally applicable to municipalities, States, or nations, and most local communities in recent years have recognized the necessity of extinguishing indebtedness by establishing sinking-fund provisions, which have generally operated to carry out this purpose; but, as in the case of our National Government, there have been frequent deliberate violations of sinking-fund requirements.

A few instances will illustrate how possible it is to operate sinking funds honestly and yet not obtain the statistical results which seem probable. As late as 1869, in England, a committee of Parliament made an investigation of sinking funds and made a report to this effect: Between 1785 and 1829 England borrowed £330,000,000 at about 5 per cent interest in order to pay the same magnitude of indebtedness at 4½ per cent interest. This policy by which a debt of 4½ per cent was converted into one of 5 per cent meant an annual loss of interest of £1,627,765, extending over a period of 43 years, or a total of nearly $340,000,000.

During our Civil War, the issue of legal-tender notes made under the act of Congress of 1862 was fortified with a sinking fund of 1 per cent. During the war no attempt was made to fulfill this pledge, as the Government was continually borrowing and adding to its total indebtedness.

For many years the State of Massachusetts outranked every State in the Union in the magnitude of its State debt. September 30, 1913, its funded debt was $117,838,412, and its sinking funds at that time were $34,674,498. Incidentally, the very statement of the magnitude of that sinking fund shows the importance of its being well handled and the difficulty of its being entirely invested all of the time. At this time the gross debt of the State, counties, municipalities, and metropolitan district is practically $400,000,000. This debt became so startling that among other phases of it carefully investigated and studied the question of the operation of sinking funds was taken up. Although it has been optional in Massachusetts since 1882 to issue serial bonds, this study of sinking funds and their operation was sufficient to bring about the passage of an act in 1913 prohibiting sinking funds for municipal loans, making the serial bond compulsory for all such loans and requiring all such indebtedness to be issued on the same basis as had been adopted by the Commonwealth in an act passed in 1906.

In this respect, as in most others, Massachusetts has demonstrated that it is one of the most progressive States. The sinking-fund provision, as far as Massachusetts is concerned, has become a dead letter.

At the constitutional convention in New York year before last this question of a serial bond issue was given consideration. At that time there was an indebtedness, State and municipal, in New York of something like $2,000,000,000 gross. The constitutional convention unanimously adopted the proposed change in the matter of issuing serial for sinking-fund bonds, and it would have become the basis of procedure in that State if the constitution had not been defeated. I think I should say, however, that during the consideration of this constitution and the arguments relating to it no objection was made to this provision.

Mr. NORRIS. Mr. President——

Mr. WEEKS. I yield to the Senator.

Mr. NORRIS. I am exceedingly interested in what the Senator is now stating in regard to the issue of bonds. It may be that in some part of his address he is going to answer the question I wish to ask. If he is, I hope he will not be diverted by answering it now, but I should like to ask him to give us this information. In a comparison between serial bonds and the other kind, what has been the result in the way they have been sold on the market? I mean, has there been any loss in the sale of serial bonds as compared to other long-time bonds?

Mr. WEEKS. I think I refer to that briefly later on; but I will say now that when serial bonds were first issued there was some prejudice against them because they matured at different periods, and some of them were too short to be considered a good permanent investment. In these days, however, when bonds are required to be deposited for the protection of postal savings banks deposits, when so many banks invest money in short-term bonds and short-time notes, when the Federal reserve banks could and would buy them, I am told by very many bond men whom I have consulted that a serial bond sells as readily as a sinking-fund bond.

Mr. NORRIS. That is in the case of bonds issued in a series, coming due, let us say, all the way from 1 to 20 years, the shortest-term bond would sell at the same price as the long-term bond.

Mr. WEEKS. The issue would sell as well as if they all matured at 25 years. That is almost the universal expression of opinion I have obtained.

Recently the Hon. Charles F. Gettemy, director of the bureau of statistics in Massachusetts, made an investigation involving calculations of some twelve hundred municipal sinking funds. This investigation revealed net apparent deficiencies in 40 cities and towns aggregating $1,794,391.58, and net apparent surpluses in 47 cities and towns aggregating $2,855,192.47. This was followed by the legislation to which I have referred.

Within a year an investigation in New York has demonstrated the fact that the citizens of that Sate have been taxed for sinking funds nearly $19,000,000 in excess of the amount required under a scientific bond-amortization plan. This situation is not due to any one administration, but is the result of the operations of four recent State governments. It was estimated that this accumulation of unnecessary money would have amounted before the maturity of the bond issues outstanding to $234,000,000.

Last year the city of New York made a sale of $40,000,000 50-year 4¼ per cent sinking-fund bonds and $15,000,000 1 to 15 year 4¼ per cent serial bonds. Mr. Alfred D. Chandler, of Brookline, Mass., to whom I am indebted for much of my information relating to this particular subject and who has given it more complete consideration than any person in this country, makes this comment on this sale of bonds. As an illustration of the difference in the results obtained from sinking-fund and serial bonds, he said:

> Such an issue of sinking-fund bonds will ultimately cost New York City $16,726,320 more than if issued in serial form, assuming that the sinking-fund earnings would for half a century average 3½ per cent, or $19,182,200 more if the sinking-fund earnings averaged 3 per cent, which is the basis of computation adopted by the State of New York.
>
> If the $40,000,000 4¼ per cent sinking-fund bonds were exchanged into serial bonds at an increase of ⅛ per cent, or ¼ per cent, or ⅜ per cent, or even ½ per cent, the difference in favor of the serials would be for the 50 years as follows:

	Sinking fund, 3 per cent basis.	Sinking fund, 3½ per cent basis.
As serials at 4¼ per cent	$19,182,200	$16,726,320
As serials at 4⅜ per cent	18,067,200	15,451,320
As serials at 4½ per cent	16,632,200	14,176,320
As serials at 4⅝ per cent	15,357,200	12,901,320
As serials at 4¾ per cent	14,082,200	11,626,320

Mr. WADSWORTH. Will the Senator yield merely for me to make a comment? In the discussion of the proposed amendment of the New York constitution having relation to serial bonds taking the place of long-time sinking-fund bonds, it was estimated that were the long-term sinking-fund bonds now issued or having already been issued by the State of New York changed into serial bonds, short-time bonds, by the time of the maturity of those bonds, bonds issued it will be remembered to the amount of $100,000,000 for the building of highways and many million dollars worth of canals, the State of New York would thereby save $40,000,000 in taxes.

Mr. WEEKS. I think I have some figures here which I will give and which will confirm the statement just made by the Senator from New York.

If the State of New York had issued its 50-year sinking-fund bonds, which now equal, principal and accrued interest, $601,071,144, in serial form, the total difference in their cost in favor of the latter method, adopting the New York State basis of 3 per cent for its sinking-fund earnings, would have been $89,977,262. If the respective outstanding bond rates, which are 3 per cent, 4 per cent, 4¼ per cent, and 4½ per cent, had all been increased one-eighth of 1 per cent and the bonds issued in serial form, the difference in favor of the serial method would be $83,339,730. If the rates had been increased one-fourth of 1 per cent, the difference in favor of the serial method would be $76,525,535. If increased three-eighths of 1 per cent, the difference in favor of the serial bond would be $69,799,970. If increased one-half of 1 per cent, the difference would be $63,074,855, and even if the sinking fund could earn 4 per cent, the difference in favor of the serial method would range from forty to sixty-five millions of dollars.

If any other arguments were necessary to determine the desirability of a serial over a sinking-fund bond we could find impressive examples enough to justify the statement that there has been and is the greatest recklessness in the management of

sinking funds. This is not alone due to the fact that they are not as economical as the serial method, but that they frequently are not used at all. This contention is verified in the case of our own Government.

The sinking-fund provisions applying to our outstanding bonds date back as far as 1862. The law reads as follows:

Revised Statutes, section 3688. There is appropriated annually, out of the receipts for duties on imported merchandise, a sum for the payment of the public debt equal to the interest on all bonds belonging to the sinking fund.

Revised Statutes, section 3689. There is appropriated, out of any moneys in the Treasury not otherwise appropriated, for the purposes hereinafter specified such sums as may be necessary for the same, respectively, and such appropriations shall be deemed permanent annual appropriations.

Sinking fund. Of 1 per cent of the entire debt of the United States, to be set apart as a sinking fund for the purchase or payment of the public debt, in such manner as the Secretary of the Treasury shall from time to time direct.

That law is now on the statute book, and yet no attention whatever is or ever has been paid to it, except to apply to the payment of our indebtedness the surplus revenues the Government might have from year to year. This surplus was very large during the period immediately after the Civil War and for 25 years thereafter, and it was in that way that the indebtedness accruing during the Civil War was met.

Public sinking funds, as I have stated, have proved to be too precarious for sound finances, notwithstanding the establishment of such funds in connection with our municipal, county, and State indebtedness in the United States. Scalings down and interest defaults are reported to have exceeded a billion dollars, and to-day eight States of the Union are in default, principal and interest, to the extent of more than seventy millions of dollars. Legislators have been dilatory and irresponsive to this subject, as is witnessed by the failure to take action by Congress itself. Thirty-one years elapsed in Massachusetts between the permissive and obligatory legislation relating to serial bonds, and only recently has the second State taken any action on this subject.

The sinking funds of New York State amount to more than $40,000,000; those of New York City to more than $370,000,000. Theoretically such funds are promptly and continuously invested to yield a rate of interest above the usual bank-deposit rates, but actually millions of dollars of New York City's sinking funds are uninvested, amounting recently to $25,969,761. The average uninvested amount of New York City sinking funds during a year's time has been more than ten millions of dollars, which means a material loss of interest, and which, of course, subverts the sinking-fund principle.

One of the first recognitions of the desirability of serial payments is found in the famous codicil to Benjamin Franklin's will, in which he left to the cities of Boston and Philadelphia $5,000 each, contemplating the investment thereof for two centuries, the income in part to be loaned to young married artificers, who were to repay "with yearly interest one-tenth part of the principal," which is exactly the serial-bond method.

Speaking of the New York City debt, the comptroller of that city recently stated that a 50-year $50,000,000 sinking-fund loan would show a difference between the serial and sinking-fund basis of $73,663,750 in favor of the serial system. It has been carefully estimated that if $1,000,000,000 of the New York City debt had been issued in serial instead of sinking-fund form, assuming the term to be 50 years at 4 per cent, the difference in the interest account between the two forms would amount to the amazing sum of $980,000,000.

So definitely has the correctness of this great difference been worked out that the mayor of Boston has recently petitioned the legislature to authorize the city of Boston to exchange serial bonds for the outstanding bonds of the city against which there is a sinking fund, and there is a bill pending before the Legislature of Massachusetts authorizing the Commonwealth and all municipalities in the State to exchange serial bonds for outstanding sinking-fund bonds.

In a statement before a committee having this matter in charge, Mr. Chandler recently said:

"Of the outstanding $200,000,000 or more of sinking-fund bonds maturing between 1935 and 1958, about $100,000,000 have an average duration of about 30 years. Assuming that only one-half of this $100,000,000 or $50,000,000, are exchanged into 30-year serials, the difference in the interest account in favor of taxpayers would be—assuming the same rates per cent of interest—about $27,000,000 and crediting the sinking funds with the safe estimate on such long time as earning 3½ per cent, the difference in the actual cost to the taxpayers in favor of the serials would be about $5,250,000."

Therefore, if the Massachusetts indebtedness had an average maturity of 30 years from date and it could be refunded into serials bearing the same rate of interest, there would be a saving to the taxpayers of the State on this $200,000,000 of indebtedness between now and the final liquidation of the debt of about $21,000,000. It is significant that no opposition whatever appeared against this legislation at the hearing given on this subject by the committee of the Massachusetts Legislature.

I have not had the time to figure the saving which might be made on the present outstanding Government indebtedness, if it were refunded into serial bonds. Indeed, I am not quite sure I could do this with accuracy, but I intend to have it done by experts so that there can be on record a complete demonstration of the desirability of changing our present indebtedness into serial form and gradually liquidating it. There is no reason why this should not be done, and from the standpoint of business prudence there is every reason why such action should be taken.

If that is true, what a piece of folly it would be to issue Panama Canal bonds or any other bonds on any other basis than as serials. As far as I know, this subject has not heretofore been given any consideration by Congress, but it will continue to appear from time to time until we have taken some action. At some later date I shall hope to submit to Congress a complete demonstration of what may be done with the national debt if such a policy is followed.

A somewhat careful investigation indicates that nearly every authority on the issuing of bonds prefers the serial to the sinking-fund method. M. Trinquat, a noted French writer on this subject, stated in 1899 the manifestly sane proposition that the only way of extinguishing debt, for a State as for an individual, is to use the revenue above the expenses, and that when the public frees itself from its obligation to pay its debts at maturity it encourages the incurring of new debts.

That is exactly what we are doing. We are not paying any of our debts. We issue bonds from time to time under different forms, and when those bonds mature we refund them by issuing others. The debt will keep on accumulating, and if we do not take some steps to liquidate it as it matures, at least paying it by annual installments, as I think should be done, we are going to have piled up a great volume of indebtedness without any prospect of its payment.

The French writer to whom I have referred quotes Ricardo as saying that "sinking funds rather tend to encourage expenditure than to diminish debt." Another writer, speaking of indebtedness, says that a sinking fund "acts on the public as a narcotic," and "the confidence placed in the efficacy of such methods has contributed to ease the alarm which the magnitude of the public debt would otherwise produce."

Mr. MacPherson, a leading member of the Institute of Chartered Accountants of Ontario, Canada, recently in a statement pronounced "the day of the sinking fund has passed," and that in his judgment it was a curse to the average municipality, insisting that debentures should be issued on the serial basis.

Mr. J. Hampden Dougherty, a member of the charter commission for a new charter for New York City, recently wrote:

The theory of sinking funds as security for the payment of public debts has become obsolete * * *. The commission of 1908 favors the abolition of all sinking funds.

And goes on to argue that the city debt of New York should be refunded.

While the provisions of the sinking fund have been considered an abundant safeguard, experience has shown that there have been many exceptions to the rule. This is particularly true in the case of railroad indebtedness, and there have been numerous instances of either dishonesty or ignorance in the application of the sinking-fund provisions. For example, I have referred to the fact that New York City within a few years had been taxed for sinking-fund provisions $19,000,000 more than the sinking fund required. In 1880 the Boston sinking funds were despoiled of $82,000. In 1904 a commission reported that $292,000 had been taken from the Boston sinking funds to pay current expenses. In 1909 the sinking fund of the city of Lynn, Mass., was reported to be $400,000 short. That does not mean peculation, but that there was not enough in the sinking fund to pay the indebtedness by that amount when it matured. The funds in that case, I understand, were used for current expenses.

In the city of Chicago there has been a very general practice of using sinking funds for current expenses. One of the results of commission administration in Des Moines, Iowa, has been supposed to be its good financial record, and yet an expert analysis of Des Moines's finances recently made demonstrated a shortage in its interest and sinking-fund appropriations of $438,827.77, and the investigators affirmed at that time that the new city government had recently made a levy which should have been 5.9 mills for this purpose but was only 2.6 mills.

It can be seen very easily why that would be done. It reduces taxes and gives that additional amount of credit to those responsible for levying the necessary taxation to carry on the government. It is charged that the city administration has systematically evaded its obligation, and in order to keep down its tax rate an insufficient amount has been levied for sinking-fund purposes.

One of the few so-called authorities who has doubted the advisability of giving up the sinking funds is a Mr. Turner, a lecturer at the municipal school of finance in Manchester, England. In Mr. Turner's own illustration of the application of different methods of paying indebtedness he uses an example of a million pounds borrowed for 10 years and shows the following results:

Total cost.

(1) Installment method	£1,275,000
(2) Annuity method	1,295,100
(3) Sinking-fund method (5 per cent basis)	1,295,100
(4) Sinking-fund method (3½ per cent basis)	1,352,000

In other words, the serial method produced the best result. The annuity method, which means paying off not only one-tenth of the total indebtedness but one-tenth of the total interest, costs £20,110 more than the serial method. The sinking-fund method, figuring the sinking fund at 5 per cent, costs exactly the same amount; but figuring the sinking fund at 3½ per cent, the cost is £77,000 more than the serial method.

I wish to submit a table showing the results of the serial and sinking fund methods in the case of a million dollars borrowed at 3 per cent and 4 per cent, and ranging from 20 to 50 years. It is a complete demonstration of the value of the serial method. I ask unanimous consent to insert herewith the statement to which I have referred.

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

The matter referred to is as follows:

Serial-bond and sinking-fund methods contrasted.

$1,000,000 at 3 per cent. Difference in interest in favor of serial bonds.			$1,000,000 at 4 per cent. Difference in interest in favor of serial bonds.		
20 years.	40 yearss.	50 years.	20 years.	40 years.	50 years.
$285,000	$585,000	$380,000	$380,000	$780,000	$980,000

Sinking fund.	Difference in cost in favor of serial bonds.			Difference in cost in favor of serial bonds.		
	20 years.[1]	40 years.[2]	50 years.[3]	20 years.[1]	40 years.[2]	50 years.[3]
On 3 per cent basis	$19,426	$109,199	$173,305	$114,426	$304,199	$418,305
On 3½ per cent basis		51,791	111,908	76,483	246,791	356,908
On 4 per cent basis			58,057	40,231	194,765	303,057

[1] Decimal for 19 years, and 19 payments.
[2] Decimal for 39 years, and 39 payments.
[3] Decimal for 49 years, and 49 payments.

If the number of payments were to equal the full number of years, there would be an increase over the above in the saving in favor of serial bonds, the ratio of such increase being larger with the bonds of a shorter term.

If both the decimal taken and the number of payments made each equal the full number of years, there will still be a large gain in favor of the serial bonds.

Mr. WEEKS. The committee proposes to issue Panama Canal bonds without sinking-fund or serial provisions. Assuming that the only method the Government has ever used in issuing securities—namely, the sinking-fund method—were followed and the bonds were issued for a term of 50 years, as provided for in the act authorizing their issue, the cost to the taxpayers of the United States on $1,000,000 of bonds would be $173,305 more than it would cost if serial bonds were issued. It is proposed in this bill to issue the remaining $222,000,000 of Panama Canal bonds. If the sinking-fund method is applied to the payment of this indebtedness—and of course some method must be provided for liquidating it at maturity or sometime during the life of the loan—the cost to the taxpayers of this country will be $38,473,710, an amount which justifies some hesitation in passing this legislation without giving serious attention to the form of bond to be issued and the manner of its payment at maturity.

It has been charged that the serial bond is unpopular and that it requires a higher rate of interest than an issue of bonds which mature at one time, but if that condition existed heretofore, I believe it has entirely disappeared. There is now a great demand for Government bonds to use as a basis for postal savings deposits and for short-time loans to be held by the banks, Federal reserve as well as others. An issue of Government bonds having one-twentieth of its total amount maturing within a year would be eagerly picked up by a great many interests that have in the immediate future a disposal of some of their funds for a specific purpose, but want to keep them employed until that purpose has fully developed. In fact, there is no latitude to the method of liquidating an indebtedness issued under the serial plan. It is safe for the creditor and the debtor, and an immediate public exposure must be made if the debtor fails to make provision for its maturing obligations. Incidentally an indebtedness issued in this way becomes safer as it grows older, because each year a portion of it is liquidated.

In the hearing to which I have referred, which recently took place in Massachusetts, three main items of indebtedness were taken up—that is, the State's contingent obligation in the metropolitan parks, sewerage, and water loans—and it was demonstrated that the difference in favor of issuing serial bonds for this indebtedness, amounting to some fifty-six millions of dollars and having 40 years to run, would be something like $26,000,000, even if the bond had been issued in serial form at a one-half per cent higher rate than under the sinking-fund method. The difference in the actual cost to the taxpayers between the two methods was shown to be about $8,360,000 on a 3½ per cent basis.

I insert herewith a summary showing the indebtedness to which I have just made reference, and the possibilities if issued on a 3 or a 3½ per cent basis:

	3 per cent.	3½ per cent.	Total.	Interest.	Premiums.
Sewerage	$7,989,912	$2,980,000	$10,969,912	$13,270,652	$370,813
Parks	2,680,000	8,350,000	11,030,000	14,826,000	739,160
Water	10,900,000	23,600,000	34,500,000	45,532,875	2,300,487
	21,569,912	34,930,000	56,499,912	73,629,527	3,410,460
				3,410,460	
				70,219,067	
				56,499,912	
Total, principal and interest				126,718,979	

I can not emphasize too strongly the fact that the maintenance of a sinking fund is a source of a great deal of trouble, expense, and hazard. The volume of sinking funds now held by the sinking-fund commissions of the city of New York aggregate several hundred millions of dollars. Necessarily, as there must be some considerable parts of these funds uninvested, the possibility of errors and even of dishonest handling would be entirely removed if a serial form of bond were issued instead. Our Government should go out of debt, and provision should be made to refund all Government bonds on a serial basis, or, at least, reestablish a sinking fund, so that our bonds could be paid. As a financial action this should appeal to every Senator. There is no argument against it, and, from the standpoint of good finances as well as good preparedness, there is no reason why we should not pay our indebtedness promptly and systematically. If that were done, there would be no trouble about our financing ourselves in times of greatest stress.

Finally, it is, perhaps, sufficient to say that sinking funds do not in theory amortize a debt; they simply offset it. The only true amortization is extinction. The only sensible method of extinguishing a debt is to pay it in approximately equal installments, which is exactly what the serial bond does. As I have tried to point out—very inadequately, however—sinking funds are liable to misappropriation, unwise investment, and to suspension. Their average earnings are small, and, therefore, the net expense to the taxpayer is much greater than when a serial bond has been issued.

It is now generally conceded that a serial bond is much more economical to the issuing party than a bond having a sinking-fund provision. There used to be a strong prejudice on the part of bond buyers against a serial bond, because it gave a shorter average and, therefore, less spread between one basis and another; but of late years there has been such a demand for short bonds for deposit security and similar purposes that a serial bond is practically as popular with buyers as a longer bond with a sinking-fund provision. The bond should carry a higher than 3 per cent rate.

Since the diplomatic break tax-exempt municipals have risen from one-fifth to one-fourth of 1 per cent in price—I mean the interest basis on tax-exempt municipals. In the case of other

municipals the rates have increased in the same proportion. Good municipal bonds in such places as Chicago and St. Louis are selling on a 4 per cent basis. Recently the State of Massachusetts sold $4,000,000 of 4 per cent serial bonds, running an average of about 9 years, on about a 3⅞ per cent basis, and they were retailed on a 3.60 to 3.75 per cent basis.

It is doubtful if patriotic reasons will induce people to largely subscribe for a 3 per cent bond unless we are actually engaged in war.

Mr. WEEKS subsequently said: Mr. President, I ask unanimous consent to have printed, in connection with my remarks recently delivered, a comparison between serial-bond and sinking-fund methods, $65,000,000 at 4 per cent for 50 years, as printed in the Financial Chronicle, of New York, of the date of August 1, 1914.

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

The matter referred to is as follows:

Comparison between serial-bond and sinking-fund methods—$65,000,000, at 4 per cent, for 50 years.

Serial-bond method—1-50, or $1,300,000, payable each year.			Sinking-fund method, 3½ per cent basis.	Difference in favor of—		Interest on difference, at 3½ per cent compounded.	
Principal.	Interest at 4 per cent per year.	Principal and interest.		Serial method.	Sinking-fund method.		
						Years.	
$65,000,000	$2,600,000						
1,300,000		$3,900,000	$3,099,980		$800,020	49	[1]$3,516,936
63,700,000	2,548,000						
1,300,000		3,848,000	3,099,980		748,020	48	3,151,850
62,400,000	2,496,000						
1,300,000		3,796,000	3,099,980		696,020	47	2,810,028
61,100,000	2,444,000						
1,300,000		3,744,000	3,099,980		644,020	46	2,490,387
59,800,000	2,392,000						
1,300,000		3,692,000	3,099,980		592,020	45	2,191,871
58,500,000	2,340,000						
1,300,000		3,640,000	3,099,980		540,020	44	1,913,474
57,200,000	2,288,000						
1,300,000		3,588,000	3,099,980		488,020	43	1,654,241
55,900,000	2,236,000						
1,300,000		3,536,000	3,099,980		436,020	42	1,413,254
54,600,000	2,184,000						
1,300,000		3,484,000	3,099,980		384,020	41	1,189,629
53,300,000	2,132,000						
1,300,000		3,432,000	3,099,980		332,020	40	982,533
52,000,000	2,080,000						
1,300,000		3,380,000	3,099,980		280,020	39	791,160
50,700,000	2,028,000						
1,300,000		* 3,328,000	3,099,980		228,020	38	614,744
49,400,000	1,976,000						
1,300,000		3,276,000	3,099,980		176,020	37	452,553
49,100,000	1,924,000						
1,300,000		3,224,000	3,099,980		124,020	36	303,882
46,800,000	1,872,000						
1,300,000		3,172,000	3,099,980		72,020	35	168,065
45,500,000	1,820,000						
1,300,000		3,120,000	3,099,980		20,020	34	44,461
							[1]23,689,068
44,200,000	1,768,000						
1,300,000		3,088,000	3,099,980	$31,980		33	[1]67,540
42,900,000	1,716,000						
1,300,000		3,016,000	3,099,980	83,980		32	168,523
41,600,000	1,664,000						
1,300,000		2,964,000	3,099,980	135,980		31	259,045
40,300,000	1,612,000						
1,300,000		2,912,000	3,099,980	187,980		30	339,640
39,000,000	1,560,000						
1,300,000		2,860,000	3,099,980	239,980		29	410,817
37,700,000	1,508,000						
1,300,000		2,808,000	3,099,980	291,980		28	473,057
36,400,000	1,456,000						
1,300,000		2,756,000	3,099,980	343,980		27	526,829
35,100,000	1,404,000						
1,300,000		2,704,000	3,099,980	395,980		26	572,571

[1] Robinsonian bond and investment tables—Table No. 1, page 10.

Comparison between serial-bond and sinking-fund methods, etc.—Contd.

Serial-bond method—1-50, or $1,300,000, payable each year.			Sinking-fund method, 3½ per cent basis.	Difference in favor of—		Interest on difference, at 3½ per cent compounded.	
Principal.	Interest at 4 per cent per year.	Principal and interest.		Serial method.	Sinking-fund method.		
						Years.	
33,800,000	$1,352,000						
1,300,000		$2,652,000	$3,099,980	$447,980		25	$610,701
32,500,000	1,300,000						
1,300,000		2,600,000	3,099,980	499,980		24	641,639
31,200,000	1,248,000						
1,300,000		2,548,000	3,099,980	551,980		23	665,749
29,900,000	1,196,000						
1,300,000		2,496,000	3,099,980	603,980		22	683,403
28,600,000	1,144,000						
1,300,000		2,444,000	3,099,980	655,980		21	694,965
27,300,000	1,092,000						
1,300,000		2,392,000	3,099,980	707,980		20	703,752
26,000,000	1,040,000						
1,300,000		2,340,000	3,099,980	759,980		19	701,082
24,700,000	988,000						
1,300,000		2,288,000	3,099,980	811,980		18	693,265
23,400,000	936,000						
1,300,000		2,236,000	3,099,980	863,980		17	685,588
22,100,000	884,000						
1,300,000		2,184,000	3,099,980	915,980		16	673,320
20,800,000	832,000						
1,300,000		2,132,000	3,099,980	967,980		15	653,725
19,500,000	780,000						
1,300,000		2,080,000	3,099,980	1,019,980		14	632,151
18,200,000	728,000						
1,300,000		2,028,000	3,099,980	1,071,980		13	601,551
16,900,000	676,000						
1,300,000		1,976,000	3,099,980	1,123,980		12	574,432
15,600,000	624,000						
1,300,000		1,924,000	3,099,980	1,175,980		11	540,916
14,300,000	572,000						
1,300,000		1,872,000	3,099,980	1,227,980		10	501,209
13,000,000	520,000						
1,300,000		1,820,000	3,099,980	1,279,980		9	461,505
11,700,000	468,000						
1,300,000		1,768,000	3,099,980	1,331,980		8	421,985
10,400,000	416,000						
1,300,000		1,716,000	3,099,980	1,383,980		7	376,830
9,100,000	364,000						
1,300,000		1,664,000	3,099,980	1,435,980		6	329,212
7,800,000	312,000						
1,300,000		1,612,000	3,099,980	1,487,980		5	279,279
6,500,000	260,000						
1,300,000		1,560,000	3,099,980	1,539,980		4	227,178
5,200,000	208,000						
1,300,000		1,508,000	3,099,980	1,591,980		3	173,080
3,900,000	156,000						
1,300,000		1,456,000	3,099,980	1,643,980		2	117,301
2,600,000	104,000						
1,300,000		1,404,000	3,099,980	1,695,980		1	59,359
1,300,000	52,000						
1,300,000		1,352,000	2,600,000	1,248,000			
Interest	66,300,000	131,300,000	154,499,020	29,759,340	$6,560,320		[1]15,531,011
Principal	65,000,000						
Total	131,300,000		131,300,000	6,560,320			
Saving by serial-bond method			23,199,020	23,199,020			
Deduct interest saving in favor of sinking fund			8,158,057				
Final saving in favor of serial-bond method			15,040,963				

Interest on sinking-fund differences	[1]23,689,068
Interest on serial-bond differences	[1]15,531,011
Interest saving in favor sinking fund	8,158,057

Sinking-fund decimal for $1 at 3½ per cent for 49 payments [2]	.007,692
Sinking fund for $65,000,000 for 1 year	$499,980
Interest at 4 per cent for 1 year	$2,600,000
Total annual payment under sinking fund method	$3,099,980

[1] Robinsonian bond and investment tables—Table No. 1, p. 10.
[2] Robinsonian bond and investment tables—Table No. 5, p. 43.

Mr. THOMAS obtained the floor.

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

The PRESIDING OFFICER. The absence of a quorum is suggested. The Secretary will call the roll.

The Secretary called the roll and the following Senators answered to their names:

Ashurst	Hardwick	McLean	Sterling
Bankhead	Hollis	Martin, Va.	Swanson
Beckham	Hughes	Martine, N. J.	Thomas
Brady	Husting	Myers	Thompson
Brandegee	James	Nelson	Tillman
Chamberlain	Johnson, S. Dak.	Norris	Underwood
Chilton	Jones	Page	Warren
Clapp	Kenyon	Penrose	Watson
Curtis	La Follette	Reed	Weeks
Dillingham	Lane	Sheppard	Williams
du Pont	Lea, Tenn.	Simmons	Works
Fernald	Lee, Md.	Smith, Ga.	
Gronna	Lewis	Smith, Md.	
Harding	Lodge	Smoot	

Mr. CHAMBERLAIN. I have been requested to announce that the Senator from Mississippi [Mr. VARDAMAN] is detained on official business.

The PRESIDING OFFICER. Fifty-three Senators have answered to their names. A quorum is present.

DISTRICT OF COLUMBIA APPROPRIATIONS—CONFERENCE REPORT.

Mr. SMITH of Maryland. Mr. President, I submit the conference report on the bill (H. R. 19119) making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June 30, 1918, and for other purposes, and that it be considered.

The PRESIDING OFFICER. The conference report will be read.

The Secretary read the report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 19119) "making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June 30, 1918, and for other purposes," having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 14, 30, 32, 43, 44, 46, 51, 54, 55, 62, 71, 85, 89, and 96.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 31, 35, 36, 37, 39, 40, 41, 42, 45, 47, 48, 52, 53, 56, 57, 58, 59, 63, 64, 65, 66, 67, 68, 69, 70, 72, 73, 74, 75, 77, 78, 79, 80, 81, 82, 83, 84, 86, 90, 92, and 95, and agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the amendment of the Senate numbered 13, and agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"In connection with the item contained in the District of Columbia appropriation act for the fiscal year 1917 providing for repaving with asphalt the roadway of Fourteenth Street NW. from Pennsylvania Avenue to F Street, 70 feet wide, the owners of the abutting property are hereby required to modify the roofs of the vaults now under the sidewalk on said street between the limits named, at their own expense, so as to permit the widening of the roadway of said street to 70 feet."

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 33, and agree to the same with an amendment as follows: In lieu of the sum named in said amendment insert "$30,000"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 34, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$82,415"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 38, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"For matrons in the normal and high schools, including the following: Wilson Normal, Miner Normal, New Central High, Dunbar High, Business High, Western High, Eastern High, McKinley Manual Training, and Armstrong Manual Training, 9 in all, at $500 each, $4,500."

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 49, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "90 additional privates of class 1, at $900 each, to be employed on, or after March 1, 1917, $108,000, $27,000 of which sum to be immediately available, and the provision in the District of Columbia appropriation act for the fiscal year 1913 which provides 'After June 30, 1912, there shall be no appointments, except by promotion, to fill vacancies occurring in classes 1, 2, and 3 of privates in the Metropolitan police until the whole number of privates in all of said classes shall have been reduced to 640,' is hereby repealed"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 50, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$1,073,618.66"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 60, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "serologist, $2,500"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 61, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$76,540"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 91, and agree to the same with an amendment as follows: Transpose the matter inserted by said amendment to follow the words "water service," on page 88 of the bill, in line 14; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with amendments as follows: In line 2 of the matter inserted by said amendment strike out the word "continuously" and insert in lieu thereof the word "regularly," and in the same line strike out the word "thirty" and insert in lieu thereof the word "fifteen"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 94, and agree to the same with an amendment as follows: In line 6 of the matter inserted by said amendment, after the word "Congress," insert the following: "Potomac Park"; and the Senate agree to the same.

The committee of conference have been unable to agree on the amendments of the Senate numbered 8, 16, 76, 87, 88, 97, and 98.

JOHN WALTER SMITH,
JOE T. ROBINSON,
Managers on the part of the Senate.

ROBERT N. PAGE,
JAMES MCANDREWS,
C. R. DAVIS,
Managers on the part of the House.

Mr. NORRIS. May I ask the Senator from Maryland whether or not this is a final agreement?

Mr. SMITH of Maryland. No; it is a disagreement. We further insist upon the disagreement and ask for a further conference.

Mr. NORRIS. I wish the Senator from Maryland would inform us what particular amendments are still in disagreement.

Mr. SMITH of Maryland. The matters in disagreement, I will say to the Senator from Nebraska, are relative to the enforcement of the child-labor law, which involves the appointment of two extra persons to enforce it, instead of two policemen who are now performing that duty; another is the payment of the claim of Thomas W. and Alice N. Keller; another is in reference to the Gallinger Municipal Hospital; another is in reference to the Klingle Valley Park; another is in reference to the intangible tax, and still another is in reference to the matter of increased compensation.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

Mr. SMITH of Georgia. One moment, Mr. President, before the report is agreed to. It was impossible for us to understand what the Senator from Maryland [Mr. SMITH] was saying. The aisle was filled with Senators standing and talking. I wish to ask if the matter in reference to increased compensation is still in dispute?

Mr. SMITH of Maryland. That amendment is still in disagreement. Is there any further question which the Senator desires to ask in reference to the report?

Mr. SMITH of Georgia. No.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

Mr. SMITH of Maryland. I move that the Senate further insist upon its amendments, request a further conference with

the House on the disagreeing votes of the two Houses thereon, the conferees on the part of the Senate to be appointed by the Chair.

The motion was agreed to; and the Presiding Officer appointed Mr. SMITH of Maryland, Mr. ROBINSON, and Mr. GALLINGER conferees on the part of the Senate.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 20573) to provide increased revenues to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes.

Mr. LA FOLLETTE. Mr. President, I desire to submit some amendments, which I intend to propose to the pending bill. I ask that they may be printed.

The PRESIDING OFFICER. It will be so ordered.

Mr. THOMAS. Mr. President, I intended discussing some of the features of the pending bill upon the close of the argument of the Senator from Massachusetts [Mr. WEEKS], but my friend the Senator from Oregon [Mr. LANE] has prepared himself upon one subject of the bill, and now desires to proceed. So I cheerfully yield the floor to him.

Mr LANE. Mr. President, I dislike very much to take precedence of the Senator from Colorado, but I hope to be able to say something on the question of the provision of the bill relating to oleomargarine and its tax which may be of some interest to Senators—not a great deal, perhaps, and yet it is a matter, it seems to me, upon which the people should be informed. It might make some difference in the choice of their foods to ignorant people who have not carefully investigated the matter, and really it ought to be our duty to let them know what they are eating; they are entitled to that information.

I have no prejudice against butter nor none against oleomargarine; but they have been confused in the presentation of the subject, as it appeared to me, and it seemed to be so confusing to others that I thought the Senate ought to know what it was voting for or against.

As for butter, it is a pure product if it is in a pure condition. The same applies to oleomargarine. Butter is an 80 to 85 per cent animal food fat made by the churning of cream. It may have tubercular germs in it or it may not have; it may or it may not have in it certain ingredients which are not cleanly. The same condition applies to both substances.

There is, however, one thing about butter. If it is a spoiled article, it is honest enough to let you know it, for, if it is rancid, you do not like its taste and you will not eat it; if it is spoiled, it does not smell good, and both your sense of taste and your sense of smell warn you against the use of it.

Oleomargarine is a mixed compound, if you please, not only of animal fats but also of vegetable oils. It is a composite mixture, which is made by chemical and other means. It is used as a substitute for butter, and it is here claimed that practically, and to all intents and purposes, it is the same as butter. It is not the same, it never was, and it can not be.

I want to show some of the reasons why oleomargarine is not the same as butter, and I want to be backed in what I state by the authorities, authorities which are unquestioned. I am going to read, first, a short note from the United States Dispensatory, nineteenth edition, published by Lippincott and edited by Wood, Remington, and Sadtler, three of the greatest chemists in the United States, and a work which is recognized all over the world. They analyze and define the constituents not only of butter but of oleomargarine. Butter is 82½ per cent pure butter fat. It is defined here on page 125 as follows:

> Butter is the clean, nonrancid product made by gathering in any manner the fat of fresh or ripened milk or cream into a mass, which also contains a small portion of the other milk constituents, with or without salt, and contains not less than 82.5 per cent of milk fat. By acts of Congress approved August 2, 1886, and May 9, 1902, butter may also contain added coloring matter.

Butter may also contain added coloring matter. So, by the way and by the same token, does the other article, or at least they are asking for permission to color it now.

Oleomargarine is composed of a compound series of animal fats and animal acids, if you please, combined with vegetable oil, which is also a fat, but of vegetable origin.

The definition of oleomargarine given by the Century Dictionary is as follows:

> Oleomargarin, oleomargarine * * * a granular solid fat of a slightly yellowish color, obtained from the leaf-fat or caul-fat of cattle; so named by the inventor of the process of its preparation. The fat is first carefully cleaned from adhering impurities, as bits of flesh, etc., and then thoroughly washed in cold water. It is next rendered at a temperature of 130° to 175° F., and the mixture of oily products thus obtained is slowly and partially cooled till a part of the stearin and palmatin has crystallized out. Under great hydraulic pressure the parts which still remain fluid are pressed out; after a time these solidify and are ready for market. This substance has been largely used as an adulterant of butter. When oleomargarin is churned in a liquid state with a certain proportion of fresh milk a butter is produced which mixes with it, while the buttermilk imparts a flavor of fresh butter to the mass, making so perfect an imitation that it can scarcely be distinguished by taste from fresh butter. A refined fat strongly resembling that obtained from beef-fat is got from lard by similar treatment. Also, in commerce, called simply oleo.

Now, they use lard and what we commonly call tallow, and, as I will show you further, by a certain chemical process——

Mr. BRADY. Mr. President, I will inquire of the Senator whose definition it was he read?

Mr. LANE. The definition was from the Century Dictionary. They secure a compound of a certain consistency by diluting it with cottonseed oil and butter, probably processed so that it has the appearance of butter. Then by churning it in buttermilk they get the flavor of butter, and, by adding certain coloring matter, they get the color of butter; and the unsophisticated palate can not tell it from butter, as I am told, although it seems to me that I can always detect it. It has a certain consistency owing to the fact that the fat cells in tallow are composed of three different elements. They are surrounded, in the first place, with a very strong cell membrane, which butter cells do not have. The membrane of a cell of butter fat is very fragile, as is that of whale blubber and blubber from the walrus, an easily broken-down cell, one which, if you put it in your stomach, is easily turned into a form in which it is readily digested.

If you will put upon your plate a tablespoonful of lard, a tablespoonful of tallow, and then another tablespoonful of cottonseed oil, and spread each separately upon three pieces of bread and try to eat them you will find that you can swallow the bread with the cottonseed oil upon it with a good deal of facility, for the reason that it is oily, but it will not taste good. Then if you will turn to the larded bread you can get that down by hard work, but it is sickening. If one should spread a piece of bread for you with a tablespoonful of tallow upon it and present it to you for lunch you could not swallow it, you would resent it, and if he insisted on your eating it you would have a fight with him if you had any manliness in you. It would glue up the top of your mouth, and you would have to take a spoon and dig it out.

In the case of butter, if we will assume that it is all fresh and pure, you would find it palatable. You would not eat tallow if you could get anything else to eat. You might eat it if you were starving, but the tallow would not taste good to you, although it might nourish you. So would a boot or an old shoe, if it were boiled long enough and were taken out once in a while and a sledge hammer were used on it to break its fibers and it were finally worked down to a proper consistency and a little flavoring matter were put into it, say, garlic and tomato sauce, and a fricassee were made of it. Under those circumstances you could eat it; but it would not be beefsteak. It might look like beef fricasseed, but it would be fricasseed boot just the same, and it would have a certain small amount of nourishment in it, but I should not like to have it presented to you, and more particularly would I resent having it worked off on me with the straight statement that it was just as good as beefsteak. It is not beefsteak.

As I have heretofore said, all butter is not good; some of it is unfit for food; and there is no doubt that some of the cattle from which the cream is derived are tubercular. It is the duty of the Government to see—and perhaps right here in this bill would be a good place to provide a remedy for it; but, at any rate, in some bill it should be so provided—that butter be not tubercular and that the cattle from whose milk the cream is derived are free from tuberculosis, and then we will have an assurance of a product which is healthful, is one of the most palatable articles of diet which has strong nutritive value.

On the other hand, my friend from Alabama [Mr. UNDERWOOD]—and I am sorry he is not here—did not tell you, nor has anybody else or any authority quoted, from which he, so far as I know, stated that the fattest cattle, the fattest, barren cow, or milch cow which they turn into beef, for the reason that she is fat and does not give much milk, is likely to be a tuberculous cow. The tubercular animal, the one whose lungs and liver are loaded with tuberculosis, seething and teeming with it, for some unknown reason is butchered, and from the tallow of that animal, perhaps, oleomargarine is made. I will concede that before it becomes oleomargarine it is put through a process by chemical and other treatment by which the tubercular germ dies.

The lard in oleomargarine may come from a hog, an animal which is even more susceptible than the cow to tuberculosis, and yet it goes into the pot in which they render the lard from

which oleomargarine is made. It has not been far in the past when if a hog out of a carload of hogs died on a train from overheat or from being tramped to death it went bodily, hide and all, into a lard vat, and the lard was taken from its carcass and sold for food. That was despite Government regulations, for at that time Government inspectors received their salaries from the butchering establishments, the large institutions which constitute the Beef Trust. If an inspector made much complaint or if he got "real gay" about it and real indignant, he lost his job. I have seen them go out. I saw the best inspector we ever had lose his place.

So far as the source of these products—beef tallow or lard—is concerned they stand upon the same basis. In either case the germs have been killed either by chemical or mechanical processes of treatment. On the other hand, it is our duty here, first of all, to render immune or to eradicate the cattle which pass along the tubercular germ which may go into butter; and by the way, I might say, for the information of Senators, that no microscopist, so far as I know, if you please, has been able to detect to any extent tubercular germs in butter. That is for the reason, perhaps, that the substance is of such consistency that he can not find them, or it may be that they do not exist there. I think the germs do exist there, to a certain extent, and the fault is largely with the methods of detecting them in butter fat.

These are some of the reasons why I object to a gentleman who confessed here that he did not know what lard was made of setting himself up as an authority, and delivering a dissertation on the valuable food qualities of an artificial compound. Butter and oleomargarine are not the same. Each is entitled to consideration; each has its food value; and each is entitled to that credit, but to no more. That is why I have gone to work here to check this out.

Now, we will take an animal fat. Take beef tallow. It is made up of three component parts. I made the remark yesterday that one of these ingredients made the best boot grease in the world, and Senators will acknowledge that that remark was sensible when I explain to them what those ingredients are. There is, first, in animal fat, olein, stearin, and margarin. The olein was formerly supposed, although I think they have changed their opinion lately as to that, to be the only oily part, and the margarin was that part from which they claimed this valuable food compound was made, and the stearin—you all know what stearin is. If you think back, you gentlemen who are old enough to remember, will recall that in the old days your father and mother with your help made dip candles, and molded tallow candles. After they melted the tallow, they poured it into the molds, hung them up, and set them aside to cool, and you will remember that the old tallow candle melted down quickly, and when it was set to burning if a moth or a fly got into that candle it would burn up in a few moments and would almost smoke you out the house if you did not get the insect out in a hurry.

A little later on came a man with a brain under his hat who took cognizance of that, and separated it into its component parts. He took the stearin out of tallow fat and made a candle which would burn evenly and slowly and give a fixed and perfect light to the extent of its illuminating capacity. That was the stearin candle. You may remember 50 years ago that the old Harkness candle was the best candle, purer and far better than the old candle made from beef tallow. Any article which, unlike butter, will hold up against heat, stand heat, and a lot of it before it will melt—suggest it to yourself and you do not need to have any chemist answer the question for you—is not an easily digestible fat. You may be able to get away with it, if you have a strong stomach, but it is not what you might call an ideal food.

Now, those are the component parts of the beef tallow and lard which is made into this vaunted article of food which is claimed to be an equivalent of butter as an article of diet. You know better. You can go home to-night with a piece of tallow and a half pound of butter, and if you will set the butter and the tallow up alongside the stove the butter will melt away and it will become rancid in a day or two while the tallow will stand up with a smiling countenance for a week and never bat an eye. [Laughter.]

It is up to you. Anybody ought to know better than that; and yet there are arguments presented here endeavoring to prove the contrary. I have no objection to anybody eating oleomargarine if they care to do so, and I concede that as a waterproof lining to your alimentary canal or as a substitute for butter in case of starvation it may be of some use to you. Eat all you can get away with for it will help you out in a degree, but it is not butter. It looks like butter; it tastes like butter, for the reason that they have churned it in buttermilk, but it is not butter. There is an old story amongst the Irish to the effect that an Irishman met a priest one day and asked, "Who is this man who looks like a priest and dresses like a priest? Is he a good man?" The old priest replied, "I do not know him, but beware of the man who dresses like the priest and acts like the priest but is not the priest." So I say, beware of an article with which great pains have been taken to make it look like butter and taste like butter and smell like butter, and which by the use of coloring matter has the color of butter, but is not butter. It is an artificially prepared article of diet made by sophisticated gentlemen to sell to unsophisticated people for profit.

If you want any proof as to what olein is, if you should like to hear what margarine is, if you should like to hear what stearin is, I have the definitions for all of them here in the Century Dictionary; and I can read them to you or you can hunt them up for yourselves.

Mr. LA FOLLETTE. Read them.

Mr. MARTINE of New Jersey. Mr. President, I should like to inquire whether the Senator brought any samples with him of these various products?

Mr. LANE. No; but I could very easily procure them; it would not be hard to procure them. Some kindly gentleman has removed my markings and put in his own, to mislead and beguile me I fear.

There are subjects discussed here by the hour which are of less vital importance to the people of this country and of less value to the bill than this question which I am discussing with you at this time. It may sound trivial to you, and yet it leads deep into the nutritive values, if you please, of the food products of the people of this country, those who will have later along to stand by this country and pull it out of stress when the impending storm breaks. I am going to make no apology to you or anyone else for discussing it. These are matters which interest us all, and to a far greater degree, perhaps, than they interest me; and yet I think that, in a way, it is a sacred subject—the matter of the food that you put into your child's stomach and feed to your wife and nourish yourself on, or try to. It deserves attention and should not be misrepresented, ignorantly, perhaps. It is said by some Senators that any talk on behalf of butter is in the interest of some great butter trust, while the talk on the other side is represented as being in the interest of the beef and oil trusts. I have no interest in either. I merely want to get the facts before you, and without prejudice, if I can do so, and I am going to try to do it for a little while, at any rate.

Now, here is the definition of "stearin." I have it marked in the dictionary.

Mr. THOMAS. It is not the steering committee, is it?

Mr. LANE. Not the steering committee. Stearin is one of the component parts of oleomargarine:

An ester or glyceride—

All fats have more or less of glycerin in them—

formed by the combination of stearic acid and glycerin. When crystalized it forms white, pearly scales, soft to the touch, but not greasy.

Not greasy; not much oil in it. That is the tallow from beef from which they make semiwax candles.

It is insoluble in water—

I will say also in the stomach [laughter]—

but soluble in hot alcohol and ether.

And the country has gone dry! [Laughter.]

When treated with superheated steam—

And you can not take that into your stomach—

it is separated into stearic acid and glycerin.

Glycerin is an irritant. Some women use it, misguidedly, thinking that it softens their skin. It does not. It dries the water out of it and is used for that identical purpose by surgeons and physicians—successfully, too, if you please.

When boiled with alkalies, is saponified.

That is, it makes soap.

That is, the stearic acid combines with the alkali, forming soap, and glycerin is separated. When melted it resembles wax.

And it does. That is why I said yesterday that your father used it, and your grandfather did, too. When there was a melting snow, he heated his boots or shoes to a state short of burning them, and then took some of this stearic acid, tallow, and beeswax and rubbed it in and cooled them, and they were watertight. That is why I said it made the best boot grease and the poorest food that one could put in his stomach. You can not protect your feet with butter, nor with any pure, straight oil, if you rub it on your boots and shoes; but you can do it if you can get enough of this oleomargarine together and separate it

with a little heat. [Laughter.] This is a scientific discussion, gentlemen. I hope you will not laugh.

It is the chief ingredient in suet, tallow, and the harder fats.

Now, Senators, what makes one fat harder than another? It is the outside coating, the cellular wall. The cell wall in animal fat, such as beef tallow, is hard. It will stand an acid; and the fact is, they have to use strong acid or its equivalent to break it down in order to make oleomargarine. Nobody told you that yesterday or last night.

There was one Senator here who stated, during my absence—I have been reading it in the RECORD—that he preferred oleomargarine when he went out camping or into the mountains, for the reason that it would not melt nor spoil so quickly as butter. He said that if he took butter into a dirty cabin it would spoil on his hands; and it will. It will not stand for it. He said also if he took it out into the hot country, while traveling, the butter would melt and become rancid. It gave up the ghost, and you could not eat it. It spoiled. Of course it would; and any other honest article of food will do the same. Go into a dirty cabin and hang up a beefsteak, and try to eat it a couple of days afterwards, and you can not do it. It will decay, and so will butter; but butter and beefsteak are honest enough to tell you that they are spoiled. He said you could take this oleomargarine and store it into this dirty cabin, or out on the plains, and it would last two weeks; and it will. You could not break its health down with anything but a club. [Laughter.] It will last you a month. I do not know but that it will last you a year. So will soap. [Laughter.] So will a brickbat, as far as that is concerned; but who wants to eat it? But that is no proof that it is food. It is no proof that it is an honest or complete substitute for food, but rather proof that it is not. Yet that argument has been urged here with such facility and ease and assumption of a superior knowledge of the subject that it made me tired. [Laughter.] But I want to analyze it, because I studied this subject along the line of chemistry and physiology to a slight degree when I was a young man, and I was anxious to know whether or not the old principles of chemistry had been entirely changed, and I found that they had not. You want to look out when you eat it. I want to give you warning.

I find I have lost my glasses.

Mr. BRANDEGEE. Are they gold?

Mr. LANE. No, sir; they are not gold. They are filled-gold glasses, and the lenses are made out of the bottom of a bottle, I have no doubt. I think the Senator from Alabama [Mr. UNDERWOOD] has them.

Mr. LA FOLLETTE. He needs them.

Mr. LANE. Now, ladies and gentlemen of the Senate [laughter], I want to dilate a little on oleomargarine, and I want you to watch it in your diet in the future. This is good medical advice which does not cost you anything [laughter], but it will be of use to you. Do not eat or feed your children any article of diet which will not spoil. It has something in it of a chemical nature, or has been put through some process or treatment which, if it renders it immune from spoiling also renders it indigestible. The Creator never intended you to eat anything which would not spoil. He laid fresh food before you, and He expected you, and it is your duty, to eat that kind and that only. Beware, as I said before, of any kind of food that will not spoil.

Mr. MARTINE of New Jersey. Mr. President, I should like to ask the Senator whether he would give that advice with reference to alcohol—to take fresh alcohol—or would he rather have it aged?

Mr. LANE. Well, I will tell you, Senator—there is no good in either of them. [Laughter.] To raise my voice at this time against the talented gentlemen, masters of the English language, seems like an assumption on my part, but I will risk it.

Now, as to the coloring of oleomargarine, which the Agricultural Department, it is said, claims to be a food product which is as digestible and nutritious as butter, and always I refer to pure, clean butter. Nor can it be handled in a more filthy manner—a whole carcass of a hog thrown into the vat without even being cleaned, for its fat elements only, and beef which is seething, as I said before, with tubercular germs, afterwards purified by being submitted to chemical processes. Now, if this is so good a food, if it is in the majority of cases even better and more wholesome than butter, why try to make it smell and taste like butter by churning it in buttermilk? And why add butter to it? That is a fraud. Why color it so that it will look like good spring butter?

Of course, I will allow that the fall butter or the butter from cattle in the winter in many instances is a light-colored article. But not, as a rule, from well-fed cows of good parentage nor from a cow that is a cross between a shorthorn and a Jersey, with plenty of outdoor exercise and good food in a decent climate, does it get white. It is always yellow. In reply to the statement that such coloring is merely an appeal to the senses, I would state that it is an appeal to the common sense of the man who was raised on the farm, who saw his mother churn butter that was yellow, the cow's milk and cream being yellowish in color; and he learned when he was a baby in his mother's arms that butter tasted good, that it was good, and that he liked it. Now we are making an imitation of it out of the fat that surrounds the intestinal canal of steers and hogs. Suppose the butcher knife slips? You will have to put it through a chemical process then to fix it so that anybody would eat it if they saw it; and I have seen the knife slip.

Then, why add cottonseed oil? Why put cottonseed oil in it? Did you ever think why cottonseed oil goes into this very nice, tasty, and well-smelling butterine, this bogus butter? It is so that you can swallow it. You could not get it down otherwise. It does not furnish enough grease or oil to allow itself to slip into your stomach unless you give it a boost [laughter] or assistance from something which is of a more fluid consistence. Now, cottonseed oil, bar its taste, is pure, and I think it a good food, which will be more and more used as a food, and in the future it may become a substitute, or one of the substitutes, for butter; but it will be done without the addition of something which is better used and more useful to the people of this country when it is made into soap. Tallow will go further and do more good to the country as soap than it will as a substitute for butter.

As I said, our friend from New York stated here that he could go out into the mountains camping, put up in dirty cabins, and his butter would spoil, but when he went in there provisioned with this other article, oleomargarine, it would last him a month, and he ate it with a great deal of pleasure. I would not have it on my table just for that identical reason. He ought to have added just one instruction, a necessary one, that in the case of butter, when it becomes rancid you could throw it out; but if he was going to use oleomargarine, first, for his stomach's sake and for his general health's sake, he should pare or peel the outside of it off to a depth sufficient to remove the dirt as well as the germs, which could not bore a hole into its tough insides.

There is a certain kind of decay, and I want to call your attention to it. Many of you have suffered from the effects of it—not the good, old, honest, spoiled carcass, like the dead steer on the plains or out on the farm, which gives notification of its presence so that you may go and bury it, but that other insidious germ which produces a deadly decay without odor, which does not manifest itself, which goes along with certain types of cold-storage beef and fish, which does not show itself by taste nor by smell, and gives you ptomaine poisoning. That is the one to watch. The buzzard will find the other for you. You do not have to bother it or eat it, and you will not; but you do eat this other, and many men get sick and others die from it, and there is a certain kind of preservative which so preserves food that it is indigestible and unhealthful to eat.

I want to call your attention to margarine, and some more information in relation to it from this same encyclopedia or dispensatory. It is said to be in part composed of stearin. Let us see how they manufacture it into oleomargarine, and how they break down these cells so that they can make this pasty mass and this intimate mixture which you can pass over your palate without getting it glued to the roof of your mouth:

Stearin: This exists abundantly in tallow and other animal fats. It may be obtained by treating the concrete matter of lard, free from olein, by cold ether so long as anything is dissolved. The palmatin is thus taken up, and stearin remains. A better method is to dissolve suet in heated oil of turpentine—

Of course you have used turpentine to clean the paint spots off your coat or your pantaloons, and it will do it. [Laughter.] It is a strong solvent of oil and paint and other articles of that sort—

allow the solution to cool, submit the solid matter to expression in unsized paper, repeat the treatment several times, and finally dissolve in hot ether, which deposits the stearin on cooling.

They do that to express it out. There is a little difference of opinion here, a little different way of stating it, which may apply more or less to this. I have not yet had time to work it out, but that is one way in which they can procure their stearin.

This is concrete, white, opaque in mass, but of a pearly appearance as crystallized from ether, pulverizable, fusible at 66.5° C. (152° F), soluble in boiling alcohol and ether, but nearly insoluble in those liquids cold, and quite insoluble in water.

Now, there is one. Here is margarin:

Margarin: What was long known under this name was stated by Heintz in 1852 to be a mixture of stearin—

You see, stearin—this is the stuff that you have to use turpentine to extract—

and palmatin, and this view is now universally accepted by all authorities.

The fixed oils are liable to certain spontaneous changes, which have been investigated by Pelouze and Boudet. It appears from their researches that the oils are accompanied—

I do not ask nor suggest that any fine be placed upon the man who produces the inferior article; but it should go on its merits, and it should say, "This is a composition made of beef suet and lard, subjected to certain chemical processes"—a full statement of that—and then say, "It is colored to make it look like butter, with a certain coloring matter, the same as is used in butter; and it is made to taste like butter by rubbing it up and down or churning it in buttermilk from which true butter has been taken"; and it should be stated on the package that "No pretense is made that this is the equivalent of butter. It is an entirely different composition or compound."

Mr. THOMAS obtained the floor.

Mr. PAGE. Mr. President, may I interrupt the Senator from Oregon with a question for just a moment before he sits down?

Mr. LANE. Certainly.

Mr. THOMAS. I yield.

Mr. PAGE. I was very much interested in what the Senator said in regard to the healthfulness of butter; and I was reminded that when I last went to my home I sat beside my little grandson, 2 years old, and he was being fed with some bread with butter spread upon it. He would take up the bread and eat the butter, leaving the bread. I called the attention of the mother to the fact and asked if that was good for the boy, and she said: "The doctor says, yes; let him eat all the fresh butter he will; it is good for him." I should like to ask the Senator if that would be true with regard to the oleomargarine that he is speaking of?

Mr. LANE. Mr. President, it has been asserted here that it is wholesome by eminent Senators who have placed in evidence pamphlets emanating from the Department of Agriculture. So far as I am concerned, I always fed my babies upon butter and advised my patients to get pure, fresh butter in a State which regulates the inspection of cattle for tuberculosis. That is my answer. All small children eat the butter first. Mine did, and yours and everybody else's will eat pure, sweet butter and leave the bread to the last, or, maybe, leave it altogether. I think they would not pay such devoted attention to oleomargarine. More particularly, I know they would not if they knew what it was composed of.

Mr. THOMAS addressed the Senate. After having spoken for some time,

Mr. SIMMONS. I will ask the Senator from Colorado, before he enters upon another part of his speech, if he will allow me to make an announcement, which I think ought to be made now?

Mr. THOMAS. Certainly.

Mr. SIMMONS. I wish to announce that at 6 o'clock I shall ask for a recess until 8 o'clock to-night, and if we do not have a quorum we will try to get it.

Mr. THOMAS resumed his speech. After having spoken for some time,

Mr. OWEN. Mr. President, will the Senator permit an interruption for just a moment?

Mr. THOMAS. Yes.

Mr. OWEN. I wanted to ask consent of the Senate to take up the amendments to the bank bill at some hour to-morrow for disposition. The time is getting very, very short; the matter is quite important; and there is no objection to it in any quarter that I know of. I do not think it would take over three-quarters of an hour or half an hour, perhaps, to pass it.

Mr. SMOOT. Mr. President, the Senator having the bill in charge is not in the Chamber just at this moment.

Mr. THOMAS. Yes; I was going to say that in the absence of the Senator from North Carolina [Mr. SIMMONS] I should be compelled to object; not that I want to interfere with the Senator's purpose, but because——

Mr. OWEN. I merely wished to discharge my duty by the United States. I have done that. I will continue to try to do it.

Mr. THOMAS. I shall endeavor to be equally zealous in that regard from my own standpoint.

Mr. President, the Senator from Oregon [Mr. LANE] is always entertaining, frequently instructive, and generally well informed. He has given some attention to one of the subjects of this revenue bill; but I gather from his argument either that he has not read the amendment of the Senator from Alabama [Mr. UNDERWOOD], or that he has not comprehended its terms, because, if I understand it aright—and I have read it a number of times—its chief purpose is to prevent the occurrence of the very frauds and wrongs of which the Senator complains, and of which this article of merchandise seems to be susceptible.

No doubt any practice which assumes to deal in an article under false pretenses, to the injury of the public or any part of them, should be prohibited under severe penalties; and if it be true that oleomargarine is an unhealthy and unnutritious product, then, independently of any other question connected with it, its use as an article of food should be suppressed. It should not be regulated; it should not even be permitted to be sold under labels which can not be mistaken and which convey to the purchaser full information of its character.

The pure-food law was designed for that identical purpose; and while its provisions have been in many instances perverted or disregarded successfully, the useful and essential object of the law was to come between the purveyor of unnutritious and unhealthful and poisonous foods and the public.

I shall assume, Mr. President, because it has not yet been seriously questioned, that oleomargarine is a healthful and nutritious food, whatever some of its constituents may be. Such is the verdict of the leading chemists, not only of this but of all countries. Such is the assurance of the pure-food bureau of the Agricultural Department. The Senator from New York [Mr. WADSWORTH], whose argument has been the subject of some criticism by the Senator from Oregon, in a speech of two hours last evening to an audience of from six to eight Senators, covered this subject so fully and so clearly, and displayed such breadth of information derived not only from study but from actual experience, that I regret the great majority of the Members of this body were not present. To my mind, he exhausted the subject, leaving but little to be added to it. Therefore, Mr. President, I shall not attempt in the time I shall devote to this branch of the bill to do more than seek to fill in, as it were, a few suggestions, by way of supplement to the Senator's discussion.

Let me refer, then, to a summary of the laws of other countries upon the subject, particularly as there seems to be some misapprehension or misunderstanding as to what these laws are. It may be that the summary which I hold in my hand is not correct, but I read from the American Food Journal, and from its February number, on page 82, which prints a digest of the laws of the leading countries outside of our own:

ENGLAND.

The British law permits the artificial coloration of margarine, limits its content of butter fat to 10 per cent, limits the moisture content to 16 per cent, and requires dealers to use a wrapper marked "Margarine" for all retail sales.

HOLLAND.

The Dutch law permits artificial coloration, requires the word "Margarine" to be shown on packages displayed for sale, and also requires all goods sold to be inclosed in a wrapper similarly marked.

BELGIUM.

The Belgian law permits artificial coloration, levies a Government tax of one-half cent per pound, establishes a fat standard of 82 per cent, requires the use of 0.5 per cent each of sesame oil and potato flour (for the purpose of making it chemically easy to distinguish margarine from butter), and requires the retail dealer to mark packages properly.

I think it is generally conceded that the German regulation of all social and industrial activities, including pure-food supply, is a model of management and regulation. Their chemists are easily the best in the world, and their autocratic system of government and the care and caution and precision which mark all their methods in the matter of social and industrial efficiency are such that if there were impurities in this foodstuff, if its effects upon the human system were as deleterious as we must conclude from the assurances of the Senator from Oregon, if it were of that pernicious character which it must be if because of the constituents which compose it the composite product is what he claims it to be, the German chemists would have long since ascertained the fact and, of course, the regulation of the country with due regard to the well-being of the people would have prohibited its use or have confined it to those which were innocous.

FRANCE.

The French law prohibits the artificial coloration of margarine and does not permit its sale in stores where butter is sold. It requires retail dealers to display "Margarine" signs and to mark their packages properly.

GERMANY.

The German law permits the artificial coloration of margarine, requires the use of 10 per cent of sesame oil, and stipulates that manufacturers' packages shall be marked with a red streak 2 centimeters large on containers with height up to 35 centimeters, and at least 5 centimeters on higher containers, and that retailers' packages shall be properly marked and labeled as "Margarine." It does not allow the mixing of butter with margarine and prohibits the handling or manufacture of margarine in places where butter and cheese are made or handled. It does not allow margarine to be put up in "butter shapes" and specifies that manufacturers must make their location

known to the authorities and furnish information regarding materials, methods, etc., when required.

It will be noticed, Mr. President, that the German regulations are more specific and are given more in detail than those of the other countries.

NORWAY AND SWEDEN.

In Norway and Sweden the law permits artificial coloration and requires the use of a certain percentage of sesame oil. It prohibits the manufacture of margarine in creameries where butter is made and places the margarine manufacturer under Government inspection. It requires dealers to display a sign when selling margarine and manufacturers' and retailers' packages to be labeled or marked "Margarine." It also requires that margarine must be packed in containers whose length is twice their width.

DENMARK.

The Danish law permits artificial coloration of margarine up to a certain standard established by the Government, requires the use of a certain percentage of sesame oil, and stipulates that a red band shall be placed around the outside of each original or shipping package, and that each package shall be plainly marked "Margarine."

It is observable, Mr. President, that in all the leading European countries this article is regarded as a pure-food product and is subject to regulation not to exclude it from the market but to enable people to get it for what it is, not for what it might pretend to be.

In this connection it may be interesting to refer to the proportionate quantities of oleomargarine that are consumed in these countries. I read from the same magazine:

At the time of the last census (1909) there was manufactured in this country a total of approximately one and one-half billion pounds of butter, of which very nearly 1,000,000,000, or 60 per cent, was manufactured on the farms, some 6,361,502 in number, the balance of 624,764,653 pounds being a product of the factories. The same year, 1909, there were manufactured some 92,000,000 pounds of margarine, which figure has in the interval between 1909 and 1916 increased to 152,183,085 pounds. At the time of taking the last census the population of this country was about 90,000,000. Thus it will be seen that our annual per capita consumption of table fats is in the neighborhood of 19½ pounds, the oleomargarine consumption per capita being 1½ pounds, and the balance consisting of butter.

That would be 18 to 1½ as the proportion in this country of the relative consumption of butter and of oleomargarine.

It is interesting to compare these figures with the annual per capita consumption in Great Britain, which was before the war 17 pounds of butter and 8½ pounds of margarine, a total of 25½ pounds.

Just here let me digress, Mr. President, to say that if any object lesson were necessary to support the proposition that competition between butter and oleomargarine properly placed upon the market does not, indeed, can not, interfere with or reduce the amount of butter produced or affect the business injuriously, it is given by these statistics from Denmark, which is not only the greatest butter country in the world but it produces the best, and consequently commands the market without regard to competition.

In Denmark the annual per capita consumption of margarine is 43 pounds, more than twice the total consumption of table fats in this country. In Norway the annual per capita consumption of margarine is 33⅓ pounds, and in Holland, 20 pounds, the consumption of butter not being a matter of record.

So that in other countries, concerned as we are with the distribution of pure-food products, concerned as we are with the protection of the people against impure or pretended ones, this has become a staple article of diet, nutritious, desirable, and, as the Senator from New York said last night, filling a space in the demands of the people in which butter does not enter at all.

Now, what is the situation in this country? We have a law, placed upon the statute books in 1902, which was designed, whatever may be said about it, to crush one American industry for the benefit of another, which invoked the taxing power of the Nation—and that is the power to destroy—for the protection of one legitimate industry against another, both of them being American. I can understand how an extreme advocate of protection, how a man who believes in that principle, might square his conscience with the application of the principle to two American industries, both entitled to the protection of the law; but I am unable to understand how any Democrat who must believe that taxes should be placed upon wealth instead of consumption, and that the taxing power should not be used for any other purpose than the raising of money for public expenditures and public needs—how such a man can for a moment hesitate to vote for this amendment is beyond my comprehension.

A government, Mr. President, ceases to be a government of the people when its power and authority are used to benefit one part of the people by destroying another part of the people. A government is not fit to be called republican which utilizes its taxing power to make one business prosperous at the expense of another, each of them domestic enterprises and each contributing to the support of the Government and entitled to the protection of its laws. This law runs absolutely counter to that theory and practically operates in favor of, for the benefit and protection of, a great American industry by shielding it from possible competition in the use of an article whose competition it fears.

Mr. President, the Senator from North Dakota [Mr. McCUMBER] said yesterday that there was no objection upon the part of anyone—certainly not of the butter makers of the country—to the sale of margarine as margarine; that the objection was to the sale of margarine as butter; and that any law which enforced the sale of margarine as such was not open to serious objection. Of course, I do not pretend to give the Senator's exact language. The pending bill is designed to do that.

Mr. McCUMBER. Mr. President——

Mr. THOMAS. I yield.

Mr. McCUMBER. If the Senator will allow me, I think I went a little further than that and said anything that would force its use as margarine and not as butter would be entirely satisfactory to us.

Mr. THOMAS. I thank the Senator for the addition he has made to my understanding of his position.

Mr. McCUMBER. That means the use to the man sitting at the table, that he may know what it is.

Mr. THOMAS. The existing law does not do that. The existing law from the very sense of injustice and wrong which it inspires prompts a disregard of its requirements. Not only so, but under it the butter dealer and the butter maker, as was demonstrated last night by the Senator from New York, utilize its prohibition to fraudulently and wrongfully color oleomargarine and sell it as butter to their own customers. Hence every Commissioner of Internal Revenue from 1902 down to this day, a majority of the collectors all the country over, have recommended consecutively and consistently the repeal of this statute.

It is not a revenue producer; it can not be. It levies one-quarter of a cent a pound upon oleomargarine. That produces practically all the revenue that is paid into the Treasury from this tax except that which is collected from licenses and through the detection of violations and punishment by way of fine. Ten cents on the colored article is intended to be prohibitive.

Mr. President, as the law now stands no man is prevented from selling oleomargarine as butter provided he is willing to pay the 10 cents a pound upon it. Of course he can not do it, because the existing competition will not permit it. But more oleomargarine is sold every day under that law as butter through the ease with which the law can be taken advantage of, through the temptation of the great profits that follow in its wake, than perhaps any other revenue law, proportionately speaking, of course, that we have upon the statute books, and the Government does not get the benefit of it. Neither is the public protected against this food product, which, according to the Senator from Oregon [Mr. LANE], is so pernicious in its origin.

It was said yesterday by the Senator from Pennsylvania [Mr. PENROSE], and I concede without reservation the justice of his position, that if oleomargarine is as we declare a nutritious product, and if it is entitled to its place in the trade of the country, we ought not to tax it at all any more than we would tax butter. That is true. This tax, Mr. President, is an imposition, or would be if it were not for the fact that it is one of the conditions essential to compel those who produce it to sell it as oleomargarine and not as butter and pay the resulting tax.

The Senator from North Dakota looks at this amendment from a different viewpoint than I do. He opposes it because he does not think it will protect the butter maker, while I advocate it, first, because it is absolutely opposed to my notions of what the taxing power should be used for, and, second, because it will produce that very condition which will be satisfactory to him and to those who are engaged in the butter industry.

I can not conceive, Mr. President, how this material can be labeled differently or better than is provided in this bill in order to protect the public. I know it is said that these original packages may be purchased by the grocer or by the hotel or restaurant proprietor and then served to the customers as butter; consequently, it does not go far enough. But that, Mr. President, is true of every food product a label upon which is required under the food law. We may not be able to guard against it. Time may disclose a remedy for it. But, Mr. President, certainly when we make the same requirements or similar requirements to those made with regard to other food products under the pure-food law, and make it an offense to dispose of these packages except to the ultimate purchaser or consumer or to sell them after the package itself is broken, then surely no man can complain that the law is at all incomplete or inoperative with regard to the thing required to be done for the protection of the public.

Mr. President, it may be wrong to change the natural appearance to the eye of a product for the purpose of getting a better price, but if so, then the wrong is the subject of a general practice, not alone in the matter of oleomargarine but a great many other things as well.

It was said yesterday by the Senator from New York [Mr. WADSWORTH] that 90 per cent of all the butter produced in this country is colored and about 10 per cent of it is sold without coloring—in other words, it is a natural yellow. Why should the creamery man insert a vegetable coloring matter into his product in order to make it yellow if he does not contemplate a fraud upon the purchaser? I know it is said that he colors butter and he sells butter. I concede that; but he gets a better price for his butter than he otherwise would, and the purchaser exchanges his money for it under the impression that he is buying something which possesses its natural color. If he were undeceived he would demand it at an inferior price. It is the element of gain in each instance which controls the use of this foreign matter, and if the oleomargarine man should be penalized for coloring his product then also should the dairyman be penalized for doing the same thing.

I do not care, Mr. President, to go into the question of purity, either relative or absolute, of these different and contending products. Nevertheless, in view of what has been said and reiterated so many times upon the subject, let me call attention to an article in the American Food Journal by its editor, Mr. Robert Gordon Gould, regarding it. He says:

All the butter made in creameries—

I read from page 84 of the American Food Journal for February—

Of the butter made in creameries there is a certain part which is an absolutely safe, high-grade product—the pasteurized whole-milk creamery butter. Nonpasteurized whole-milk creamery butter might be described as a high-grade product which may or may not be safe. The third general division of creamery butter is that made by the so-called centralizing plants, where cream is received from the farmers located far and near. This butter is not generally considered as of as high a quality as that coming from the whole-milk creameries; but, on the other hand, it is handled, for the most part, in a way which renders it quite safe for human consumption. The centralizing plants which pasteurize all cream received must be given the credit for turning out a product which is extraordinarily good, in view of the poor raw material with which they are obliged to work. In 1912 the Bureau of Animal Industry reported that a recent investigation had shown that 61 per cent of the cream received at creameries and buying stations was of third grade—that is, "dirty, decomposed, and sour." The same report showed that pasteurization was practiced in but 27 per cent of the creameries and that 94.5 per cent of the creameries were insanitary to a greater or less degree. Since that time there has been considerable improvement in the commercial butter business, but there is undeniably room for more. Dairymen and creamery men have no hesitancy in going on record at conventions and elsewhere as to the wisdom of pasteurization, sanitary methods of manufacture, and other laudable improvements in their business; but when it comes to putting their professions of faith into good works they display a strange hesitancy.

Now, let me turn to page 83 for a moment and read from an extract from McKay and Larsen in their Principles and Practice of Butter Making. They say:

As to the quality of American butter, McKay and Larsen in their Principles and Practice of Butter Making state that "The observations of the authors have been that the reputation of the American butter is not all that is desirable on the English market. Some American butter is good enough to sell on an equality with Danish butter, and in some instances it is palmed off for such. Much poor butter, however, has been allowed to go on the English market, and this has in some measure ruined the reputation of our butter. * * * The standing of the different kinds of butter, as observed on the English market, were as follows: (1) Fresh French rolls; (2) Danish creamery; (3) Irish creamery; (4) New Zealand; (5) Canadian, Australian, Argentine, United States, and Siberia. For storage purposes: (1) Danish, (2) New Zealand, (3) Siberia." Thus it will be seen that in the eyes of Great Britain there is but one worse butter than ours, and that comes from Siberia. Furthermore, for the purpose of storage—the crucial test of any butter—our butter is not even considered, although that of Siberia is so used.

I might read other extracts from this article, which is a very illuminating one, but I do not think it is necessary. I might, however, refer briefly to what is called "ladle butter." Perhaps the term "rendered butter" might be as expressive, and which, by a system of working over, butter which has soured from exposure to the atmosphere or has absorbed extraneous and undesirable matter, is presented by the creameries to their customers as fresh butter. I read from page 89:

In the early eighties there was worked out a very clever scheme for the renovation of bad butter. Realizing that the fermentation responsible for the spoilage of butter was confined to the nonfat elements of the butter—the casein, milk-sugar, and other compounds—a process was devised which consisted in melting the butter and holding it at about 120° F. for several hours, or until the curd settled out. The clear butter oil is then run into a second tank, maintained at about the same temperature—

A process somewhat similar to the rudimentary processes in the manufacture of oleomargarine—

Through this tank is forced from the bottom upward air, the aeration removing practically all undesirable odor and flavor and resulting in a product which is almost tasteless and which is quite free from objectionable features. The purified oil is then emulsified with sour milk. This, of course, is necessary in order to bring back the natural butter flavor and the components of normal butter. The emulsification takes place in a cylindrical tank supplied with a rapidly revolving dasher. When fully emulsified the product is run into a vat of cold water, which sudden change in temperature brings about crystallization in the butter. The butter crystals are removed from the surface of the vat, allowed to drain and ripen for a few hours, then they are salted and worked as is normal butter.

And that is placed upon the market and sold to unsuspecting customers as the genuine article.

It is a nutritious food, Mr. President. The great heat to which it has been subjected destroys all impurities and germs possibly lurking within, and the resulting product is wholesome. It is called "process butter." But how much of it is worked off on the public as genuine butter, fresh from the cow?

I mention this, Mr. President, to emphasize the fact that there are tricks in other trades than ours, and that in this matter of supplying the public with a nutritious and wholesome product called butter there is resort to as many schemes and strategems for spoils as are charged against the oleomargarine people and against both the oleomargarine producers and the vendors of butter, taking shelter behind the provisions of this law and palming off on the public a product from which they realize an enormous profit as butter.

It is true, I have no doubt, that some great combinations are interested in the passage of this bill. The answer to the protest of the butter makers is made in behalf of the cottonseed-oil companies and the Western Live Stock Association. I am not pretending, Mr. President, that this law if passed will not benefit those institutions. I presume it will benefit every man who raises animals for the market, and there are as many of them as there are men who sell milk to the creameries.

Certainly, Mr. President, because one combination or two combinations or half a dozen, if you like, make a perfectly proper use of their rights and privileges in the presentation of arguments in behalf of a given piece of legislation, we should not object to it, provided their argument is cogent and their purpose and operation public. Both sides to this controversy, so far as I know, have discussed it before the committees and elsewhere in a perfectly proper and legitimate manner.

But, Mr. President, there is also such a thing as a butter trust, largely, perhaps, the offspring of this oleomargarine legislation, having its headquarters in the city of Elgin, Ill., which sets the price of every pound of butter consumed in the country, which is a hard-and-fast organization, quite as powerful, so far as public consumption is concerned, as any combination which is or can be interested in this question. On the 5th of last December the New York World published an article upon the subject, which I shall not read in full, but insert in my remarks. The headlines inform us that:

Three Illinois men every week set price of butter for the United States.

Carefully protected by legal safeguards, on one sale of 25 tubs of 60 pounds each weekly, they establish the average annual cost of 60,000,000 pounds of the product valued at $18,000,000, approximately—Premium paid by a few Chicago dealers, based on the Elgin standard, to a few creameries the bane of the trade, says reform member of the Elgin board.

These gentlemen, as usual with all such combinations, fix the price to the consumer on the one hand and to the producer upon the other, just as the old darky set his 'coon trap "to ketch 'em a-comin' an' a-gwine." It always works in both directions.

CHICAGO, *December 4.*

Three men travel every Saturday morning from Chicago to Elgin, Ill., 39 miles on the Chicago, Milwaukee & St. Paul Railway. There at noon in the assembly room of the Elgin Board of Trade they fix the weekly quotation for Elgin creamery butter. The telegraph and cable carry their decree to every merchandising center in the country and to every market in the civilized world to which the export trade of the country extends, and it forms the basic prices for all grades of table butter until these food arbiters meet again.

A necessity of life, required upon the table of every man in this country, is dominated by three men in the comparatively small city of Elgin, and the millions of farmers who produce the milk and cream from which this product is realized must sell their butter fat at the price also fixed by these dictators. This article goes on to say that on the 28th day of April, 1914, the United States Court for the Northern District of Illinois abolished, or thought it had abolished, this iniquitous combination; but, Mr. President, some one once defined "chancery" as "a race between the rogue and the judge," and I do not know of any better illustration of the truth of the definition or its aptness than the manner in which this decision was avoided, while the evil sought to be crushed survived it.

CAREFULLY HEDGED ABOUT TO AVOID COLLISION WITH LAW.

So carefully have these men hedged themselves about with legal safeguards that investigators of the Department of Justice and representatives of the United States district attorney at Chicago, who have for weeks maintained a close espionage upon their deliberations and the sys-

tem by which they arrive at their valuations, have been unable so far to find any evidence that there has been any violation of the Sherman antitrust law.

The investigation, moreover, has revealed no legal proof, apparently, that there has not been observed to the letter the permanent injunction handed down April 28, 1914, by United States District Judge K. M. Landis in the suit of the Government against the Elgin Board of Trade, prohibiting that institution—

"From appointing or authorizing the appointment of any officer, agent, or committee of said Elgin Board of Trade, whether of one or more persons, to fix or suggest the price of butter;

"From maintaining a quotation committee or any other committee or agency of said Elgin Board of Trade or its membership which shall fix a price or prices of butter;

"From quoting or publishing any price or prices of butter purporting to be 'market prices,' 'Elgin prices,' or the prices obtaining upon the board of said defendant corporation, unless and except such prices be those which have actually obtained upon said board in bona fide sales of butter;

"From fixing or determining by contract, combination, or agreement the bids or offers which members of said Elgin Board of Trade shall make with respect to purchases or sales of butter in advance of the making of said bids or offers;

OTHER PROHIBITIONS.

"From requiring, compelling, or demanding by board rule, by-law, or otherwise that the members of said Elgin Board of Trade use the quotations or prices of butter which are made by means of transactions upon said Elgin Board of Trade as a basic price in contracts for the purchase or sale of butter in interstate commerce;

"From making fictitious or washed or pretended sales or purchases of butter for the purpose of misleading any person or persons as to the actual price at which butter is being sold upon said Elgin Board of Trade, or which are intended to be used in any way as a basis for the making of quotations of prices on said Elgin Board of Trade;

"From making or participating in or knowingly permitting on said Elgin Board of Trade at any time any sale or purchase of butter that is not a bona fide transaction in which the seller in good faith intends to deliver the commodity and the purchaser in good faith intends to accept and pay therefor;

"From making or participating in or knowingly permitting to be made any sale or purchase of butter on said Elgin Board of Trade in pursuance of any combination or conspiracy by or between any two or more persons or corporations to raise or lower or affect the price of butter on said Elgin Board of Trade, and thereby to raise or lower or affect the price of butter in interstate commerce;

"From making or causing to be made any offer to buy or sell butter on said Elgin Board of Trade at a price which has been agreed upon by any two or more of the members of said board or by any one or more of said members and any other person or persons prior to the making of said offer."

It is difficult to conceive of a more sweeping order than this. It would seem to cover every possible emergency and to forestall the genius of man in devising a means of escaping from it.

BOARD REORGANIZED.

After the issuance of this decree the entire official personnel of the board was changed at the succeeding annual election, Charles H. Potter, of the reform element, replacing as president, John Newman, who had held that position for nearly a quarter of a century; Frederick Grell supplanting G. H. Gurler as vice president, and W. W. Sherwin and L. L. Taylor succeeding as treasurer and secretary J. P. Mason and Colwin W. Brown, respectively. These men, with the addition of E. C. Hawley and Frederick R. Moles, have since formed the board of directors.

Singularly enough it was almost wholly through the efforts of and information furnished by Frederick R. Moles, the last mentioned of these men, with whom an interview is given below, that the Government was able to obtain the evidence of collusion in price fixing by which it won its suit.

In obedience to the injunction the Elgin Board of Trade amended its charter and abolished its price committee, substituting therefor the present system, by which an informal committee of members, consisting of three or more—three being necessary for a quorum—meet every week and fix the quotation on an actual sale of butter. These members volunteer for the task. In theory the committee may embrace the entire membership of the board, consisting of 275 men—creamery men, agents, brokers, and dealers—but in practice it consists generally of the three men—seldom the same—who journey each week from Chicago for their self-appointed task.

Preparatory to their deliberations the secretary of the Elgin Board of Trade posts on the call board the amount of butter offered for sale at a minimum price and the amount for which there is a bid at the maximum price. A transaction is invariably effected at a level between these prices satisfactory to the producer and the bidder, and this sale, apparently bona fide, so far as the observations of the Federal authorities go, constitutes the basis upon which every wholesale and retail dealer in every city and every hamlet in the country fixes the price upon which butter goes into consumption. Elgin creamery butter, extra, grading at least 93 per cent of a possible 100 per cent of flavor, body, color, salt, and packing. This being the standard from which all other creamery products are graded downward from the following scale, which is a sample report of an Elgin Board of Trade inspector, giving the minimum requirements of Elgin creamery extra.

THE ELGIN BOARD OF TRADE, BUTTER INSPECTOR'S DEPARTMENT, ELGIN, ILL.

I hereby certify that I have inspected the following lot of butter with the following result:

Flavor	45 per cent less 2	43 points
Body	25 per cent less 2	23 points
Color	15 per cent less 1	14 points
Salt	10 per cent less 1	9 points
Package	5 per cent less 1	4 points
Total	100 per cent	93 points

APPARENTLY MEET REQUIREMENTS.

To the extent as outlined above, the system now in use meets apparently all the requirements of the law and the injunction, but in practice the sale of 25 tubs, each containing a maximum of 60 pounds, fixes the price week in and week out for the 60,000,000 pounds of so-called Elgin creamery butter, having a wholesale valuation of $18,000,000, annually produced, according to the records of the Elgin Board of Trade—and all other grades as well.

That this investigation may be eminently fair, the representative of the World obtained the records of the weekly sales on the board during the season of the maximum butter production in the Elgin district—June and July. During these two months of last summer the greatest number of sales made at the weekly price-fixing session were as follows: Saturday, June 17, 175 tubs; Saturday, July 1, 250 tubs; Saturday, July 8, 275 tubs; Saturday, July 15, 175 tubs.

So, taking this total, reached in a season when the creamery men of the Elgin district send their maximum output to the market, only 875 tubs passed through the price-fixing medium of the board of trade, while the minimum total of receipts in Chicago is about 124,000 tubs a month.

During October last the maximum weekly sales on the Elgin Board of Trade exceeded 25 tubs only once, when on Saturday, October 28, the aggregate amount contracted for on the call board was 50 tubs.

Here we have the main objection to the system in practice at Elgin, assuming that there is no collusion whatever between any of the parties in interest in these small weekly sales. It will be seen that, taking them at their maximum, they constitute an infinitesimal unit upon which to fix the price of millions of pounds of butter that go into annual consumption.

THE ORIGINAL BOARD.

The Elgin Board of Trade was originally formed in 1872 to protect the butter and cheese producers of the Fox River Valley district of Illinois.

Through the operations of the board a producers' market was established, by means of which the manufacturers and the buyers were brought together once a week. At first the buyer and seller would meet in the exchange room, and after completing their deal would report their trade to the secretary, which was known as a regular sale, and which fixed the weekly quotations for Elgin butter and cheese at Chicago and other adjacent cities.

But the offerings and transactions soon became so large that a regular call board was established, where the name and factory could be written down on a large board, giving the number of tubs of butter or boxes of cheese offered, usually at a minimum price. The buyer could then take the price offered or make his bid, and thereby the quotation for Elgin products was established.

In this way everything went smoothly until 1896, when butter sold on the call board in April at 13 cents a pound, and in September at 14 cents a pound. The offerings of that season were so large and the bids and sales often varied so much that it was seldom that a uniform quotation could be established, and as the contract system had become somewhat common, the dealer contracting for the make of a certain factory at the established weekly price, the condition of the trade became so chaotic that it was decided to create a quotation committee of five members to report a quotation governing contracts.

HOW THE METHOD CHANGED.

Gradually abuses crept into the method of fixing the quotations until the Government found by its investigation that these prices were being arbitrarily arranged and that they bore only a remote relation to the operations of the law of supply and demand. Then came the injunction.

With the price of Elgin creamery as a standard the Chicago butter dealers grade their bid prices downward, paying only the premium price to certain creameries located on the lines of the various railroads entering Chicago, where the best classes of facilities for refrigerating the product and shipping it expeditiously in refrigerating cars to the Chicago market can be provided.

This system of premium paying is one of the greatest abuses that has crept into the butter trade, according to F. R. Moles, the reform member of the Elgin Board of Trade, above referred to, who is still fighting for equitable practices in the industry.

"The greatest detriment to the butter trade in general and the bane of all honest dealers," said Mr. Moles yesterday to the World representative, "is the practice of a few Chicago dealers of paying premiums to a few creameries which have exceptional facilities for manufacturing butter and shipping it to market. This premium, based on the Elgin standard, really fixes the basis for the general buying of cream and butter fat throughout the United States.

"The reason why this premium paying should be prohibited is that it is misleading to the butter consumer in general and unfair to 95 per cent of the butter producers. The quotations thus fixed are too high for the quality produced in general.

"As a matter of fact, the whole system is wrong. To fairly establish a market value all of the butter actually coming into the market daily should be reported in pounds or tubs at prices it is actually sold for.

"For instance, the quotation at the week's close for creamery extra is 42½ cents, and the daily receipts in Chicago were approximately 6,000 tubs. A very small percentage of this grades as extra and remittance upon that premium basis is actually made to only a few creameries, but the price thereof actually establishes the value for butter throughout the country. This causes an artificial price to the consumer, because he is led to believe that all good table butter is worth the maximum quotation, whereas 95 per cent of it is actually selling in the wholesale trade below that price. The actual quotations to-day in the trade, but not published for the consumer, for as good butter as most people ever have on their tables range from 35 to 42 cents a pound."

HIGH PRICES PAID FOR MILK.

To what extent the weather conditions of the last season, the increased consumption due to prosperous times, and to the extraordinary demand from Europe enter into the present high cost of butter is a question upon which there is a wide difference of opinion, but undoubtedly they are, to a degree at least, exercising a legitimate influence upon prices.

It is a fact established by the World's investigation that the purchasing agents of the milk condensers have been offering unprecedentedly high prices for milk in competition with the creameries throughout the butter and cheese manufacturing districts of the West. Indeed, they have been offering a higher price than the creameries could pay in many instances.

For instance, in one district in Wisconsin they freely offered $2 a hundred pounds for milk, which, translated into butter, means a wholesale price of 50 cents a pound for the butter itself, and yet it is said that they can only fill 50 per cent of the orders from the allies.

Mr. President, we hear much in these days of the lack of respect for and the weakening of the public confidence in our

courts. A very prominent leader of the labor unions the other day was said to have asserted before a committee of the other House that if certain legislation were enacted he and his organization would not regard it. The papers commented, and very justly, upon this bold and defiant statement of a citizen, bound to observe our laws and to respect them, as are others, but these circumventions of the decrees of the courts, these methods and tricks through which their purposes are avoided and their effect neutralized, are apt to be regarded as evidences of sound business genius; but those who have to foot the bills for necessities, especially those who are informed of these court proceedings and their barrenness, can not well be censured if they conclude that the processes of the American Government are not sufficiently powerful to meet and discharge the tasks and responsibilities which modern monopolies put upon them.

Here is a solemn decision of a court of the United States after full hearing decreeing the existence of a monopoly, judicially recognizing a practice to be pernicious and tending to rob the people of their substance, yet within the short space of two or three months it has been rendered absolutely innocuous, and the evil goes on, the decree to the contrary notwithstanding.

The other day a citizen of Chicago was discovered to have on storage I do not know how many millions of eggs—sixty or seventy-five millions, I believe—who openly declared his purpose to hold them until the needs of the public forced the price up to a point where he could clear the profits that he demanded. Investigation was had, and it was discovered that he was violating no written law of the country, and was therefore within his rights. A few days afterwards he unloaded, and his profits were reflected in the needs and the sufferings of hundreds of thousands of people in this country. If there is no law, Mr. President, to reach that sort of thing, there ought to be.

When I read of the riots in the cities of New York and Philadelphia on yesterday and the day before—food riots—at a time when we are boasting of a prosperity without parallel in the history of civilization, when it is said that every man who desires it can obtain employment at good wages, I felt that there was some justification in the action of those starving people in this Elgin creamery combination, the Chicago egg combination, and in the impression that the Government of the United States was powerless to control them and similar combinations.

Mr. President, it would seem that the people of the country are actually governed not by their elected officials, not by their constitutions, but by combinations in business, whose edicts are absolutely final, which are based upon greed and upon avarice and which are sucking the financial life blood from the veins of the people.

I believe that this amendment will tend to relieve that situation and at the same time safeguard every purchaser of oleomargarine. Like the Senator from Oregon [Mr. LANE], I think I prefer butter. I have eaten both products freely many times, and perhaps I have eaten oleomargarine as butter more times than I am aware of. I have never yet heard that it was unnutritious, and therefore, Mr. President, there can be no substantial, material reason why provision should not be made whereby the one can enter the market, properly labeled, of course, as well as the other.

There is said to be a shortage of butter in the country. That is one excuse given for its high price. Be it so. Then, there is the greater need for the use of something which will help to supply the demand that the amount of butter in the country can not entirely fill, and I should think, Mr. President, that the farmers of the country engaged in producing milk and cream and patronizing their local creameries would be interested in whatever would relieve them of their thralldom to a combine represented by three men in the United States, and always at a point where the margin of profit to the immediate combination will not only be certain but enormous.

I presume my experience is that of other Members of this body, Mr. President. For the last 10 or 15 days I have received—I do not know how many—telegrams from acquaintances and friends, from chambers of commerce and creameries, from farmers and others, all of them of like import, inveighing against the Underwood amendment to this bill and declaring that it will be the ruin of the butter industry of the country.

But, Mr. President, it is our experience, and has been ever since revenue legislation was necessary, that the interests affected are apt to protest and declare that if the threat of legislation is carried into execution their business will be ruined. I do not recall any exception to that rule. We ruined more industries a few years ago through our change of the tariff law than there were industries in the country; yet they seem to be doing pretty well. We took the tariff off a great many articles, but, strange to say, a great many of them immediately rose in price, if not in quantity produced, and I think they rose in both. I recall wool particularly. The fact is that it is an apprehension, and an apprehension only, entertained with perfect honesty by most of those who express themselves, but an apprehension nevertheless.

Mr. SMITH of South Carolina. How about shoes and leather?

Mr. THOMAS. Shoe and leather were among the products which not only would suffer but would, through our tariff legislation, go out of business and become a charge upon the public. It is the natural fear born of the interests to be affected; and, after all, we are governed in all we do by our fears and our prejudices, rather than by our judgment; but, Mr. President, the impulse of this vast mass of protests coming by telegraph to Members of this body centers directly in Elgin, where the business is controlled and where the prices are fixed that must be observed if we are going to have any butter at all. I am satisfied that 95 per cent of the signers of these telegrams have not studied the question, and simply take their conclusions at second hand, and, adopting them, rush to the telegraph office and send their dispatches to influence us in our legislation.

I did not intend, Mr. President, to speak upon this subject so long as I have, because it has been so fully covered by others; but, before I leave it, I desire to refer to the revenue side of it.

This Government must have additional revenue. The Democratic Party may be to blame for this necessity; but that is beside the question. We must have revenue. Preparedness has much to do with it; the increase of governmental activities has very much to do with it; the painful absence of economy in our financial administration has everything to do with it; but the fact is we need money and we must have it. Now, Mr. President, I must ask the Senator from Alabama just what the estimate of the revenue under this amendment is? I do not know that I have the figures exactly.

Mr. UNDERWOOD. I have not the letter in my desk; I sent it over to my office last night; but the estimate made by the Treasury Department was that under the present law there was raised from the oleomargarine tax on colored and uncolored combined a little less than $1,000,000.

Mr. THOMAS. That is the present revenue?

Mr. UNDERWOOD. That is the present revenue. The tax on dealers brings that amount up to nearly a million and a half dollars. It is estimated that under this proposed tax on oleomargarine of 2 cents and the dealers' tax combined the revenue will amount to $5,000,000, which would make an increase of three and a half million dollars by this change. My own judgment about it is that it would be in excess of that amount. I think that the estimate of the Treasury Department is extremely conservative.

Mr. THOMAS. Mr. President, it is true that three and a half million dollars is hardly small change for the Government of the United States nowadays; but every little helps, and if by the raising of this revenue we can give a legitimate American industry an equal chance under the laws of the country, prevent the sale of the product under false pretenses, but always for what it is, to those who want it, it is and will be, both as a revenue getter and as an act of justice, a piece of beneficent legislation.

Why, Mr. President, if this method of procedure—and I am speaking now of the present law—is American, if it is just, if it is equitable, if it has a single practical principle to support it, then there is no reason in the world why the Congress can not penalize peanut oil for the protection of cottonseed oil, lard for the protection of tallow, lead for the protection of copper, or any other industry for the protection of something with which it is or might come in competition. The principle is so monstrous to my mind that the mere statement of it carries with it its own refutation. The only possible justification for such legislation is that the product which is penalized is impure and therefore dangerous to the public.

Mr. O'GORMAN. And in that case it should not be allowed at all.

Mr. THOMAS. And, as the Senator from New York suggests, in that case it should not be allowed at all; but when it is admitted that that is not true, that the industry is legitimate, that the article produced and dealt in is wholesome and nutritious and entitled to make its way upon its own merits in the markets of the country, in free America certainly, it should not be subjected to suppression by hostile legislation in the interest of something that fears injury from it.

Mr. McCUMBER. Mr. President——

Mr. THOMAS. I yield to the Senator.

Mr. McCUMBER. I wish the Senator would explain to me how we penalize uncolored oleomargarine in the present law? I am referring now only to uncolored oleomargarine.

Mr. THOMAS. I do not think the law, if we are to regard it merely as applicable to uncolored oleomargarine, penalizes that product by the imposition of a tax of one quarter of a cent.

Mr. McCUMBER. Then, is it not true, if I may say a word further, that the only thing we penalize is the coloring of white oleomargarine yellow in order to perpetrate a fraud upon the people? We do penalize the fraudulent part of it; we do penalize the coloring of it in imitation of butter, because we know that it is only in that form that it is able to perpetrate a fraud upon the public.

Mr. THOMAS. Mr. President, when we penalize the oleomargarine producer for giving an artificial color to his product and allow his competitor to give that same artificial color to his product, which he does as to 90 per cent of it, the former is penalized. I know it is said that the color that is applied to butter is applied to the genuine article, and consequently the man who colors it does not sell colored oleomargarine, but he sells colored butter. Yet he colors it, Mr. President, to get a better price for it, for the customer believes when he buys it that it is naturally yellow butter. The difference is not in kind but in degree, and not much in degree when you apply it to process butter, which has its impurities worked out and colored and sold to the public as fresh butter.

If it were necessary, if the butter was yellow, for example, and it was necessary to prevent a fraud, to prevent, under heavy penalties, the use of artificial coloration, the proposition would be a different one, but that is not the situation. As the Senator from New York [Mr. WADSWORTH] said last night, 90 per cent of all butter is white, and there is a very considerable per cent of natural oleomargarine that is yellow. So I can not escape the conclusion that the act of 1902 was designed to, and did, penalize a legitimate industry under the pretense that it was necessary to protect some other industry against fraud, and the melancholy part of it is that the protected ones are those who largely use the situation to defraud the public and palm oleomargarine off upon them as butter.

Now, Mr. President, I shall not occupy the time of the Senate longer upon this part of the bill.

Mr. CUMMINS. Mr. President——

Mr. THOMAS. Just a moment. Suffice it to say that I had occasion in 1913 to investigate this subject, and again during the fall of 1914, when the so-called war-revenue bill was under consideration, and also last year, on each of which occasions the Commissioner of Internal Revenue called attention to this act, to the manner of its operation, and suggested that these changes be made in it.

I yield to the Senator from Iowa.

Mr. CUMMINS. I have listened to the greater part of the argument of the Senator from Colorado upon this subject; and if his argument is sound, I think he will agree with me that it leads to the conclusion that there ought not to be any tax put upon oleomargarine.

Mr. THOMAS. I so said.

Mr. CUMMINS. Why tax oleomargarine and not tax butter?

Mr. THOMAS. I so said in referring to the contention of the Senator from Pennsylvania, made yesterday afternoon—that it was perfectly logical. I do not believe that we should put a tax, unless absolutely necessary, upon any food product; but unless we do this we must leave the present law where it is, with all of its infirmities and all of its injustices.

Mr. CUMMINS. This could be amended so as to put a tax of 2 cents a pound on butter, and thus raise still more money than this amendment will raise.

Mr. THOMAS. The Senator says we could do it. I suppose that is potentially true, but actually he knows it is impossible, even were it just.

Mr. CUMMINS. I wonder that the Senator from Alabama did not include that in his amendment.

Mr. THOMAS. Mr. President, the fact that there should be no tax at all upon this or any other product may be a good reason for opposing it; but if existing legislation regarding a subject is of such a character that some compromise is necessary in order to remedy existing evils, I am inclined to take what I can get, and await some more propitious season for going a little further.

Mr. CLAPP. Mr. President——

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

Mr. THOMAS. I do.

Mr. CLAPP. I have been very much interested, not only in the Senator's argument, but in the others that have been made here, and I should like to ask the Senator what justification there is for taking an article of food that is claimed to be wholesome, not deleterious—namely, uncolored oleomargarine, said to be the poor man's food—and increasing the tax on that product from one-fourth of a cent to 2 cents a pound? That is what puzzles me. I can understand why it might be desired to reduce the tax on the colored oleomargarine; but why increase it on the uncolored oleomargarine?

Mr. THOMAS. Mr. President, I think I will answer that question by asking another. Would the Senator vote for this bill if the tax on uncolored oleomargarine were removed entirely?

Mr. CLAPP. Absolutely; and I propose to offer an amendment to take the tax off of uncolored oleomargarine.

Mr. THOMAS. Mr. President, if the Senator does, I am inclined to think, speaking offhand and impulsively, that I will vote for it also. There is no justification for it, Mr. President. There is an explanation for it, and that I have attempted to give. What we want is to put some kind of a statute upon the books that will do reasonable justice to a legitimate industry instead of penalizing it for the benefit of another legitimate industry.

Mr. McCUMBER and Mr. CLAPP addressed the Chair.

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

Mr. CLAPP. Just a moment. Of course the Senator did not understand that I would vote to reduce the tax on colored oleomargarine?

Mr. THOMAS. I did so understand.

Mr. CLAPP. I am in favor of taking the tax off of uncolored oleomargarine; and I can not for the life of me see any justification at this time for increasing the tax on uncolored oleomargarine from one-fourth of a cent a pound to 2 cents a pound.

Mr. THOMAS. I do not believe that the Senator can justify the removal of the tax in the one instance and vote for it in the other; I mean, from my standpoint. Of course I do not reflect upon the Senator's judgment, upon which he must rely.

Mr. McCUMBER. Mr. President——

The PRESIDING OFFICER. Does the Senator from Colorado yield to the Senator from North Dakota?

Mr. THOMAS. I do.

Mr. McCUMBER. May I ask the Senator a question as to what his good purposes would be? Would the Senator be willing to take off the tax altogether and then make a provision that no oleomargarine should be colored in imitation of butter?

Mr. THOMAS. No; I would not.

Mr. McCUMBER. And then put a penalty on the counterfeiting of it?

Mr. THOMAS. I would do that provided the Senator would go a step further and prohibit the coloring of white butter as well.

Mr. McCUMBER. Well, would he do that?

Mr. THOMAS. I would do that.

Mr. McCUMBER. I have not the slightest objection to a prohibition against the coloring of white butter.

Mr. THOMAS. I would do that.

Mr. McCUMBER. But there is one difference: When you color your white butter you do not color it and then sell it for oleomargarine. When you color your oleomargarine you color it for the very purpose of imposing it upon the public as butter; quite a little difference.

Mr. THOMAS. When you color your white butter yellow and sell it as yellow butter you get a better price for it, however, and to that extent you defraud the buyer.

Mr. McCUMBER. Where does the Senator get that information?

Mr. THOMAS. Why, it is obvious. Why color it if that is not the purpose?

Mr. McCUMBER. Tell me just one place where the Senator gets the information that white butter, if it is pure butter, will not sell for just exactly the same as yellow butter.

Mr. THOMAS. Oh, I know that now it is a fad in the fashionable hotels and restaurants of the country to eat white butter.

Mr. McCUMBER. Why, in the summer time you do not have any white butter.

Mr. THOMAS. I have gotten it in the summer time. Perhaps the hotels have palmed off white oleomargarine upon me. I do not know; but I do not find any difficulty in getting white butter, without salt—I have to salt it myself—in any of the hotels that I am accustomed to patronize. It is forced on me.

Mr. McCUMBER. Let me get a complete answer from the Senator, if I can. To-day the butter that is manufactured is white butter. Does not that butter sell for just exactly as much as it would sell for if it were colored yellow to-day?

Mr. THOMAS. It may.

Mr. McCUMBER. If it does not, show me wherein it does not.

Mr. THOMAS. It may, for the reason that 90 per cent of the butter is colored yellow. If, instead of coloring it, the 90 per cent that is colored were sold as white, it would not bring as large a price, and that is why it is colored.

Mr. McCUMBER. Mr. President, I am surprised, and I should like to get the source of the information of the Senator when he says that 90 per cent of the butter that is sold to-day is colored. From whence does he get it?

Mr. THOMAS. My authority for that is the statement of the Senator from New York [Mr. WADSWORTH] last night, after the Senator from North Dakota had left the Chamber and before our adjournment.

Mr. McCUMBER. Do I understand that the Senator from New York stated that 90 per cent of the butter that we are using now is colored?

Mr. THOMAS. Yes. The Senator from New York is here to defend his statement, and I yield the floor to him for that purpose, if he desires it.

Mr. McCUMBER. Why, the best Elgin butter you get to-day is uncolored. The best butter of all of your creameries to-day is uncolored butter.

Mr. WADSWORTH. Mr. President, will the Senator permit an interruption?

Mr. THOMAS. Why certainly I will yield to the Senator from New York.

Mr. WADSWORTH. The statement of the Senator from North Dakota just at that point is rather surprising. I am sure that he knows, on reflection, that all through the wintertime cows that are fed on grain and hay and dry feed produce white butter, and nothing but white butter; and every piece of butter you buy in wintertime that is yellow has been colored, with the exception of butter made from the milk of cows that are fed on certain feeds which are calculated to produce color. Every piece of such butter is colored; it must be in order to have the yellow color.

Mr. McCUMBER. Well, Mr. President, if that is the way the Senator gets his information, I can meet him immediately on the same ground. When you go into any good hotel in this city to-day, you will find white butter, and not colored.

Mr. WADSWORTH. Absolutely. That butter has not the color introduced into it, however, because the patrons of the so-called high-class and fashionable hotels prefer white butter because they believe its whiteness guarantees in some way its freshness, though it really has nothing to do with it.

Mr. McCUMBER. Then that would naturally induce all of them to sell white butter, would it not? The Senator's own reasons destroy his argument.

Mr. WADSWORTH. Mr. President, the average person does not care to buy white butter. The commercial butter of the country is ordinarily yellow, and the average purchaser demands it the year round.

Mr. McCUMBER. I think the Senator is a little bit mistaken.

Mr. WADSWORTH. If the Senator will go into the grocery business and attempt to sell nothing but white butter, he will give it up within one month.

Mr. McCUMBER. If he offers white butter, he can get a better price for it.

The PRESIDING OFFICER. The Chair will inquire whether the Senator from Colorado is still holding the floor?

Mr. THOMAS. The Senator from Colorado is holding the floor, but is always willing to yield it for a time to his friends upon the other side.

Mr. SMITH of South Carolina. Mr. President, will the Senator from Colorado allow me to ask the Senator from New York a question?

Mr. THOMAS. Certainly.

Mr. SMITH of South Carolina. I should like to ask the Senator from New York, who is very familiar with this subject, if there is an artificial process for bleaching butter, making it white, to meet the demands of the fashionable trade?

Mr. WADSWORTH. I never have heard of it.

Mr. SMITH of South Carolina. I thought perhaps the Senator might have some knowledge on that subject. I do not know whether that is so or not; but I presume that if the trade demanded bleached butter they would get it, because I remember that the late Senator from Mississippi, Mr. Money, put in his testimony the statement—and it is in some of the hearings on this oleomargarine question—that the Elgin people shipped a carload of crimson butter to South America.

Mr. THOMAS. I know nothing about that, Mr. President.

Mr. SMITH of South Carolina. It is in the RECORD.

Mr. THOMAS. I know personally that the ultrafashionable people of the country now want their butter white and without salt; but they form a very small part of the American people.

Mr. President, I have occupied more time than I should with regard to a subject which, as I stated at the outset, has been exhaustively presented by the Senator from Alabama [Mr. UNDERWOOD] and the Senator from New York [Mr. WADSWORTH]. Before I take my seat, however, I want to refer to one aspect or item of this bill about which I am not in accord with my associates upon the committee. I refer to the proposed taxation of mutual insurance companies.

I listened the other night with much interest to the remarks of the Senator from Illinois [Mr. SHERMAN] on that subject; I am in full accord with his criticisms of the inclusion in this bill of mutual insurance companies among those which are to be subjected to the so-called excess profits tax. In the income-tax law of 1913, exemption is made of fraternal and charitable mutual organizations, mutual savings banks, and building and loan associations. The large life and fire insurance companies were included, for reasons to which I will advert hereafter. These exemptions have been recognized, and properly so, in all succeeding revenue legislation enacted by the last two Congresses. The reasons which justify these, in my judgment, apply as fully and as forcefully to mutual insurance companies of all kinds as they do to the classes embraced in the exemption. The principle of mutual insurance companies is well stated in a decision by one of the judges of the English House of Lords in a case (L. R. 14, appeal cases, 381), where he says:

> Certain persons agree to insure their lives among themselves on the principle of mutual insurance. They take care to admit none but healthy lives. They contribute according to rates fixed by the approved tables, and they invite other persons to come and join them by insuring their lives on similar terms. The rates fixed by the tables are taken as being sufficient to provide for expenses, to meet liabilities, and to leave a margin for contingencies. What is to become of the surplus if everything goes right? The practice is to take an account every year of assets and liabilities and to give the insured the benefit of the surplus, either by way of reduction of premium or by way of addition to the sum insured. It can make no difference in principle whether the surplus is so applied or paid back in hard cash. In either case it is nothing but the return of so much of the amount contributed as may be in excess of the amount really required. I do not understand how this excess can be regarded from any point of view, or for any purpose, as gain or profit earned by the contributors. I do not understand how persons contributing to a common fund in pursuance of a scheme for their mutual benefit—having no dealings or relations with any outside body—can be said to have made a profit when they find that they have overcharged themselves, and that some portions of their contributions may be safely refunded. If a profit can be made in that way, there is a field for profitable enterprise, capable, I suppose, of indefinite expansion.

Mr. President, there is no capital invested in mutual insurance companies except the contributions of the members of the company to its common fund for the common purpose. It has no capital stock, although some companies which do have capital stock carry on, and very largely so, the system of participating insurance, as it is technically called. The principle upon which the mutual company operates is the annual assessment of its members of certain amounts of money designed to meet expenses, contingent and actual liabilities, and such incidental requirements and cost of operation as may be necessary. In order to safeguard the business there is always an overcharge, which is repaid, generally at regular periods. There is no difference between the Woodmen of the World, a fraternal insurance organization, and the New York Life Insurance Co., except that one is a colossal aggregation of money and of liability incorporated under the laws of the State of New York and the other is a fraternal organization, with its signs and manuals, incorporated, possibly, but not for profit, and carrying on an identical business.

The insurance companies keep a large reserve fund, which is essential to enable them to continue solvent and meet their obligations. This requirement is a legal one; but the same requirement, legal or otherwise, is as imperative with the fraternal organization as it is with the incorporated insurance company. There is a contingent fund, however, which some of the large insurance companies keep on hand, and which is designed, as I am told, to meet possible extraordinary demands and requirements, sometimes due to a decrease in the value of their securities, sometimes to other causes. This fund is not required by law, and, I am sorry to say, has been at times improperly utilized, as was disclosed by the insurance investigation in New York of 1905.

Now, moneys earned upon that contingent fund constitute the basis of the income tax which these companies are required under the existing law to pay, but the profit which is sought to be taxed by this bill is not a profit which inheres in the mutual insurance business under any circumstances. Consequently I regard the imposition of this tax upon mutual insurance companies as a discriminating tax, since only the incorporated mutual companies are included, and also a tax levied upon their universal membership, thus decreasing the amount of money which would be returned to them for excess payments.

and which therefore can not be considered as profits, because the companies do not operate for profit.

Mr. President, it was a surprise to me at the hearings, as it may be to some Senators upon the floor, to learn of the enormous volume of the business of some of the fraternal organizations, which are exempted. The general counsel of the Northwestern Life Insurance Co., one of the largest insurance companies in the United States, or in any country, says that one of the fraternal organizations had $80,000,000 more insurance in force on the 31st of December, 1915, than did the Northwestern; and he refers to one or two others which are equally flourishing and whose business exceeds, and largely exceeds, that of the average insurance company. Under these circumstances I am unable to perceive how a mutual concern, consisting of men drawn together to accomplish some specific object, and not engaged in trade or business for profit, can be regarded as a commercial corporation whose capital or whose income is to be subjected to a profit tax.

It may be said, and I think perhaps it is true, that as the bill is drawn these companies, although expressly included within the terms of the measure, will nevertheless fall outside of it, because their incomes will not reach the required 8 per cent. If that be so, of course no particular injury will result from the operation of this statute, if it should be passed as it has been drawn. But it must not be forgotten that the surplus of a mutual insurance company, whether fire, life, or marine, whether a fraternal organization or an incorporated society, is the property of the policyholders, and is held as such for their protection, and their protection only, and can not be considered as a capital invested in the particular business.

Mr. CLAPP. Mr. President——

Mr. THOMAS. I yield to the Senator from Minnesota.

Mr. CLAPP. I will ask the Senator—I think it is a proper question—if he carries any mutual life insurance?

Mr. THOMAS. I do not believe I carry anything else.

Mr. CLAPP. I carry a lot of mutual life insurance, and I never yet have been able to find an insurance man who could tell me how I had any effective interest in this so-called surplus. The attorney for the Northwestern, if the Senator from North Carolina is correct, stated before the committee that it was not intended to use that surplus for the benefit of the policyholders, but simply to keep securities at an average level. Of course, theoretically, everything in a mutual company does belong to the policyholders; but they keep an item there as to which I, as one of the policyholders, never could yet see when, how, or where my interest in it would materialize.

Mr. THOMAS. Mr. President, I did not so understand the attorney for the company. I have his testimony here, and I either asked him or I asked a gentleman representing some other company, whether the surplus belonged to the company or whether it belonged to the policyholders. While I can not turn to it readily, his reply in substance was that it belonged to the policyholders, each of whom was entitled to his proportion of it on demand.

Mr. CLAPP. Mr. President, I heard the Senator from North Carolina read, and as I recall the language he read: "We keep this surplus for the sole purpose"—I think he used those words—"of maintaining a certain level in the possible fluctuations of the value of the securities that we put up."

Mr. THOMAS. Mr. President, if the Senator is an old mutual-insurance policyholder he is, of course, familiar with the fact that at the end of the year, when he receives notice of the maturity of his premiums, he is entitled to a certain amount as dividend, which he can receive in cash, which will be applied in part payment of his next maturing premium, or which will be used for the purpose of increasing the amount of his insurance. He is given the privilege of choosing between three alternatives thus presented, and generally that comes from the surplus.

Mr. CLAPP. I beg the Senator's pardon, the surplus comes after that has been paid over.

Mr. THOMAS. The surplus, of course, is not entirely exhausted when the Senator receives that amount. Enough of it is held back to pay his widow when he shall have died.

Mr. CLAPP. I am not speaking now of the reserve; I am speaking of the surplus referred to by Mr. Barnes.

Mr. THOMAS. Then we are speaking at cross-purposes. I referred to that a few moments ago as a contingent reserve. That is the name given to it by the representative of the Equitable Co., if my memory serves me right. His explanation of that is, as I understand it, that the income tax paid under the existing law perhaps ought to be divided among the shareholders who are the policyholders, but the reason given for its withholding is that the company may at some time face a contingency of a serious character. For example, the Senator is familiar with the fall of the value of the stock of the New York & New Haven Road a few years ago, in which presumably some of the assets of the insurance companies were invested. The change of the market value of such securities and the threatened continued lowering of their value might justify or require their sale at a loss. In that event, the contingent reserve which is withheld from the shareholders by these companies might become indispensable to the continued solvency of the company. I do not say that is so, but that is the statement or argument made to me as to why this contingent reserve or surplus was withheld.

Mr. CLAPP. If the Senator will pardon an interruption, of course, I think that anything in the company to which a policyholder in a mutual company is entitled, either now or in the future, ought not to be taxed. Mr. Barnes was the gentleman who made the statement. I have not found it yet.

Mr. THOMAS. Well, we do not disagree as to what the Senator refers to. I misunderstood him. I thought he was referring to the reserve.

Mr. CLAPP. Would the Senator say that the policyholders in that company could bring a suit to recover their share of what is distinctly called a surplus?

Mr. THOMAS. If the Senator wants my individual opinion about it, I would say yes, offhand. I may be mistaken.

Mr. CLAPP. Then that ends my objection to it.

Mr. THOMAS. The Senator will remember that at one time the New York Legislature, at the instance of the great insurance companies, enacted a law prohibiting policyholders from instituting suits of that kind. That was one of the features of the Hughes investigation, so called, which attracted general attention.

The sins of corporations, like those of individuals, are apt to react upon them at times; and one of the reasons, in my judgment, why there is a popular demand for the inclusion of the great mutual insurance companies within the purview of this bill is because the public remembers the mismanagement of funds of these great companies during the early part of the century, and the additional fact that their officials are supposed to draw enormous salaries, as was disclosed by that investigation, coming from moneys belonging to policyholders.

The fact is that these companies are large institutions existing for the purpose of carrying on business and, in the belief of many throughout the country, are making enormous profits inuring to the directors and not to the shareholders. This is probably one reason why they have been included in the income-tax law and subjected very generally to State taxation. But because a company may go wrong, because its officers are guilty of malversation of duty, does not alter the general principle that the mutual benefit and liability on which these concerns are based is irreconcilable with the idea of a business prosecuted for profit, and consequently I can not reconcile the theory of this bill with its inclusion of these concerns, especially when the charitable organizations, the fraternal organizations, the mutual savings banks, the building and loan associations, and other kindred associations, all of them designed for the same purpose, to wit, the mutual benefit of those who compose them, should be exempted. Let me add that for 10 years and more these companies have been well managed and properly conducted.

Mr. CLAPP. Mr. President——

The PRESIDING OFFICER (Mr. SHEPPARD in the chair). Does the Senator from Colorado yield further to the Senator from Minnesota?

Mr. THOMAS. Certainly.

Mr. CLAPP. If the Senator will pardon me, it is not the sins of the past but the condition of to-day. These companies have these large funds, which they call surplus as distinguished from reserve. I do not exactly justify taxation to correct evils; I think, strictly speaking, taxation should be only for revenue; but there is to my mind a good deal of force in the position taken by the Senator from North Carolina that they can avoid this by doing what the Senator says they ought to do with this fund.

Mr. THOMAS. That is true; and if this fund were utilized for the purpose of making enormous profits, say, in excess of 8 per cent of the amount, then there would be no valid reason for excluding them from the operation of the law. I do not know that they do it. I do not know but they do it. Their insistence before the committee, however, was that these investments were regulated by statute and had to be made in certain securities of unquestioned value, the interest upon which was far less than the 8 per cent which this law requires. Of course, if that is so, they do not have to pay any tax at all. But I quite agree with the Senator that the whole question could be obviated by a distribution of the surplus among the shareholders.

Mr. CUMMINS. Mr. President——

Mr. THOMAS. I yield to the Senator from Iowa.

Mr. CUMMINS. Mr. President, I think there is some confusion, possibly, at least in my mind, because we have not distinguished between two different classes of mutual insurance companies. There are two classes. The one agrees with its policyholder that he will pay a certain sum every year until the time comes for the execution of the contract, whether it be death or sooner, and that stipulation has in it a margin of safety; that is to say, it is a little more than would enable the company to accumulate at the time of the payment as estimated the amount which the company is required to pay. It is believed that there ought to be that margin of safety, not only to take care of securities that may diminish in value but to take care of a possible diminution in the rate of interest so that the securities will not accumulate the amount the company will be required to pay. Now, that is one kind of company. The New York Life Insurance Co. is an example of that kind of company.

There is another class of company which does a very large business, namely, the companies in which there is no contract for a stipulated sum every year until the payment is made, but in which the company collects an assessment when it has ascertained how much is required to maintain itself, the cost of operation, and the mortality loss, whatever it may be. They are ordinarily called assessment companies. There are a great many of them, and some good ones.

The latter company in order to facilitate its business accumulates the assessments, at least possibly one or two in advance, so that when death occurs it is not necessary to await the necessity of a collection of an assessment in order to make the payment, but can immediately make it out of an assessment previously made. To me it is perfectly clear that the latter companies ought not to be required to pay either an income tax, although they are under the ruling of the department, nor should they be compelled to pay this additional 8 per cent tax. So far as the former tax is concerned, I do not believe that they ought to be required to pay on that which is reasonably required in order to make them solvent, in order to surely enable them to carry out the agreements which they have made with their policyholders.

I would not have said this much except that I wanted it to be a premise to a question that I am utterly unable to answer myself.

Mr. THOMAS. Then, I am sure I can not answer it.

Mr. CUMMINS. I know the Senator from Colorado can help me in that regard. When these companies come to compute the tax the income, of course, is fixed by the law of last year. That remains in force. They therefore have their net income. They are entitled to take $5,000, I believe. Then they are entitled to take out 8 per cent upon the actual investment.

Mr. THOMAS. That is the proposed law.

Mr. CUMMINS. That is the proposed law. How, under the bill, are you going to ascertain what the actual investment is?

Mr. THOMAS. The Senator has anticipated the very thing that I was about to discuss.

Mr. CUMMINS. Then I beg pardon. I do not want the Senator to answer it before he reaches it in the regular order of his speech.

Mr. BRANDEGEE. Mr. President——

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

Mr. THOMAS. I yield.

Mr. BRANDEGEE. I do not want to interrupt the Senator, if he does not want to be interrupted at this point, but I am interested particularly in his discussion of the taxation of mutual insurance companies, and upon the very point of the colloquy which the Senator has been having with the Senator from Iowa and the Senator from Minnesota there is some information here comprised in a few pages which gives the view of one of the leading insurance lawyers in my State on this very subject in criticism of the bill. I should like to have it read by the Secretary, if the Senator does not object, but if he prefers——

Mr. THOMAS. If the Senator will pardon me, I will be through in a few moments.

Mr. BRANDEGEE. Then I will wait.

Mr. THOMAS. The Senator will then have an opportunity.

The PRESIDING OFFICER. The Senator from Colorado will proceed.

Mr. THOMAS. The Senator from Iowa of course is familiar with the provisions of section 202, which recites:

That for the purpose of this title, actual capital invested means (1) actual cash paid in, (2) the actual cash value of assets other than cash at the time such assets were transferred to the corporation or partnership.

My construction of the application of this bill to mutual insurance companies is that neither of those subdivisions affects them.

And (3) paid-in or earned surplus and undivided profits used or employed in the business.

The only thing, which, to my mind, would fall under the provisions of this law would be the word "surplus," to which the Senator from Minnesota referred a few moments ago. If it is not that, it can not be anything. There is no paid-in surplus in any other sense than that it is the surplus caused by accretions from premiums received and possibly from interest derived from their investments in securities or other property.

If it is held as a surplus for business purposes, it would, in my judgment, be subject, if it earned more than $5,000 plus the 8 per cent upon the amount, to be covered by item 3 to subdivision 3 of the section. My opinion is given with some misgiving. I have some question whether the money of a mutual insurance company, from whatever source received, so long as it is devoted to the mutual business, could be included in either of the three classifications.

Mr. President, the basis of this excess profits tax is that in these time of undue prosperity, when enormous business enterprises are being conducted, when time is of the essence of things, and prices are secondary to the need of huge supplies, and where in consequence enormous profits are being exacted, it is no more than just that they who are receiving these large profits should contribute a very reasonable part thereof to the support of the Government. But that does not apply to the mutual insurance companies, whose rates are now what they were 10 years ago, 20 years ago, 5 years ago. These companies can not elevate their rate for risks because of the general rise in prices in everything else. They must proceed along the lines upon which the business is based; that is to say, upon the cost of insurance to those who are mutually engaged for their mutual benefit in conducting it. So there is no war profit, no unusual profit, no exorbitant or transient profit growing out of the business of mutual insurance companies. Whatever may be said of these great companies, their excess of 8 per cent, if they earn it at all, is presumably earned upon a business which has been subjected to no change, certainly not to any enhancement of prices or cost of operation.

Mr. CUMMINS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Colorado yield to the Senator from Iowa?

Mr. THOMAS. I yield.

Mr. CUMMINS. I am not sure that I am right, but my theory is that under the bill as it is now framed, a mutual insurance company, especially of the second class which I mentioned, would be compelled to pay 8 per cent upon its net income without any deduction for a dividend on account of capital invested, and if that shall be the construction of the law it is very unjust.

Mr. THOMAS. I am inclined to disagree with the Senator in that construction. If he is right, then the law as applicable to insurance companies would be invalid, because there would be a clear distinction, a clear discrimination to their injury, between other corporations and insurance companies in the basis of the levy of the tax. If the Senator is right, there is another reason why, in my judgment, they should be exempted from the operation of this law. But there is still another.

We are upon the threshold of a possible, some think a probable, conflict with one of the great military nations of the earth. In the event our severance of diplomatic relations should ripen into hostilities, and hostilities be succeeded by conflict, there is at once a risk, an extraordinary risk, imposed upon these mutual insurance companies which they can not escape. If we are to have war our boys must bear the brunt if it. Many of them insured in these companies will leave their homes never to return. War has its victims always. The man who is insured, while in a better position than is the man who may not be, goes to the front only by increasing the risk to the company which holds his policy.

The agent of the New York Life Insurance Co. appearing before our committee stated that his company had risks in every army of every country, including Japan, engaged in the present conflict, and were, of course, required to pay their losses notwithstanding the extraordinary hazard which these men incurred, and which inevitably means a vast increase in the payments which must be met from the reserve fund of the company.

When we consider the inevitable consequences to these concerns, which must respond whenever one of the insured gives up his life for his country—and which I am told they are accustomed to do promptly upon proof of the absolute fact of death—it seems to me that this is no time to impose upon them

the added burden of an enormous war tax; for upon their solvency, their ability to meet these obligations, depends the welfare, possibly the existence, of the prospective widow and orphan of an impending war.

So I think, Mr. President, so far as that feature of the bill goes, that all mutual concerns, whether large or small, whether they have sinned or are sinning, which are not engaged in any traffic consequent upon the war, whose methods of doing business have not been changed or modified or enlarged, whose rates for insurance are precisely what they were before, and whose contingent liabilities in the event of actual war are appalling, should be safeguarded, so far as national legislation can do it, and their funds protected and preserved to meet the liabilities with which they now seem certain to be confronted. Hence the doubt, if doubt there be, of our right to subject them to this tax should be resolved in their favor.

Mr. BRANDEGEE, Mr. UNDERWOOD, and Mr. WILLIAMS addressed the Chair.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. WILLIAMS. Mr. President——

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

Mr. WILLIAMS. I do not claim recognition. I did not know the Senator from Connecticut had the floor.

Mr. THOMAS. I will say to the Senator from Mississippi that I will yield the floor as soon as I yield to the Senator from Connecticut. I promised him before the Senator from Mississippi came in that I would yield to him. I now yield to the Senator from Connecticut.

Mr. BRANDEGEE. I asked the Senator from Colorado to yield during his remarks, but the Senator did not then want to be disturbed. I wanted to have a short document read. I do not, however, want to interfere with the Senator from Mississippi, if he desires the floor now to ask the Senator from Colorado a question.

Mr. DILLINGHAM. Mr. President, representing, as I do, a State that is largely engaged in dairying, and which would be materially and injuriously affected if the amendment offered by the Senator from Alabama [Mr. UNDERWOOD] should be adopted, I feel compelled, although it is late in the session, and I know that business is pressing, to call attention to the glaring misapprehension of facts under which he labored when addressing the Senate yesterday in support of such amendment.

He stated that he was a Member of the House of Representatives when the present law relating to the taxation of oleomargarine was adopted, and professed to speak from personal knowledge of conditions as they existed at that time. I was a Member of this body at that time, and my recollection of the conditions as they then existed embraces many things that seem to have escaped the attention of my friend.

It seems necessary, in order that the questions involved in this discussion be made clear, to refer briefly to the history of oleomargarine legislation. The Senator from Alabama asserted with great positiveness that the real opposition to his amendment comes from what he terms the Creamery Trust in the United States. If I understood him correctly, he asserted that the people of the United States demand the adoption of this amendment, and that it was in the interest of the people as a whole that he sought to have the present law, which imposes a tax of 10 cents per pound upon colored and one-fourth of 1 cent per pound upon the uncolored product, repealed and a straight tax of 2 cents a pound imposed upon all oleomargarine, regardless of its color.

I think the Senator from Alabama must have forgotten that from 1880 to 1886, and from that time down to 1890 and 1892, a sense of danger prevailed among the people of the country, and a strong opposition to the uncontrolled sale of oleomargarine found expression in a thousand ways. It found expression through the legislatures of no less than 32 of the States, the citizens of which represented 80 per cent of the entire population of the Nation.

Oleomargarine had been introduced as a new food product. It came mostly from the packing houses of Chicago. It was represented as being a valuable addition to the food products for the table—one that should be welcomed. But from the beginning it had the color and appearance of butter, the flavor of butter, and it was admitted by its producers that without such qualities it could not be sold. It was a dangerous counterfeit of the real article.

The people awoke to the fact that oleomargarine was everywhere sold not only in competition with genuine butter but as butter, and that the inhabitants of every State were being deceived and defrauded.

The manufacturers of oleomargarine were compelled to admit in the hearings of 1902 that it was wholly useless to place it upon the market unless it could be given the color and appearance of butter. I have in my hand the hearings held in 1902, when Mr. W. E. Miller, who represented the Armour Packing Co., of Kansas City, Mo., stated:

> We desire to impress upon this committee that manufacturers can not exist under the Grout bill. In the first place, uncolored butterine is practically unsalable. It is unsightly and does not appeal to the eye of even the poor man.

That was substantially the position of all the manufacturers, and every effort made by them to place the article upon the market was backed by a determination to have it resemble butter in every respect and to have it sold as butter wherever that could be accomplished.

I have no quarrel with the manufacturers of oleo if they are willing to put it upon the market as oleo. No voice would be raised against such sales, provided they are made without deceit and the people are not misled; but when it is sold as and for butter it is not only a fraud upon the great dairying interests of the United States but it is also a fraud upon the great American people, and it is a fraud which they have resented. They resented it so vigorously that in 1886 they came to Congress and demanded legislation that would protect them from the imposition. When the bill of 1886 was presented in the other House, it provided for a tax of 10 cents per pound upon all classes of oleomargarine. The House reduced the rate to 5 cents per pound, but in the Senate the tax was fixed at 2 cents a pound, and in that form the bill became a law.

The law of 1886 imposed a tax and regulated the manufacture and sale of oleomargarine. It required packages to be marked and branded; it prohibited the sale of packages that were not so marked and branded; and it prescribed the punishment for sales in violation of its provision. It authorized the Commissioner of Internal Revenue to make regulations prescribing marks upon the packages, which might contain different amounts of oleomargarine up to 60 pounds each. But this law failed to stop the sales of colored oleomargarine as butter in the United States.

Mr. CLAPP. Mr. President——

Mr. DILLINGHAM. I yield to the Senator from Minnesota.

Mr. CLAPP. Was not that law as drastic and far-reaching, and did it not safeguard as much against the improper or illegal sale of oleomargarine that was not branded as does the proposed amendment?

Mr. DILLINGHAM. It was substantially the same, except that it permitted packages of 60 pounds in weight, whereas the Underwood amendment limits the size of packages to 10 pounds.

Mr. CLAPP. Yes.

Mr. DILLINGHAM. And if fraud could be committed by removing oleomargarine from a package 60 pounds in weight, the same fraud can be committed under this amendment by taking oleomargarine from boxes containing 10 pounds and afterwards selling it as butter. The pending amendment only differs from the law of 1886 in the provision as to the size of the packages in which oleomargarine may be sold.

Mr. CLAPP. Would not the smaller package rather tend to fraud in making it more convenient for keepers of small hotels and restaurants to buy it in the small package and take it out than in the larger package?

Mr. DILLINGHAM. I am inclined to think so; and I was very much gratified last night when the Senator from New York [Mr. WADSWORTH], who was advocating this amendment, stated that it should be so amended that no package of colored oleomargarine over 1 pound in weight should be permitted.

On the question of whether the Creamery Trust is opposing this amendment or whether it is the American people who are opposing it, let me call attention to the fact that as far back as 1895 legislation was adopted absolutely prohibiting the sale of oleomargarine in New York, Massachusetts, and Pennsylvania. Of course, those acts were held to be unconstitutional. Then other legislative methods were adopted by the States intended to prevent the sale of oleomargarine within their borders. New Hampshire was the first, I think, to adopt the pink test; that is to say, to require the substance to be colored pink. But in 1891, five years after Congress had acted, the danger to the States became so great that Massachusetts adopted a statute prohibiting within that State the sale of oleomargarine made in imitation of yellow butter. The constitutionality of that act was affirmed by the Supreme Court of the United States. They upheld the constitutionality of that act upon the very principle upon which the present law is based. In its opinion the court said:

> Now, the real object of coloring oleomargarine so as to make it look like genuine butter is that it may appear to be what it is not, and thus

induce unwary purchasers, who do not closely scrutinize the label upon the package in which it is contained, to buy it as and for butter produced from unadulterated milk, or cream from such milk. The suggestion that oleomargarine is artificially colored so as to render it more palatable and attractive can only mean that customers are deluded by such coloration into believing that they are getting genuine butter. If any one thinks that oleomargarine not artificially colored so as to cause it to look like butter is as palatable or as wholesome for purposes of food as pure butter, he is, as already observed, at liberty under the statute of Massachusetts to manufacture it in that State or to sell it there in such manner as to inform the customer of its real character. He is only forbidden to practice in such matters a fraud upon the general public. The statutes seek to suppress false pretenses and to promote fair dealing in the sale of an article of food. It compels the sale of oleomargarine for what it really is, by preventing its sale for what it is not.

What was the power that demanded the adoption of the legislation of 1902, which is the law now sought to be repealed?

Other States had followed the example of Massachusetts, and when the law of 1902 was adopted 32 States of this Union had adopted that class of legislation, and they represented 60,000,000 people, and that 60,000,000 represented 80 per cent of all the inhabitants of the United States. This vast majority of the people had given expression to their thought, their convictions, and their desire through State legislation. It was that force that came before Congress and demanded the legislation of 1902. It is that same force which now opposes the adoption of this amendment, and it is a force that must be reckoned with.

This, it seems to me, sir, is a complete reply to the position taken by the Senator from Alabama, when he insisted that the only opposition to this proposition of his and the only support that is given to the existing law came from the creamery trust, and that the great American people want the change.

In support of my contention I now call attention to the astounding fact that in 1899 out of a total of 104,000,000 pounds of oleo that were sold in that year 80 per cent of it was disposed of in the 32 States to which I have referred. I repeat that statement, that 80 per cent of all the oleo sold in the year 1899 was sold in the States which had adopted legislation providing that oleomargarine should not be sold in those States if it was made in imitation of butter; and from 75 to 100 per cent of it was sold as butter, according to the evidence taken by the committee in 1902. It was sold fraudulently by the retail dealers, impelled by the action of the manufacturers from whom they purchased it. They did not attempt very much to sell it in its natural color. Why? Its wholesomeness had been attacked throughout the country, just as it has been attacked in the Senate to-day by the Senator from Oregon [Mr. LANE]. There existed a strong prejudice against it. They knew that they could only sell it by deception. By reason of the quick and the large profits thus secured, a system of fraud was fostered and imposed upon the people in this country. The book that I hold in my hand contains 800 pages of evidence taken by the Senate Committee on Agriculture in 1902. It teems with illustrations of the facts which I have stated. Education was too slow a process through which to induce the American public to buy oleomargarine. Counsel for the Armour Co., whom I have already quoted, was right when he said that they could not sell white oleomargarine, because nobody wanted it. But the deceit brought quick and very large returns, as I will show.

This record discloses the fact that the States were practically helpless. Although they had adopted prohibitive legislation, they were unable to protect themselves. They received little aid from the revenue officers of the Government. Driven to action, the States, through their dairy commissioners and other State officers, entered upon a campaign against the frauds which were being practiced upon their people. In New York Mr. Flanders, who was the assistant commissioner of agriculture, testified, and among other things said:

> In our State it has never been sold, taking it generally—there may be isolated cases—cheaper than butter. For the last 15 years, as far as I know—and I have been looking after it—I myself bought it for butter in the city of Troy and paid 22 cents a pound. It is sold to consumers for butter and at butter prices. There is no exception to it in the State of New York.

Proceeding, he says:

> Our men went into the city of New York, and if they went into a store where they were known and called for butter they got butter; but just as soon as they put on the garments of longshoremen, which they did in a great many instances, to see what the facts were, and took a basket upon their arms and bought a quarter of a pound of tea and a loaf of bread, they got oleomargarine. This is no fanciful dream; it is a fact.

That is a picture of the situation as it existed. If a man who was well dressed, who apparently knew his business, inquired for butter, he got it; but when the masses, wage earners, came in and made small purchases, in every instance they got oleomargarine.

Mr. Blackburn, who was the dairy and food commissioner for the State of Ohio, said:

> I desire to say that I have been dairy and food commissioner of the State of Ohio for about four years. In that time I have spent nearly $200,000 of the State money, and of that amount I presume 60 per cent has been spent in oleomargarine prosecutions.

Mr. Adams broke in to say:

> I would like to ask you what percentage of oleomargarine, in your judgment, in the State of Ohio is sold for butter at retail stores, or finally sold upon the tables of hotels, restaurants, and boarding houses, as well as to the ordinary consumers?

Mr. Blackburn replied:

> My judgment would be 75 per cent of it—

For four years he had been devoting his time to the work of investigation—

> I might state the three leading hotels in the city of Columbus—the Chittenden, the Neal House, and the Southern Hotel—are now and have been for months back using oleomargarine on their tables in defiance of law.

Mr. Luther S. Kauffman, of Philadelphia, who was attorney for the Pure Food Butter Protective Association of Pennsylvania, told of his failure to induce the revenue officers of the Government to prosecute violations of the law; that he was compelled to come to Washington and appeal to the Secretary of the Treasury, who directed the revenue officers to take action. He says:

> In 1890, when I was retained by the butter men of Philadelphia, I found just this: That the whole city was filled with oleomargarine. We organized a detective force and sent them out, and we found that there was not a pound of oleomargarine, as far as the experience of the detectives was concerned, which was sold as oleomargarine. Everything was sold as and for pure butter, at pure-butter prices, in unmarked packages.

Mr. CLAPP. Mr. President——

The PRESIDING OFFICER (Mr. SHEPPARD in the chair). Does the Senator from Vermont yield to the Senator from Minnesota?

Mr. DILLINGHAM. I do.

Mr. CLAPP. All that was under the flat 2-cent tax on colored and uncolored oleomargarine alike?

Mr. DILLINGHAM. Every instance of it; and that is just the condition, in my judgment, that we shall have if the Underwood amendment is adopted.

Mr. Kauffman further says:

> I went to the revenue authorities in 1891 and I called their attention to section 6 of that law. There never had been in the eastern district of Pennsylvania any prosecution by the revenue authorities for violation of that act, although it had been in existence for four years. We presented a lot of evidence of violations of that United States law to the revenue officers, and they absolutely refused to swear out the warrants. I was compelled to come over to the Secretary of the Treasury, at that time the Hon. Charles Foster, of Ohio; we had to summon the Commissioner of Internal Revenue before us; and we compelled the Commissioner of Internal Revenue to issue orders to the revenue agents in Philadelphia that evidence should be received and the warrants sworn out. They did not do it until we did that very thing. Then, when the evidence was submitted, the officers performed their duty, and we convicted and sent to jail the men against whom we brought the evidence; and that stopped the illegal traffic in the city of Philadelphia. We drove the retailers out of the business. We created the office of dairy and food commissioner of the State of Pennsylvania in 1893, and then that association, at that day, went out of business, because this department had been created to accomplish the same end.

He says, again:

> We found again, in February of 1899, with this same United States law still in force, not a dealer in oleomargarine in the city of Philadelphia but who was selling oleomargarine as and for butter; and the detectives went out and paid butter prices for it, paying as high as 40 cents a pound for oleomargarine bought as butter. I have the cases here.

At that point he brought in a tabulated statement, and said:

> There is the list of cases, with the date of purchase and the name and address of the party. These are purchases made during that time by this association. There they are, right straight along, page after page—more than 500 cases of purchases of oleomargarine in the city of Philadelphia. I am going to give you a summary of them. There are in this list more than 500 cases of purchases of oleomargarine in the city of Philadelphia. The detectives in every single case, without exception, asked for butter, and they got oleomargarine at butter prices without any indication from the seller that it was oleomargarine. There you have a fraud directly upon the purchaser.
>
> Now, let me give you a summary of these cases. How many were marked? There are 508 cases here. I have the details there. I am not talking about suppositious cases. Every case is there, with the name and date and the result. These detectives went into these places, places kept by men who were supposed to be selling oleomargarine and who had paid revenue taxes. They asked for butter.

Now, mark the result. The witness says:

> Of those 508 purchases, 49 were butter and 459 were oleomargarine.

And yet he says that in every case butter was asked for when the agent made the purchase.

I might go on indefinitely reading extracts of that kind, but time forbids.

John Hamilton, who was secretary of agriculture for Pennsylvania—he was not representing any creamery association—says:

We have had a great deal of experience in Pennsylvania with this article and a large amount of it is not branded, although it may be sold for butter We have examined more than 1,000 samples this year, and a large percentage of it is not branded so as to distinguish it from butter, and is sold as butter.

Right here in the city of Washington Mr. Knight testified as to the conditions. He said:

Mr. KNIGHT. Formerly they had the words "Swift's Jersey," and such words as that; but when the ruling was made that they should put the word "oleomargarine" on if they had any printing, immediately everything dropped off. I made a search of this town, in company with a Representative from Nebraska, Representative HAUGEN, of Iowa; and Representative Dahle, of Wisconsin, and we searched every place to find a package of oleomargarine in parchment paper that had any printing on it at all, and we failed to find one in the city.

Senator HEITFELD. Of course, if anyone were looking out for it he could find it very nicely in this sign above the stand.

Mr. KNIGHT. That may be—in the Center Market.

Senator HEITFELD. If anybody desired to avoid buying it he could see that sign; or if anybody wanted it very bad he could see it.

Mr. KNIGHT. It is just as likely to be butterine on the butter side, though. I want to tell you an experience I had in the house of this man who is promoting this National or Standard Butterine Co. here. We called in there and asked him if he had any of Swift's Jersey Butterine. He said he had. I said, "Let me see a package, please." He brought out a package which was absolutely plain. I said, "Is this Swift's Jersey Butterine?" He said, "It is." I said, "But I am accustomed to seeing it. I am quite familiar with the brand." He took me for a dealer, from the knowledge I displayed of the different brands of oleomargarine, and he said, "Well, I will tell you; according to a new rule that has been issued by the Internal-Revenue Department, if they put anything on they must put on the word 'oleomargarine,' don't you see, so you would have the word 'oleomargarine' on it if there was anything printed on it at all;" and he is now promoting a million-dollar plant for manufacturing butterine in the District of Columbia.

Mr. President, I have read these extracts showing how it was in Washington, how it was in Philadelphia, how it was in New York, and in one or two of our other large cities, but I have omitted a great mass of evidence that showed that the conditions existing in these cities existed everywhere in the United States. The law of 1886, as the Senator from Minnesota has said, is almost precisely the same as the Underwood amendment, simply allowing larger packages to be issued than the Underwood amendment does. It was under that law that these frauds were committed, and it was under that law that frauds were committed to such an extent that 32 States of the Union, representing 80 per cent of the population of this country, protested against it and demanded the color test which was adopted in 1902 and which this amendment seeks to repeal.

I recall in my own personal experience incidents which further emphasize what I have said. For a great many years I have represented this body as a visitor to the National Reform School just outside this city. In 1902 I visited the school in company with Col. Cecil Clay, of the Department of Justice, who was very much interested in the institution, and we were discussing this question. Incidentally the superintendent told us he had made two purchases the day before, one of oleomargarine and the other of butter; that for the oleomargarine he had paid 14 cents a pound, and for the butter he had paid 23 cents a pound. We caused both purchases to be sent out for analysis, and both proved to be oleomargarine. Even the United States was being defrauded by these rascals whose successors now want to repeal the existing law, a law which satisfies the country.

I have wondered why no petitions have been presented on the part of the people, if as alleged they want a repeal of this law. I challenge any man in this body to produce a petition from any of the States that suffered in the way I have indicated asking for a repeal of this law, or indicating that there is any desire on the part of the masses of the people for a repeal of the law. There is, in fact, no demand for it.

Where does the demand come from? It comes from just the same sources that opposition to honest dealing has always come from—first, from the great corporations that are producing this substance and want to make exorbitant profit from it, backed, as appears by the brief that has been presented by the Senator from Alabama in support of his proposition, by the Interstate Cottonseed Crushers' Association and the American National Live Stock Association. I may say that in 1902, when attorneys appeared here professing to represent the cattlemen's association, the then Senator from Kansas, who was engaged in cattle raising, stood in his place and said that he did not demand it and did not want it.

It has been alleged in this debate, however—I understood my friend from Alabama [Mr. UNDERWOOD] yesterday to assert—that these frauds to which I have referred were not committed by the manufacturers, but that it was only when this product got into the hands of the retailers and they saw the opportunity to make a great profit that fraud was practiced by purchasing the uncolored product, coloring it, and selling it as butter. This was claimed 15 years ago just as it is claimed to-day. The manufacturers stood back and said: "We are not in it. If there has been any fraud it has been committed by others. But if that is so, I want to know why it was that they were all sailing under false colors.

I found in existence at that time the "Vermont Manufacturing Co.," making oleomargarine. I made inquiries and found that they were located in the State of Rhode Island. Why did they put on their product the name "Vermont"? Why, sir, Vermont at that time stood preeminent as a dairying State; not so preeminent as she does to-day, because the last census shows that during the last 10 census years Vermont was making more butter per capita than any other State in the Union; she was making more butter per farm than any other State in the Union; and, what is more significant, she was making more butter per cow than any other State in the Union, showing that we have the finest herds, that we are treating them in a scientific, intelligent manner, and that we are bringing the art of butter making to a high standard, just as they are in Wisconsin and other dairying States. So these manufacturers of this spurious article adopted, when they began making oleomargarine in the State of Rhode Island, the name of the Vermont Manufacturing Co. Then we had the Capital City Dairy Co., with its manufactory in the State of Ohio; we had the Union Dairy Co.; the Lakeside Creamery; the Cold Spring Creamery; and the Swift's Jersey. I pick out these names at random from the corporations that were selling this stuff to the people of the United States as butter. The fraud began at the head of the business, but the manufacturer, the producer, and the wholesaler joined in masquerading. It also appears in the hearings that the representative of one of the great packing houses in Chicago went so far as to assert that oleo is butter.

Mr. LANE. Mr. President——

The PRESIDING OFFICER (Mr. MARTINE of New Jersey in the chair). Does the Senator from Vermont yield to the Senator from Oregon?

Mr. DILLINGHAM. I do.

Mr. LANE. I call the attention of the Senator to the fact that there is published a pamphlet called "The Butter Industry in the United States," by Edward Wheaton, Ph. D., under date of 1916, in which he says that in high-class oleomargarine out of 357½ pounds they had 95 pounds of butter, process butter, in my opinion, I think without question, and giving some of the other formula of a cheaper grade, they used of milk 280 pounds out of 1,496½ pounds to give it a flavor, and a better view, if you please.

Mr. DILLINGHAM. Exactly.

Mr. LANE. And his criticism of butter is for the reason that it contains tubercular germs. They are using, I assume, not the best quality of butter, but the cheapest quality of process butter and milk, which contain the most tubercular germs.

Mr. DILLINGHAM. I am much obliged to the Senator from Oregon for the information he has communicated to the Senate. It simply goes to show that the product of these manufacturers, unless it has butter in it or cream added to it, never could be placed on the market. They have to add to it that which gives it the flavor, which brings into it an element of butter, and it then goes out to the country under the law or against the law as a counterfeit of butter. It is utterly impossible when you have counterfeits upon the market to avoid frauds upon the public.

Mr. STERLING. Mr. President——

The PRESIDING OFFICER. Does the Senator from Vermont yield to the Senator from South Dakota?

Mr. DILLINGHAM. I do.

Mr. STERLING. I suggest to the Senator that even when the manufacturer did not commit a fraud there might be a fraud on the part of the retailer.

Mr. DILLINGHAM. There was, undoubtedly; and they were encouraged to it, as I shall show the Senator before I conclude, by the manufacturer.

I find that in 1890 the manufactories had increased to 30. There were 186 wholesale dealers and 2,500 retailers in the city of Chicago, 10,000 retailers in the United States, and 80 per cent of all that was sold in the States that had legislated against it, and sold to the American people, who had spoken against such frauds through their legislatures. At that time the record shows that William J. Moxley, I think of Chicago, produced 12½ per cent of all the oleo produced in the United States. Under date of Chicago, April 5, 1899, he sent out a notice to the trade which read as follows:

CHICAGO, *April 5, 1899.*

NOTICE TO THE TRADE.

Inclosed find a color card, which is as near the color of our butterine as the printer's art can represent. Our aim in sending you this card

is to aid you in selecting the proper color suitable to your trade. Mistakes are easily made, but hard to remedy.

Now, mark what more he says:

In nearly every section of the country there is a difference in the color of butter, and even in certain seasons of the year there is a change, as you will have noticed. In winter butter is of a lighter color than in summer. In many sections this is the result of the difference in feed or pasture.

We can give you just what you want at all seasons if we know your requirements. As an example, No. 1 has no coloring matter, No. 2 a little coloring, and so on to No. 8, which is the highest-colored goods we turn out. Preserve this card, order the color you want by number, and we will send you just what you want.

Yours, truly, W. J. MOXLEY.

That, mark you, was in 1899, 12 or 13 years after the act of 1886 was passed, but immediately preceding the legislation of 1902. So much of that work was done that the dairy union of Illinois sent out notices to the retail trade that they would be prosecuted and, they hoped, convicted. In reply to that the same Mr. Moxley, the manufacturer, sent out a letter which told the retail dealers that he would stand back of them, and in many instances he did so, at large expense.

Let us again return to Washington. Mr. Walter E. Wilkins in 1902 was president of the Standard Butterine Co. of this city; Joseph Wilkins and Howard Butler were, as I now remember, his clerks. They were detected by the Government officers, according to the testimony of the Internal-Revenue Department, in removing marks of identification and revenue stamps from a carload of oleo in the station at Philadelphia. It was shipped in 60-pound packages. It can be done with a 10-pound package just as well, and in many instances probably better, as has been suggested by the Senator from Minnesota [Mr. CLAPP]. But they were detected. Mr. Joseph Wilkins was convicted and sentenced. A pardon was sought of President McKinley, and the opinion of the Attorney General, Mr. Griggs, is given in this volume, where he recommends that the pardon be not granted because of the man's guilt. I will not stop to read it. After his indictment by the Federal grand jury, and after the business was thus broken up, he was employed by Braun & Fitts, to whom I have before referred as large manufacturers of oleo in Chicago, as a director of salesmen of oleomargarine.

Are there not some manufacturers back of this movement? Do they not entertain the thought that has been in the minds of their predecessors ever since they put this article upon the market? Is it not the thought which has actuated all of them in all their actions in every contest in every State of the Union and in every contest that has been had in the Congress of the United States over this question? Why should they not be interested when the profits involved are considered? When oleomargarine is counterfeited in imitation of butter the profits are immense.

I hold in my hand a copy of a prospectus of the Standard Butterine Co., incorporated under the laws of the State of West Virginia, United States of America, capital stock $1,000,000. Standard Butterine Co., W. P. Wilkins, president; offices, 208 Ninth Street NW., Washington, D. C., United States of America, September 1, 1900. That was issued within two years of the time when the existing law was passed. In this prospectus Mr. Wilkins is asking for subscriptions to stock. I will read the ingredients. He says:

TABLE OF COST AND PROFITS.

It is perhaps best to add to this prospectus a statement of the exact cost of and profits in the manufacture of butterine, compiled from manufacturing statistics and recent market quotations.

Cost, showing proportions used for each 100 pounds.

Oleo oil, 32 pounds, at 9½ cents per pound	$3.04
Neutral lard, 17 pounds, at 8½ cents per pound	1.44½
Cotton oil, 17 pounds, at 5 cents per pound	.85
Milk, 17 pounds, at 1 cent per pound	.17
Salt, 7 pounds, at one-half cent per pound	.03½

That made a cost for a hundred pounds of oleo $8.92. In this prospectus he further sets out that the difference between the manufacture and the selling price of that brand of oleo was $4.08 a hundred.

Mr. LA FOLLETTE. It was pretty cheap milk.

Mr. DILLINGHAM. It was pretty cheap milk and a pretty cheap compound; but he was asking subscription for stock to a company that was doing business under the name of a butterine factory, and sending out a prospectus showing that they made a profit of $4.08 on every hundred pounds that they produced.

Mr. STERLING. The butterine was actually oleomargarine?

Mr. DILLINGHAM. I do not know because his company was called the Butterine Co., but I have given the ingredients.

Mr. STERLING. I judge from the ingredients that it might well be called oleomargarine.

Mr. DILLINGHAM. I thought so. He says, further:

The preferred stock is guaranteed to pay 8 per cent per annum, and the common stock ought, by conservative estimate, to pay at least 15 per cent after the first year of business.

Mr. SMITH of Michigan. When did this occur?

Mr. DILLINGHAM. In 1900, two years before the passage of the present law. This same Mr. Wilkins, as late as 1901, writes from this city to a gentleman in Iowa, saying:

WILKINS & Co., INCORPORATED,
208 Ninth Street NW., Washington, D. C., November 8, 1901.

PRESIDENT IOWA AGRICULTURAL COLLEGE,
Ames, Iowa.

DEAR SIR: Good butter is getting scarce and the demand for our butterine is increasing. Why? Simply because we are handling the very best goods to be found on the market—a substitute for butter that can not be detected.

That was the condition which existed when the present law was passed. The public was the subject of fraud and deceit on the part of every producer who saw fit to establish himself in this unholy business.

Mr. STERLING. I should like to ask the Senator from Vermont why it is that of all the frauds practiced under the law of 1886, substantially the same as the law proposed to be enacted here, the Treasury Department of the United States, including the Commissioner of Internal Revenue, are favoring the present law?

Mr. DILLINGHAM. I have only my own private opinion upon that subject. It makes an enormous amount of work to ferret out these individual frauds and follow the practices of the retailers and ascertain what they are doing. I have already called attention, if the Senator pleases, to the testimony of one who came to Washington to induce the department to take action. He could not induce the revenue officers in the city of his residence to act and he came here and applied to Secretary Foster for assistance. They called in the commissioner and went over the matter, and orders were issued and the desired help was secured. I think the inaction was induced by the difficulties in the way, and that inefficiency resulted. I am sorry to say that, but I can not reach any other conclusion.

I can not too often repeat that the law under which these frauds were committed was substantially the same as the Underwood amendment, and if these frauds were successful under that law they certainly can be committed under the proposed amendment.

The law of 1902 has been upon the statute books for 15 years. Outside the circle of manufacturers of oleomargarine, who has demanded the proposed changes? Has any State legislature repealed the statute forbidding the sale of oleomargarine when colored in imitation of butter? Has any dairymen's association or any organization of farmers or any grange, State or National, demanded the change? Have the purchasing classes in our great cities demanded any change in the Government policy? If so, it has escaped my attention; I very frankly assert that if this great organization of manufacturers desires a change it should be sought through an independent bill; it should be referred to the appropriate committee, that hearings can be had, that we may be able to determine precisely what conditions prevail in the cities of the United States at the present time. I should like to have the fact appear that the people of the United States are so well satisfied with the present law that they rested quietly and contentedly until they heard of this movement, and that they then rose up en masse and demanded that it be defeated.

Mr. CLAPP. Mr. President——

The PRESIDING OFFICER. Does the Senator from Vermont yield to the Senator from Minnesota?

Mr. DILLINGHAM. I yield.

Mr. CLAPP. The Senator was asking if anybody outside of a certain group had found fault with the law. I wish to say to the Senator that four or five years ago a man who employs a great many men did make complaint to me in regard to the law. I asked him what was his objection to it. I said you do not have to pay the tax, you can buy the uncolored product. He said, "Our men would know the difference."

Mr. DILLINGHAM. So it is. We are facing a strange situation, Mr. President. This law has been upon our statute books for 15 years, the whole country has seemed to be perfectly contented with it. The dairymen are not complaining of it, the creameries are not complaining about it, the consumers are not complaining of it. The masses are satisfied with it. In 1902 the manufacturers were here demanding the Wadsworth substitute, and this amendment is substantially the Wadsworth bill, except that it limits the size of the packages to 10 pounds of oleomargarine.

What the manufacturers were demanding 15 years ago, against the voice of the people, they are here to-day demanding against the voice of the people. Now, as then, they are employing the same agencies, the producers of cotton-seed oil and the cattle growers' association, which at that time was represented by Judge Springer, and very ably too. So to-day

we have the same influences operating in favor of the proposed amendment that were active 15 years ago in demanding the substitute bill and opposing the legislation now on the statute books.

Mr. President, I have desired to recall the history of oleomargarine legislation and to disclose, as far as I have been able to do, the fact that the country is satisfied with the existing law, and that this is a selfish interest backing the proposed amendment. It is the interest that originated with the production of oleomargarine, that forced it upon the objecting States under the law of 1886, and that wants again to have unlimited power to impose it upon the country under the guise of butter, with a tax of only 2 cents per pound upon it.

Upon us rests the responsibility of representing the people of 48 States. It is our duty to deal fairly with every interest, the manufacturers of oleomargarine as well as the great public. I am perfectly willing that, having made it wholesome, they have accorded them a full opportunity to sell it for what it is. Let every man in the country have the opportunity to buy it for what it is and to pay precisely what it is worth, and no more. On the other hand, we must consider the great dairy interests of the country, the importance of which can hardly be measured. Doubtless I feel more interested in the proposed change than I should otherwise do, because in the great revolution in industrial conditions which followed the Civil War the agriculture of the East suffered enormously from the opening up of the broad and teeming acres of the West. The people of the East were slow to recognize the changed conditions, and in Vermont, which is essentially an agricultural State, with good pastures and rich meadows, the values of farm lands gradually decreased as a result of competition until in 1900 they were 20 per cent less in value than in 1870.

Mr. PAGE. Mr. President——

The PRESIDING OFFICER. Does the senior Senator from Vermont yield to his colleague?

Mr. DILLINGHAM. I do.

Mr. PAGE. I should like to ask my colleague if it is not true that the general condition of Vermont farming has been materially improved by the vast increase made in the dairying interest?

Mr. DILLINGHAM. I was coming to that. I was saying that the values of farm lands had decreased in Vermont; and here in this Chamber I heard it charged in debate that the farms in Vermont were being deserted, though that was not true. But since the close of the Civil War New England has had a remarkable growth in her manufacturing industries, and our farmers at last woke up to the fact that they could no longer compete with the West in the cereals or in the production of beef cattle, and, perhaps, in some other products, but they also realized that they had at their command a largely increased and nearby market, and that, if they would profitably conduct their farms, they must specialize; that they must produce the goods demanded by such market. As a result, they gradually changed their methods and entered extensively into the production of fruits and vegetables, poultry and eggs; but their crowning achievement was in the development of dairy interests. In the last 15 years there has been a real revolution in the agricultural and dairy industries in that State.

You may ride the length and breadth of Vermont to-day and you will hardly find a set of farm buildings that are not trim and clean, with surroundings which indicate a high degree of prosperity. New stables abound everywhere, with cement cellars and silos, every shred of fertilizing material is saved and goes back to the land, and the value of crops has multiplied. The finest herds of cattle have been introduced—some of them Jerseys, some Ayrshires, some Guernseys, and some Holsteins. On every farm in Vermont to-day you will find high-bred stock, and on many of them thoroughbreds. Associations of farmers and dairymen are found in almost every town, as well as in the counties and in the State. Milking contests are common in every community, and every herdsman is proud when he can come into the record with a cow that is giving a larger proportion of butter fat within a given time than those of his neighbors.

These classes have studied all the systems of cattle feeding, and have tested all classes of rations; they have studied the best systems of manufacturing and of marketing their products. The result of this revolution has been that in the 10 census years between 1900 and 1910 the farm values in Vermont increased 35 per cent.

Mr. SMITH of Michigan. And they have also invited careful inspection.

Mr. DILLINGHAM. The owners have invited inspection of their cattle. A man who has in his herd a tuberculous cow is in disgrace until it has been eliminated. If he has any reason to suspect that an infected cow is in his herd, the State commissioner is summoned, the test is made, and if the cow is found to be tuberculous, she is at once killed, and the State comes to his aid in meeting the loss. The State has adopted the most vigorous measures to stamp out disease, in all of which the owners are in sympathy.

But my friend from Alabama spoke about the "Creamery Trust," and asserted that the opposition to the adoption of the amendment was confined to that alleged combination. Let us see. Are not the individual dairymen interested? From the Statistical Abstract I find that in 1909, when the last census was taken, there were manufactured upon the farms of the United States 994,000,000 pounds of butter and in the creameries of the United States there were manufactured only 624,000,000 pounds, a third more on the farms than in the creameries; and it appears also that in all of the great West most of the creameries are conducted upon the cooperative plan, while in the East the same is true to a greater or less degree. I have before me a full list of the States, with the amount of the butter produced upon the farm and in the creameries of each, but it is too long to reproduce at this time.

Mr. President, I have little to add to what I have already said. I believe not only that the State which I in part represent is unanimously opposed to this legislation, but I believe that 75 per cent or more of the people of the United States are opposed to it. This must be so, if we are to measure our judgment by the action of the individual States in their legislation upon the subject.

Mr. STERLING. Mr. President——

The PRESIDING OFFICER. Does the Senator from Vermont yield to the Senator from South Dakota?

Mr. DILLINGHAM. I do.

Mr. STERLING. There is one question which I think the Senator from Vermont has not discussed and which I should like to ask his views upon. It has been urged here that the cost of living will be reduced under the operation of the Underwood amendment, and that thereby a large class of people in the United States will be benefited. I should like to have the Senator's views on that proposition.

Mr. DILLINGHAM. Mr. President, I have examined the record under the law of 1886, and I could find no cases where oleo was sold in the colored state at a price lower than that of butter. I looked through the reported testimony carefully—there may have been instances which escaped my eye—but in every instance I discovered it was found that the oleo which was colored was sold as butter and sold at butter prices.

Mr. SMITH of Michigan. Mr. President——

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

Mr. DILLINGHAM. I do.

Mr. SMITH of Michigan. I wish to ask a question of the Senator before he sits down, on the point raised by the Senator from South Dakota [Mr. STERLING], and that is, if oleomargarine is sold for what it is, it must of necessity be at a much less price to the consumer than it would be sold in imitation of butter, and if there is any question of economy in the cost of living, the person who desires to use a harmless and acceptable food, such as oleomargarine is admitted to be, would be able to buy it at much less than he could otherwise buy it.

Mr. DILLINGHAM. That was perfectly evident. Under the existing law, which imposes a tax of only one-fourth of 1 cent a pound on the uncolored oleo, the article can be placed on the market for just what it is. It can be advertised, as Ivory soap is advertised, as being 100 per cent pure. If the people want it, they can get it at the price which it ought to bear. The present law is all in the interest of the people. If they want oleo, they can get it. That, however, is not what these manufacturers want. They want the privilege of putting it on the market colored as butter, simply to have it sold as butter and to secure the immense profits which they enjoyed prior to 1902, when the present law was enacted.

For the reasons stated, Mr. President, I am opposed to the adoption of the amendment.

Mr. LEE of Maryland obtained the floor.

Mr. PAGE. Mr. President, before my colleague sits down I desire to ask him a question.

The PRESIDING OFFICER. The Senator from Maryland has been recognized.

Mr. LEE of Maryland. I yield to the Senator.

Mr. PAGE. The question I desire to ask has been suggested by the remark of the Senator from Michigan [Mr. SMITH]. What will be the effect of this proposed law upon the price of oleomargarine? To-day, in round numbers, the price, as I un-

derstand, is 20 cents a pound approximately for oleomargarine and 40 cents for butter. If oleomargarine can be made and sold as butter, is it not probably true that instead of bringing 20 cents a pound its quality will be improved until the price of oleomargarine will go up to 25 cents, and the more they improve it the higher its cost will be, of course, and the higher its price will be. It seems to me that if butter is sold at 40 cents, and the natural market for butter is interfered with by improving oleomargarine, the natural consequence will be the reduction in the price of butter, and the two articles will come nearer and nearer together in price, although not quite reaching the same level, of course. But it will stimulate the manufacture of oleomargarine and will materially interfere with the manufacture of butter and the price of butter.

It seems to me that it is an attack upon the butter industry that can hardly be overestimated, and I was very sorry to hear the Senator from Wyoming [Mr. WARREN] say that if he thought the change of the law would interfere with the dairy industry he would not favor it. When he said that I thought he must be mistaken, or had not given consideration to the facts that I have mentioned in regard to the influence of oleomargarine upon the price of butter and the price of butter upon oleomargarine. It seems to me that there can be but one answer to the question propounded to my colleague by the Senator from Michigan.

Mr. LEE of Maryland. Mr. President, this morning, according to its custom, the Senate listened to the reading of the Farewell Address of Gen. Washington to the people of the United States, dated the 17th of September, 1796. Now, for a brief moment, I wish to call the attention of the Senate to what might be properly called the farewell address of Gen. Washington to the Senate and House of Representatives in joint session, dated nearly three months later than the farewell address to the people of the United States, and which farewell address to the Senate and House of Representatives is particularly apposite at the present time, because it deals exclusively with the question of the national defense.

For another reason, Mr. President, this farewell address, dated December 7, 1796, is appropriate to be read here to-day, in the closing days of the first and only Congress, I may say, that has made any reasonable effort to place the militia of the United States on an efficient basis, or, as the Father of his Country expressed it, "on an efficient establishment."

This Congress passed a law on the 3d of June, 1916, correcting omissions and defects in the previous militia law of 1903 and increasing the appropriation for the militia establishment from an average annual appropriation of $6,000,000 to the present annual appropriation of over $50,000,000. These farewell words of Gen. Washington to the Members of the Senate and House of Representatives are the concluding part of his speech to both Houses on December 7, 1796, and are as follows:

> Gentlemen of the Senate and House of Representatives, my solicitude to see the militia of the United States placed on an efficient establishment has been so often and so ardently expressed that I shall but barely recall the subject to your view on the present occasion, at the same time that I shall submit to your inquiry whether our harbors are yet sufficiently secured.
>
> The situation in which I now stand, for the last time, in the midst of the Representatives of the people of the United States naturally recalls the period when the administration of the present form of government commenced; and I can not omit the occasion to congratulate you and my country on the success of the experiment nor to repeat my fervent supplications to the Supreme Ruler of the Universe and Sovereign Arbiter of Nations that His providential care may still be extended to the United States; that the virtue and happiness of the people may be preserved; and that the Government which they have instituted for the protection of their liberties may be perpetual.
>
> GEORGE WASHINGTON.

Returning now, Mr. President, to the bill before the Senate more especially, I want to call attention to that portion of the remarks of the Senator from Alabama [Mr. UNDERWOOD] with reference to a report from the Department of Agriculture in 1912, which he cited as showing the dangerous qualities of 61 per cent of the creamery products of the country. When I first heard the Senator refer to the report of 1912, without knowing anything about it, it struck me that he was producing rather an old sample of butter—5 years old, to say the least—and I questioned the application of his figures, especially in view of the fact that it is well known that in the last five years enormous improvements have been made with reference to the health conditions of dairy cattle, the elimination of tuberculosis, and the handling of dairy products. While the debate was going on I communicated with the Department of Agriculture and secured a letter on this subject, which is a circular letter written by Assistant Secretary Carl Vrooman, and bearing date July 27, 1916, which seems to show very conclusively that the figures adduced by the Senator from Alabama can hardly be considered by the Senate as conclusive on this subject. Briefly speaking, Mr. President, the report to which the Senator referred was based on an investigation of but 144 creameries and cream-buying establishments out of a total of 46,000 creameries and cream-buying establishments. This very small percentage of these establishments—144 out of 46,000—was relied upon here to give us a percentage condemning 61 per cent of the dairy products of the country; and almost certainly, Mr. President, the parties making those investigations selected the most objectionable establishments.

I am going to ask that this whole letter of Assistant Secretary Vrooman be incorporated in the RECORD.

The PRESIDING OFFICER. Without objection, that will be done.

The letter referred to is as follows:

> DEPARTMENT OF AGRICULTURE,
> OFFICE OF THE ASSISTANT SECRETARY,
> *Washington, July 27, 1916.*
>
> MY DEAR SIR: Your letter of June 14, with reference to House resolution 137, popularly known as the Linthicum resolution, is at hand. I agree with you that it is decidedly unfortunate that the report referred to in this resolution is being made use of without more adequate explantions.
>
> To begin with, this report was based upon an investigation made by the Bureau of Animal Industry over four years ago; the investigation having been begun on April 10 and having ended June 30, 1912, before either Secretary Houston or I became connected with the Department of Agriculture. Furthermore, the report itself was based on an investigation of but 144 creameries and cream-buying stations out of a total of 6,000 creameries and some 40,000 cream-buying stations.
>
> The Federal Department of Agriculture is completely out of sympathy with current misunderstandings and misinterpretations of the 1912 report. That report does not mean to say or to infer that the dairy industry is on a lower level or has lower standards of purity and cleanliness than the other industries of the country. If the department were to make out a score card for the different foods and drinks that are being produced and consumed throughout this country to-day, and especially for the vegetables, fruits, and other foods exposed for sale at the average market and grocery store, it would find that in a majority of cases similar conditions exist to those disclosed in the dairy industry. In other words, it would be shown: First, that ideal conditions do not exist; secondly, that existing conditions can be greatly improved; and, thirdly, that the improvements recommended are commercially feasible. These are the three points that the Department of Agriculture attempted to bring out in its 1912 creamery report, and any attempt to read other meanings into that report, any attempt to discredit the dairy industry, is an attempt that the Federal Department of Agriculture does not sympathize with and will have no part in.
>
> Moreover, a lot of work has been done by the Federal Department of Agriculture and the State and municipal boards of health and by the various dairy organizations during the past four years to improve dairy conditions. Plans are now being worked out which we are satisfied will steadily improve dairy conditions by raising the standard of cleanliness and purity in dairy products from one end of the country to the other. If worked out intelligently there is no reason why these improvements can not be rapidly introduced without cutting down the legitimate profits of dairymen and creamery men. It is true that some additional capital will be called for, but it is also true that the plans of the department involve a provision for a proper return to the dairy interests on all additional capital required.
>
> It seems to me a self-evident fact that better results can be attained through the active cooperation of dairymen and creamery men, Federal department officials and State and municipal authorities, in a winning campaign in favor of recognized essentials of cleanliness and purity than can be secured by frittering away our energies working at cross-purposes and bickering over nonessentials and unnecessary misunderstandings of each other's motives and purposes.
>
> Very sincerely, yours,
>
> CARL VROOMAN,
> *Assistant Secretary.*

Mr. LEE of Maryland. In conclusion, Mr. President, I do not regard this as the proper time to take up the question of improving the dairy products or of regulating the color of margarin on an urgent revenue measure, and thus possibly endangering the passage of this great revenue law by introducing a controversy between the peanut and the cow, or, if it is more serious than that, between the products of different sections of a great country. There is, in fact, no proposition before the Senate to improve the purity of dairy products, nor is there remaining time in this session for so large a question.

It is difficult to avoid the conclusion, Mr. President, that this amendment, if it has any effect, by permitting the coloring of this product, margarin, to make it look more and more like butter, permitting it to be sold as such by permitting the coloring, will simply add to the price of this food product to the average man throughout the country, who otherwise might get and use the uncolored margarin at a cheaper rate. This is certainly not the time, Mr. President, to pass legislation here that increases the price to the consumer of food of any kind.

Mr. SMITH of Michigan. Mr. President, the Senator from Maryland [Mr. LEE] has referred to Washington's Farewell Address; and it has been read in the Senate to-day, as has been the custom for many years. Senators have been favored with a single copy of this address. It must be in type, and it must be available. At a time like this, when we are confronted with serious international complications, and when the advice of the Father of his Country is needed more than at any other time in its history, I think it would be appropriate to print some extra copies of this farewell address.

I therefore ask unanimous consent for the consideration of a resolution which I will prepare that a million copies of this address may be printed and that they be assigned to the Members and Members elect of the House and Senate for distribution.

Mr. LEE of Maryland. Mr. President, I will ask the Senator if he will accept an amendment to his proposition, including the short farewell address to the Senate and House?

Mr. SMITH of Michigan. Yes; I will accept the amendment.

Mr. PENROSE. Mr. President, this is a very patriotic request, but there is a sort of an understanding here in the Senate—there has been all through the session—that requests of this kind should be referred to the Committee on Printing. I do not think the Senator from Michigan can fairly object to having the request referred to the Committee on Printing, and I move its reference to that committee.

Mr. SMITH of Michigan. Mr. President, I simply desire to insure a renewed circulation of this marvelous address, which is so timely. I am quite content to let the committee pass upon it, but I hope there will be a prompt and favorable report.

The PRESIDING OFFICER. Without objection, the motion of the Senator from Michigan will be referred to the Committee on Printing.

The motion was reduced to writing and referred to the Committee on Printing, as follows:

Senate resolution 371.

Ordered, That 1,000,000 copies of Washington's Farewell Address to the people of the United States and his farewell address to the two Houses of Congress be printed in one document, for distribution by Senators.

Mr. PENROSE. Mr. President, I do not intend to detain the Senate. So much reference has been made to the sanitary conditions of dairies that I am going to ask unanimous consent to have printed in the RECORD, in connection with this discussion, some copies of letters from colleges of agriculture and other special institutions setting forth the sanitary conditions of dairies in the United States as presented by men having charge of the business in the leading dairy States. I will ask to have them printed.

The PRESIDING OFFICER. Without objection, that course will be pursued.

The matter referred to is as follows:

SANITARY CONDITIONS OF DAIRIES OF THE UNITED STATES AS PRESENTED BY MEN HAVING CHARGE OF THE BUSINESS IN THE LEADING DAIRY STATES.

[Presented at hearings before the Committee on Rules on Linthicum resolution (H. Res. 137), Apr. 11, 1916.]

COLLEGE OF AGRICULTURE AND
AGRICULTURAL EXPERIMENT STATION,
THE UNIVERSITY OF WISCONSIN,
Madison, March 22, 1916.

Prof. G. L. MCKAY,
Chicago, Ill.

DEAR PROF. MCKAY: I have your letter with one inclosed from E. B. Higley & Co., of Mason City, Iowa. We have a good man to recommend, and I will write at once to that effect.

In reply to your comments in regard to Chief Rawl's report on the conditions of creameries in this country, I wish he or anyone else who is inclined to judge the entire business by the condition of a few factories could see the 125 letters I have received during the past two weeks from butter makers operating creameries in this State. These, I think, would convince anyone that the creamery business, as a rule, is one in which the factory operators take a great deal of pride and are enthusiastic in keeping themselves informed of all the latest suggestions concerning the improvement of the butter made in the establishment where they are working.

These letters, of course, represent only about 15 per cent of the creameries in this State, but they are well written, and the writers make intelligent answers to some questions I asked them about their practice and experience with pasteurizing cream for butter making. The replies are certainly an interesting collection of evidence on this subject and show conclusively that the men working in creameries are not simply mechanics but do some thinking of their own and have a high ambition to learn more and make better butter each year they work in the creamery.

You, of course, know as well as I that it is very easy for anyone to make startling statements about anything, and if it would do any good to condemn the creamery business in a wholesale way, I should be in favor of it, but it is my opinion that this is one of the worst things that can be done if anyone has a desire to help along the good cause. It is a good deal like saying that because we have a certain number of criminals in our State's prison, the entire population of the United States is of the same type.

The name of our dairy and food commissioner is Mr. George J. Weigle, but I presume Mr. Meyer can give you the information you want as stated in your letter.

Very truly, yours,

E. H. FARRINGTON.

—

PORTLAND, OREG., *March 23, 1916.*

Mr. WM. T. CREASY,
Secretary National Dairy Union, Catawissa, Pa.

DEAR SIR: This is to acknowledge receipt of your favor of March 18, inclosing a copy of House resolution No. 137, introduced into the House of Representatives February 11, 1916.

This resolution grossly misrepresents the actual condition existing at this time in the State of Oregon. I do not know of a single creamery in this State at this time that can be declared to be in an insanitary condition. I also deny the statement that 61.5 per cent of the cream used in the State of Oregon is unclean or decomposed, or both, unless that cream which has begun to sour, or is sour, might be deemed to be decomposed.

We have no accurate data as to the amount of cream that is pasteurized in this State at the present time. However, I am of the opinion that some 50 per cent of our creameries are pasteurizing.

The statement that a large percentage of the dairy cattle are affected with tuberculosis is not true with reference to the dairy cows of Oregon. In one district of the State 600 head were tested and less than 3 per cent of tubercular cows were found. Through the year 1915 some 1,200 head were tested in various districts of the State with less than 4 per cent of reactions found, and in several counties of the State of Oregon there has been no tuberculosis found to exist.

I regret that any person should so grossly misrepresent conditions relative to the conduct and conditions of one of the greatest industries of the State, and I esteem it a privilege as Dairy and Food Commissioner of the State of Oregon to refute the statements made in House resolution No. 137, in so far as they reflect upon the dairy industry of the State of Oregon.

Yours, very truly,

J. D. MICKLE,
Dairy and Food Commissioner.

—

STATE UNIVERSITY OF KENTUCKY,
Lexington, March 20, 1916.

Mr. WM. T. CREASY,
Secretary National Dairy Union, Catawissa, Pa.

MY DEAR SIR: Your favor of the 18th instant has been received and I note the Linthicum resolution which was introduced in Congress recently. As I understand it the data was based on figures presented in a report by the Bureau of Animal Industry that was compiled some five or more years ago. For Kentucky, I can say that the dairies are unusually clean and the cows are healthy. The dairies that sell milk and cream to city patrons are, as a rule, cleaner here than elsewhere in this country, thanks to a rigid system of inspection enforced by the health officers of the State.

The dealers in the cities are pasteurizing the milk and cream, and I do not believe that there is any great danger of a spread of tuberculosis through the dairy products.

I believe that the figures are very largely exaggerated, and that Representative Linthicum need not worry himself or Congress unduly about the matter, because the health officers in the respective States are enforcing restrictions and the dairymen themselves are trying to clean up the dairies.

A few years ago I made a trip through Europe and I was impressed by the fact that they did not take the precautions over there in the production of milk that we do here. A lady on the steamer had a case of milk that she bought from one of the big eastern dairies and which kept sweet during the trip across the ocean. She had made the trip several times and she commented on the fact that it was almost impossible to secure such high-grade milk in Europe to be used during the return trip. They apparently depend upon pasteurization to help an inefficient system of dairy inspection, and yet they are not afraid to consume dairy products over there.

Very truly, yours,

J. J. HOOPER,
Head of Department.

—

THE STATE OF MONTANA,
OFFICE OF STATE DAIRY COMMISSION,
Helena, Mont., March 23, 1916.

Mr. WILLIAM T. CREASY,
Secretary National Dairy Union, Catawissa, Pa.

DEAR SIR: I have your letter of March 18, also House resolution No. 137. For the State of Montana I can say that 90 per cent of our creameries are in good sanitary condition; in fact, almost as much so as they could possibly be. Although now and then we find cream that is unfit for use and destroyed, as a rule cream arrives in a clean and good condition.

Will say that during the winter months pasteurizing is not carried on very extensively; but practically all creameries are pasteurizing during the summer months.

As the inspection of dairy cattle for tuberculosis is carried on almost continually, very few dairy cattle are found to be infected. Last year in several cases of whole counties inspected only one or two diseased animals were found.

I see no reason why the inspection of dairies, creameries, and products could not be carried on successfully without the assistance of Federal supervision.

Yours, truly,

A. G. SCHOLES,
Dairy Commissioner.

—

STATE OF MINNESOTA,
DAIRY AND FOOD DEPARTMENT,
St. Paul, May 18, 1916.

Mr. WILLIAM T. CREASY,
36–37 Bliss Building, Washington, D. C.

DEAR MR. CREASY: Your letter of the 15th instant received with your inquiry as to the questions that were asked by Mr. Rawl's department relating to cream.

It is true that when cream contained 0.02 per cent of acid it was regarded second-grade cream, and all of that class of cream went into the class that made up the 61.05 per cent that was "unwholesome, insanitary, and unfit for food." It is almost useless to comment upon this, as cream with an acid test of 0.02 per cent would be practically sweet cream, and could be used for coffee. It is also a fact that nearly all the milk delivered to cheese factories that goes into our best cheese contains 0.02 per cent of acid.

Of course, this question was just as technical as all the other questions. All sweet cream is ripened to make butter out of to an acidity of 4.05 per cent. Therefore it is, as I said above, useless to comment upon it.

Respectfully, yours,

J. J. FARRELL, *Commissioner.*

—

COMMONWEALTH OF VIRGINIA,
DAIRY AND FOOD DIVISION,
Richmond, March 28, 1916.

Mr. WM. T. CREASY,
Care of the National Dairy Union, Catawissa, Pa.

DEAR SIR: Your favor of the 18th instant duly received, inclosing copy of the Linthicum resolution introduced in the House of Representatives in connection with the creameries and creamery products of this country. Speaking for the creameries of Virginia, I am of the opinion that the conditions described by Mr. LINTHICUM do not prevail

in the creameries of this State. I am not in favor of Federal inspection of creameries, and I believe that creamery inspection will be much better handled by the local State authorities than under the supervision of the Federal Government. I may add that there are few, if any, creameries in Virginia that are not pasteurizing their product.

Yours, very truly,

BENJ. L. PURCELL, *Commissioner.*

UNIVERSITY OF MAINE,
Orono, Me., March 20, 1916.

WILLIAM T. CREASY,
Secretary National Dairy Union, Catawissa, Pa.

DEAR SIR: Your letter of March 18 is received. I have read the resolutions introduced in Congress with surprise. It is true that I do not have at hand definite data concerning the situation in Maine, especially in comparison with the figures given in this resolution, which I assume were supposed to represent average conditions.

I am fairly positive that practically all cream sold by creameries in Maine has been pasteurized. We make very little butter, and it is probable that the statement would not be expected to apply to Maine conditions. Engaged in the sweet-cream business, as we are, it could not be true that approximately 60 per cent of cream used was unclean or decomposed. It certainly is not true, so far as Maine is concerned, that 94 per cent of the creameries in the State are insanitary. It is true that conditions are not all that any one would like to see in some plants, but in most of the creamery plants of the State managers seem to take real interest and pride in keeping their plants in the best possible condition.

The condition with respect to tuberculosis among cattle is fairly well covered by reports of State officials, copies of which can be secured by addressing the commissioner of agriculture, Augusta, Me. I think he might also be able to give you a very clear statement with respect to the conditions of the dairies in the State, since he is in charge of such inspection as is being done by State control.

Very truly, yours,

LEON S. MERRILL.

COCONINO AND TUSAYAN NATIONAL FORESTS.

Mr. MYERS. I ask unanimous consent, out of order, to report back favorably with amendments from the Committee on Public Lands, the bill (S. 8126) to extend the time for the cutting of timber on the Coconino and Tusayan National Forests in Arizona, and I submit a report (No. 1104) thereon.

Mr. ASHURST. Mr. President, I am going to ask the Senate to indulge me, and I especially request the distinguished chairman of the Finance Committee [Mr. SIMMONS], who has the pending bill under his charge, to suspend long enough to let me ask unanimous consent for the consideration of the bill at this time. It is a bill which proposes to extend for 35 years more the period of time within which the Saginaw and Manistee Lumber Co. in Arizona may cut certain timber which this company owns. I should like to have the report of the Department of Agriculture read. It is very short, and will consume only three or four minutes.

The PRESIDING OFFICER. Is there objection?

Mr. PENROSE. Is this a House bill?

Mr. ASHURST. No; it is a Senate bill.

Mr. SIMMONS. Mr. President, it is now so near the time for the taking of the recess that there is hardly opportunity for anybody to make a speech. That is the reason why I am going to consent. In view of that fact, if it will not lead to any discussion, I shall not interpose an objection.

Mr. ASHURST. I should like to have the report of the Department of Agriculture read before Senators give their consent.

Mr. SIMMONS. I do not object.

The PRESIDING OFFICER. Without objection, the Secretary will read the report.

The Secretary read the letter, as follows:

DEPARTMENT OF AGRICULTURE,
Washington, February 20, 1917.

Hon. HENRY L. MYERS,
Chairman Committee on Public Lands,
United States Senate.

DEAR SENATOR MYERS: Receipt is acknowledged of your request of February 6 for a report upon the bill (S. 8126) to extend the time for cutting of timber on the Coconino and Tusayan National Forests in Arizona, with the request that your committee be sent such suggestions as this department may desire to make.

The Saginaw & Manistee Lumber Co. now holds the right to cut the timber on about 75,000 acres of land within the Tusayan and Coconino National Forests, Ariz. The lands covered by these timber rights lie wholly in odd-numbered sections which were originally part of the land grant to the Atlantic & Pacific Railroad. This right was obtained under an agreement with the Secretary of the Interior, made prior to the passage of the act of February 1, 1905, which transferred the administration of the national forest to this department. On about 45,000 acres of this land the right of the company to cut timber will expire on January 12, 1926, but there is no definite date for the expiration of their rights on the remainder of the area. The company operates a sawmill, which is the chief industry in the town of Williams, Ariz., and now supplying this mill with logs from its timber-right holdings which are not subject to expiration in 1926.

In the past this company has purchased considerable amounts of national-forest timber from the even-numbered sections intermingled with the odd-numbered sections on which it holds timber rights. It now states, however, that it is unable to continue to buy national-forest timber if it is obliged to cut, prior to 1926, the timber to which its right will expire in that year. It is probable that by logging exclusively in its own timber the company can complete the cutting of these holdings prior to the date of the expiration of its rights. Logging odd-numbered sections exclusively, however, would increase the cost to the company and would leave the national-forest timber on the adjoining even-numbered sections somewhat less valuable than if it were sold for logging at the time the odd-numbered sections were cut. If the Government timber and the company's timber are logged at the same time the same logging railroads could be used and the expense of their construction per thousand feet logged would be reduced. This has been the result of the sales of national-forest timber which have previously been made to this company.

The timber-right holdings of the company are now subject to local taxation. The early completion of cutting by the company would remove this source of revenue to the county and State. If the company is in a position to purchase the national-forest stumpage intermingled with its own, the State and county will also benefit as a result of the higher stumpage prices which will be received than if the Government timber is sold by itself, since the State receives 25 per cent of the receipts from the national forests for the benefit of the schools and roads, and in addition Arizona receives approximately 11 per cent of the receipts on account of the retention by the Government of title to school sections within the national forests. It is also probable that the cutting of the timber on both even-numbered sections and odd-numbered sections together would result in a longer life of the local lumber manufacturing industry than would otherwise be the case.

Title to the land on which the company now holds its timber rights is vested in the United States. These lands when cleared of the right of the company to cut the present crop of timber thereon constitute a part of the timber-growing area of the national forests. The terms under which the company now holds its timber rights result in the leaving of these lands in poor condition, on the average, for future timber production and for fire protection. This applies equally to the lands which would be affected by the extension of time which this bill proposes and to the lands not subject to the expiration of cutting rights in 1926. It is my understanding that the Saginaw & Manistee Lumber Co. is prepared to accept, as part of the conditions under which the extension of time may be granted, provisions for leaving all these lands in much better condition in regard to reforestation and fire protection. Furthermore, it is my understanding that the company is prepared to agree that their timber cutting rights which are not definitely limited as to time shall expire at a date to be fixed in consideration of the logical order of their logging operations in the region.

In view of the economic advantages to the Government and to the local community, and in view of the willingness of the company to accept conditions which will result in better fire protection and better future growth on these national forest lands in the future, this department has no objection to the passage of the bill and believes that the action which it contemplates would be of advantage to the United States.

As the bill is now written it might possibly be contended that the failure to execute an agreement would still have the effect of extending the time within which the company may continue cutting under its present contract with the Interior Department. In order, therefore, to clear away any possible ambiguity it is believed that the last proviso should be amended by striking out of line 4, page 2, the colon and what follows, and substituting in lieu thereof a semicolon and the following "but this act shall not be construed to confer upon said company any other rights in addition to those held by the company at the time of said reconveyance, and in the absence of the execution of such an agreement this act shall neither extend nor restrict the present rights of the company."

The word "hundred," which begins line 12, page 1, should be stricken out since it duplicates the same word at the end of line 11.

As thus amended this department would have no objection to the passage of the bill.

Very truly, yours,

D. F. HOUSTON,
Secretary.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill? The Chair hears none.

The Senate, as in Committee of the Whole, proceeded to consider the bill, which had been reported from the Committee on Public Lands with an amendment, on page 1, line 12, after the date "nineteen hundred," to strike out the second word "hundred," and on page 2, to strike out the proviso beginning on line 2, as follows: "*And provided further,* That in the absence of the execution of such an agreement all existing rights of the company to cut and remove the timber from such lands shall continue in effect unchanged by this act; but this act shall not be construed to confer upon said company any other rights in addition to those held by the company at the time of said reconveyance," and to insert "; but this act shall not be construed to confer upon said company any other rights in addition to those held by the company at the time of said reconveyance, and in the absence of the execution of such an agreement this act shall neither extend nor restrict the present rights of the company," so as to make the bill read:

Be it enacted, etc., That the rights of the Saginaw and Manistee Lumber Co. and its successors in interest to cut and remove the timber from such of the lands within the Coconino and Tusayan National Forests as were reconveyed to the United States, subject to outstanding timber-right contracts held by said company, under the rules, regulations, and conditions imposed by the Secretary of the Interior at the time of said reconveyance, are hereby extended to and until the 31st day of December, A. D. 1950: *Provided,* That said company executes and enters into an agreement with the Secretary of Agriculture to comply with such additional requirements as may be mutually agreed upon to promote forest-fire protection, reforestation, and forestry administration; but this act shall not be construed to confer upon said company any other rights in addition to those held by the company at the time of said reconveyance, and in the absence of the execution of such an agreement this act shall neither extend nor restrict the present rights of the company.

The PRESIDING OFFICER. The question is on agreeing to the amendments.

Mr. SMOOT. Mr. President, is this a Senate bill?

Mr. ASHURST. Yes; it is a Senate bill.

Mr. SMOOT. This is the first time I have heard of the bill, Mr. President, and I really do not know what it contains. I suppose, however, it will be considered carefully in the House; and as it is now time to take a recess, I am not going to object to its consideration if the Senator from Arizona says it is all right.

Mr. ASHURST. I wish to assure the Senator that in my opinion the bill is a just and proper bill. I wish to say for the RECORD that it was drawn in the Forestry Bureau and introduced by me somewhat at their request. The attorneys and the general manager for the company came on here, and hearings were held before the bureau, and the letter just read is signed by the Secretary of Agriculture. It is a bill, in my judgment, that the Senate ought to pass. I could say a vast deal about the bill, but I do not suppose it is necessary.

The PRESIDING OFFICER. The question is on the amendments.

The amendments were agreed to.

The bill was reported to the Senate as amended, and the amendments were concurred in.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

RIGHT OF WAY FOR DRAINAGE OPERATIONS.

Mr. FLETCHER. Mr. President, I ask unanimous consent for the present consideration of Senate bill 7710, which I have been trying to get disposed of two or three times, and to which there is no objection. I want to have it passed here in order that it may go to the House. It appertains to a drainage proposition in Florida, and unless it passes at this time it will result in great loss to the State.

Mr. SMOOT. The bill has already been read, and I have no objection to its consideration.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 7710) to amend the irrigation act of March 3, 1891 (26 Stats., p. 1095), section 18, and to amend section 2 of the act of May 11, 1898 (30 Stats., p. 404).

The bill had been reported from the Committee on Irrigation and Reclamation of Arid Lands, with an amendment to strike out all after the enacting clause and to insert:

That section 18 of what is generally known as the irrigation act of March 3, 1891 (26 Stat., p. 1095), be, and is hereby, amended so as to read as follows:

"SEC. 18. That the right of way through the public lands and reservations of the United States is hereby granted to any canal or ditch company formed for the purpose of irrigation or drainage and duly organized under the laws of any State or Territory, and which shall have filed or may hereafter file with the Secretary of the Interior a copy of its articles of incorporation and due proofs of its organization under the same, to the extent of the ground occupied by the water of the reservoir and of the canal and its laterals, and 50 feet on each side of the marginal limits thereof; also the right to take from the public lands adjacent to the line of the canal or ditch, material, earth, and stone necessary for the construction of such canal or ditch: *Provided*, That no such right of way shall be so located as to interfere with the proper occupation by the Government of any such reservation, and all maps of location shall be subject to the approval of the department of the Government having jurisdiction of such reservation; and the privilege herein granted shall not be construed to interfere with the control of water for irrigation and other purposes under authority of the respective States or Territories."

SEC. 2. That section 2 of the act of May 11, 1898 (30 Stat., p. 404), be, and is hereby, amended so as to read as follows:

"SEC. 2. That rights of way for ditches, canals, or reservoirs heretofore or hereafter approved under the provisions of sections 18, 19, 20, and 21 of the act entitled 'An act to repeal timber-culture laws, and for other purposes,' approved March 3, 1891, may be used for purposes of a public nature; and said rights of way may be used for purposes of water transportation, for domestic purposes, or for the development of power, as subsidiary to the main purpose of irrigation or drainage."

Mr. FLETCHER. Mr. President, I desire to amend the amendment of the committee, on line 17, after the word "company," by adding the words "or drainage district."

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The SECRETARY. After the word "company," on line 17, page 2, it is proposed to insert "or drainage district."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The bill was reported to the Senate as amended, and the amendment was concurred in.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

RECESS.

Mr. SIMMONS. I move that the Senate now take a recess until 8 o'clock to-night.

The motion was agreed to; and (at 5 o'clock and 55 minutes p. m.) the Senate took a recess until 8 o'clock p. m.

EVENING SESSION.

The Senate reassembled at 8 o'clock p. m., on the expiration of the recess.

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

The PRESIDING OFFICER (Mr. ASHURST in the chair). The Senator from Utah suggests the absence of a quorum. The Secretary will call the roll.

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

Ashurst	Hollis	Lewis	Sherman
Brady	Hughes	McCumber	Simmons
Bryan	Husting	Martin, Va.	Smith, Ga.
Chamberlain	James	Martine, N. J.	Smoot
Chilton	Johnson, S. Dak.	Myers	Thomas
Clapp	Jones	Norris	Thompson
Cummins	Kenyon	Overman	Underwood
Dillingham	Kern	Penrose	Vardaman
Fernald	Kirby	Reed	Walsh
Fletcher	Lane	Robinson	Works
Gronna	Lee, Md.	Sheppard	

Mr. MARTIN of Virginia. My colleague [Mr. SWANSON] is just out after a serious spell of sickness, and on the advice of his physician he does not feel that it is safe for him to come out at night.

Mr. SMOOT. I desire to announce the unavoidable absence of the Senator from Ohio [Mr. HARDING], and also the unavoidable absence of the Senator from New Hampshire [Mr. GALLINGER].

Mr. MARTINE of New Jersey. I desire to announce the absence of the Senator from Delaware [Mr. SAULSBURY] through illness.

Mr. SMITH of Michigan. I wish to announce that my colleague [Mr. TOWNSEND] has been called away by the illness of his wife.

The PRESIDING OFFICER. Forty-three Senators have answered to their names. A quorum is not present.

Mr. LEWIS. May I ask that the roll of absentees be now called?

The PRESIDING OFFICER. The Secretary will call the roll of absentees.

The Secretary called the names of the absent Senators, and Mr. POMERENE and Mr. SMITH of South Carolina answered to their names when called.

The PRESIDING OFFICER. Forty-five Senators have answered to their names. A quorum is not present.

Mr. SIMMONS. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

Mr. MCLEAN and Mr. CURTIS entered the Chamber and answered to their names.

Mr. LEWIS. May I ask if the direction has been conveyed to the Sergeant at Arms to request the attendance of absent Senators?

The PRESIDING OFFICER. The Sergeant at Arms has been notified of the order of the Senate.

Mr. LEWIS. I suggest that he telephone to the Willard Hotel. I think a notification there will bring some Senators here.

Mr. MARTIN of Virginia. I wish to announce that the Senator from Maryland [Mr. SMITH] is absent because of serious illness in his family.

Mr. OLIVER entered the Chamber and answered to his name.

Mr. SMITH of Georgia. I wish the RECORD to show that the Senator from Arizona [Mr. SMITH] is necessarily absent from the city on account of sickness.

Mr. ROBINSON. The Senator from Delaware [Mr. SAULSBURY] is absent on account of illness. I ask that he be excused from attending the session to-night.

The PRESIDING OFFICER. The Senator from Arkansas asks that the Senator from Delaware [Mr. SAULSBURY] be excused from attendance. Is there objection? The Chair hears none, and the Senator from Delaware is excused from attendance at the session.

Mr. BRANDEGEE and Mr. LEA of Tennessee entered the Chamber and answered to their names.

The PRESIDING OFFICER. Fifty Senators have answered to their names. There is a quorum of the Senate present.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 20573) to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes.

Mr. McCUMBER. Mr. President, what is the question now before the Senate?

The PRESIDING OFFICER. The unfinished business is before the Senate.

Mr. McCUMBER. Mr. President, there is no particular amendment which is the subject of discussion at this time, but I wish to answer very briefly the argument of the Senator from Colorado [Mr. THOMAS], and I assure the Senate that I shall be very brief indeed.

After listening to the very lucid argument of Dr. LANE upon the characteristics of this hyphenated butter, I am not surprised, Mr. President, that about one-half of the Senate have been sent to their beds with disordered stomachs and are unable to be present to listen to the closing discussion upon the subject.

The Senator from Colorado, in his argument, stated that under all the regulations by the several countries of the world regarding the manufacture and sale of oleomargarine, the people were able to purchase it for what it is. That false statement—that worse than false statement—is the very basis of all of the trouble in respect to the whole subject of oleomargarine. The regulations that are put in force by the several countries of the world are never for the purpose of allowing the purchaser to buy oleomargarine for what it is, but for the single and only purpose of preventing the seller from selling it for what it is not. There are no regulations in those countries upon the matter of the sale of butter. You do not have to sell it in certain kinds of stores; you do not have to put it up in certain kinds of packages; you do not have to place any particular or characteristic mark upon it. It may be sold in any grocery store throughout any of those countries. But you have to throw these restrictions around the sale of oleomargarine, because in every country it is known that the attempt to sell it is never for the purpose of selling it upon its merits, but that it may be palmed off, with a counterfeit coloring, for butter.

The Senator from Colorado spoke for some time, and he eulogized the German law. Very well. Then let me ask the Senator from Colorado why are you not willing to follow the German law? I will agree with you that the German law and the French law are possibly as nearly perfect as you can get in the matter of any law for the manufacture and sale of oleomargarine; but what is the particular characteristic of those laws that gives them their special value and benefit? It is this: They entirely prohibit the coloring of oleomargarine. They do not permit it to be colored in imitation of butter; they do not permit it to be stamped with a counterfeit stamp, whereby it can come into the home as butter. No one is ever going to take a cake of tallow, if it is on the table and be misled into thinking that it is butter. He can tell it is not butter by its color; he can tell by its granular substance that it is tallow and is not butter. No one will ever mistake a pail of 4 cents a pound lard for butter. He will know it is lard the moment he looks at it. But if you will mix the lard and the tallow and then add enough of oil to grease it down the throat of the consumer, so that he will not need a scraper for the roof of his mouth after he has taken a taste of the tallow, you may be able to deceive the consumer of that particular article.

To prevent that deception certain European countries—the greatest and the most scientific countries in the world, as stated by the Senator from Colorado—forbid the coloring of oleomargarine altogether, so that it must be sold upon its merits. That is all that the dairymen are asking to have done here.

You talk to us about our desiring to destroy the product. The law as it now stands does not destroy the manufacture and sale of oleomargarine. The law as it now stands taxes oleomargarine only one-quarter of 1 cent per pound, while you propose to tax it at 2 cents per pound. Then, if there is any legislation which will destroy or tend to destroy the manufacture of oleomargarine, it is that portion of your proposed law which raises the tax from one-quarter of a cent a pound to 2 cents a pound.

What is it that we attempt to destroy by the proposed legislation? We attempt, Mr. President, to destroy the ability to counterfeit. We penalize the counterfeiting. At what time in his life has the Senator from Colorado arrived at the conclusion that it is un-American to pass a law that will condemn counterfeiting, because that is all the law of 1902 does? It places a penalty upon counterfeiting, by coloring oleomargarine in imitation of butter; and as it is colored in imitation of butter, the only and the sole purpose being to sell it for butter, the penalizing of that counterfeiting is just and proper in every case.

Mr. President, as I have stated, we penalize nothing but counterfeiting; and if you want to avoid that penalty you can do it very easily. All in the world you have to do is to say that it shall not be counterfeited by giving it a butter color. That will not harm the article any.

I do not think there is very much argument in the proposition that the oleo is colored in order that it may be more presentable. White butter, as has been stated by one of the Senators here to-day, sells for a higher price than the golden-colored butter, and you do not have to color it white in order to get a good market price for it. Butter is tested, not by its color, but by its quality.

That is not all. Under the law of every State if butter contains more than a certain percentage of water it is tabooed as being against the pure-food law of the State. I know of no law against there being as much moisture or water as may be desired in a pound of oleomargarine. I think that most pure-food men would believe that the more water it contains and the less lard that enters into its constituency, the more healthful it would be, and therefore there would be no objection against any quantity of water being made a part of oleomargarine on the ground of its being antagonistic to the pure-food law.

Mr. President, we have heard much about the renovating of butter, and Senators have asked why can not oleomargarine be renovated. What is done by the process of renovating? When butter is renovated, the butter is not destroyed; no butter is taken out of it. Some ingredient, such as an acid which it has acquired through age, may be taken out, but the butter is not injured; the butter fat is not changed; in fact, it may be a purer article after it has gone through the renovating process than when it went into the renovating machine, but it goes in as butter and it comes out as butter. When a pail of lard is changed in color and stearin and oleo oil and cottonseed oil are added, you still have have nothing but beef fat and hog fat and oil. It is not butter and its character is not changed.

Mr. President, let any Senator use his own good sense. Does anyone believe for a single moment that a pail of lard costing 4 cents a pound can be taken and by any chemical legerdemain be changed into something that is not lard? Can Senators make themselves believe that if they should spread lard upon a slice of bread and eat it, they would have eaten something else? Can any of you deceive yourselves with the idea that when you have consumed a pound of beef tallow you have not consumed tallow, but that you have consumed some other article that is just as good as butter? Every chemist will tell you that tallow is not assimilated as easily as is butter; every physician will tell you that butter fat is taken up more easily by the human stomach than is lard fat. It may be that a person who is in a good, healthy condition might be able to eat a reasonable quantity of lard on his bread or a reasonable quantity of tallow on his bread, but he could not use as much of either of those articles without injury as he could of good butter fat.

We are only making one little request, and that is that the Congress of the United States shall so legislate that the man who sits down at the table, at a boarding house, for instance, will know that he is getting oleomargarine when he asks for it, and will know that he is getting butter when he wants it. I am not trying to protect the manufacturer or the retail dealer or the wholesale dealer; they will take care of themselves; they do not eat it. I am trying to protect the man who works in the woods, who works out in the logging camp, the man who boards at the second class or the third class hotel, the man who gets a 25-cent dinner at a restaurant and prefers to eat butter. I want a law that will protect him; and I believe that the law would be far beter than it is to-day if we would take away entirely the 10-cent tax and then enact a most rigid provision against the deceptive coloring that is put into this product, and follow it right down to the very table itself. I presume that it would be rather difficult to draft a law that would impose a punishment for the use of oleomargarine on the table, unless the law were enacted with some purpose of regulation in view, and, therefore, we would need to impose some slight tax; I do not care whether it is one mill to the pound or one-quarter of a cent to the pound, so long as the Government can keep its hands upon the article and prevent its being used to counterfeit another article from the time it comes out of the hog in the packing house or from the time it comes out of the beef in the packing house, until it is dished up upon the American table. I do not think that we are asking anything too much.

Mr. President, the manufacturers of oleomargarine are not complaining against the tax. You can not find one of them who would be willing to-day to surrender the tax of 10 cents a pound upon condition that he should not color his oleomargarine to deceive. They prefer the deception because they know that it is through the deception that they will be able to foist it upon the American public.

We can very easily settle the matter as to whether there is a desire to tax this product out of existence by modifying the amendment and providing that there shall be no coloring of oleomargarine in imitation of butter. If the amendment could be so modified, then you could tax it half a cent a pound or any other amount desired, and there would be no complaint on the part of the farmer who produces butter or on the part of the dairyman.

I do not think, Mr. President, if one would spend hours in the discussion of this subject that he could change the opinion of those who stick with tenacity to the idea of coloring oleomargarine. They will not surrender that point. When they do, they have surrendered the market for oleomargarine. If it is good for consumption by the American public, it is just as good when it is the color of lard as it is when of a golden yellow, and is just as healthful. If it is desired to make it cheap to the laborer, who seems to excite so much interest on the part of some in connection with this matter, just cut off the tax and let him buy it. No laborer is going to pay the 10 cents a pound difference between an uncolored pound of oleomargarine and a colored pound of it. He will buy the uncolored and save the 10 cents, if he wants it at all; but the whole truth of the matter is that he will not buy it. The real consumers of oleomargarine, as I have already stated, are the hotel keepers, the restaurant keepers, and those in logging camps.

I agree with the Senator from New York [Mr. WADSWORTH] that it is a substance that will not spoil as quickly as butter. Therefore, it can be carried across the plains through the heat of summer and the cold of winter, and it will not change a great deal. It does not need to change, because it could not be changed and be made much worse unless there were some system of rotting it; and the stuff will not rot very easily owing to the way it is made, any more than olive oil or lard or tallow will rot. Butter will spoil. Why? Because butter is a substance that is easily assimilable; and that which can be easily assimilated, any kind of food, always spoils very easily. It is only that which the stomach can not even spoil and change its nature very much that will not spoil in taking it across the continent and through the heat of summer.

Mr. President, we are asking simply this on behalf of the butter makers—that you give them an open and a fair field. They are perfectly willing to sell their butter side by side with oleomargarine. All that they are asking is that you take your mask off of oleomargarine in order that the consumer may make his choice as between the two. You insist that the mask shall be kept on; and as long as you do, this fight will go on.

Mr. CLAPP obtained the floor.

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

Mr. CLAPP. Yes.

Mr. LEWIS. With the consent of the accommodating Senator from Minnesota, I merely wish to say that since there was a request that the Sergeant at Arms bring in the absent Senators, and since it is apparent that we have a quorum and are proceeding with business, I desire to ask unanimous consent that the Sergeant at Arms be relieved from making a report at this particular time.

The PRESIDING OFFICER. The Senator from Illinois asks unanimous consent that the Sergeant at Arms be relieved from the duty of making a report with reference to absent Senators. Is there objection?

Mr. HUGHES. Mr. President, I think the proper course is to move that further proceedings under the call be dispensed with.

Mr. LEWIS. I accept the suggestion of the Senator. I desire to relieve the Sergeant at Arms from the necessity of interrupting the Senator from Minnesota by making a report at this time. I accept the suggestion of the Senator.

The PRESIDING OFFICER. The Senator from Illinois moves that the Sergeant at Arms be relieved of making a report as to absent Senators.

Mr. LEWIS. And I accept the amendment of the Senator from New Jersey, that further proceedings under the call be dispensed with.

Mr. VARDAMAN. I would suggest that if the Sergeant at Arms has any Senators in reserve he had better hold them, as we may need them a little later.

Mr. LEWIS. That can be considered later.

The PRESIDING OFFICER. The question is on the motion of the Senator from Illinois. [Putting the question.] By the sound the noes appear to have it. The noes have it, and the motion is lost.

Mr. LEWIS. Does the Chair say the motion is lost?

The PRESIDING OFFICER. It appeared to be. The Chair will again submit the motion to the Senate. [Putting the question.] The noes have it, and the motion is lost.

Mr. LEWIS. It is apparent that the motion is lost.

SUNDRY CIVIL APPROPRIATIONS.

Mr. KENYON. Mr. President, I introduce an amendment to the sundry civil bill (H. R. 20967), which I ask to have read and referred to the Committee on Appropriations.

The PRESIDING OFFICER. The Secretary will read the amendment.

The SECRETARY. The Senator from Iowa proposes to insert the following proviso:

Provided, That in order to further facilitate the elimination of waste and duplication in the public service and in order that responsibility may be centered and expenditures standardized and made uniform hereafter a single committee chosen from the membership of the House of Representatives shall institute and prepare all appropriation bills in harmony with a scientific and modern budget system.

The PRESIDING OFFICER. The amendment will be printed and referred to the Committee on Appropriations.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 20573) to provide increased revenues to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes.

Mr. CLAPP. Mr. President, the alleged excuse or justification for the pending tax bill is the necessity for additional expenditures along the line of the Army and Navy. I think it is not unfair to say that that excuse is related to the war that is now going on in Europe, and therefore I feel it fairly within the limits and courtesy of the occasion to refer for a moment to that great struggle.

There has been in this country, sir, a great deal of what has seemed to me unfair and unjust criticism because a portion of our population have seen fit, in connection with their citizenship, to refer to their blood. There is a difference between blood and citizenship. A man may be of one race, that race being dominant in the country in which he lives; he may be a citizen of that nation. During this controversy of the last few years a great deal of criticism has been indulged in because a portion of our people felt that their sympathy and their hope was with one side of the great struggle in Europe. We who trace our ancestry through two and some of us three centuries upon this continent have not hesitated to indulge in the right of expressing our sympathy, our hope, and our prejudice for whichever side in the European controversy that sympathy, that hope, or that prejudice might lie on; but a certain portion of our people, because they have expressed a sympathy, have been the subject of what I consider unfair and unjust criticism.

Mr. President, I have before me an interview given by the president of the German-American Alliance of the State of Minnesota, together with a letter. Both in interview and in letter he points out not only the right but the natural tendency of the man in this country who was born abroad, or whose immediate ancestry was from another country, to sympathize with that country in a struggle with another foreign country. But he also points out, with a clearness and a patriotism that should awaken a response in all of us, that while that right exists, while that tendency exists, while perhaps that duty exists, at the same time if there comes an hour when this country and that country should come into armed clash, it is then his duty and his privilege to cast his fortunes with this, the country of his adoption; and upon those of his own race he enjoins this duty. I am going to ask that the Secretary may read the interview.

The PRESIDING OFFICER. The Senator from Minnesota presents a clipping and a letter which he asks that the Secretary may read. Is there objection? There being none, the Secretary will read as requested.

The Secretary read as follows:

[From the St. Paul Dispatch of Feb. 9, 1917.]

STAND BY UNITED STATES, TEUTONS TOLD BY MOERSCH—PRESIDENT OF GERMAN-AMERICAN NATIONAL ALLIANCE IN STATE SENDS ADMONITION TO ALL THE MINNESOTA BRANCHES—UNWAVERING LOYALTY PLEDGED TO AMERICA—PRESERVE PLACIDITY AND DIGNITY IN HOUR OF CRISIS THOUGH HEARTS BLEED AND BREAK, IS CALL SENT OUT BY MOERSCH.

Julius Moersch, president of the Minnesota union of the German-American National Alliance has sent letters to all branch unions in the State outlining what he believes should be the proper attitude of the German-Americans in Minnesota in the present national crisis. The letter is written in an official capacity as president of the State alliance.

"I hardly need point out to you that during this crisis no word should be said or deed done by German-American unions or by German-American individuals that might give food for the reproach that we German-Americans are more German than American.

PRESERVE DIGNITY.

"In this solemn critical time it is especially necessary to keep our wits about us and to preserve our placidity and dignity. No right-minded man will think less of the German-American because he has warm sympathies for the land of his fathers and busies himself in works of love and help in time of need on its behalf.

"If the Government of the United States has declared war against another nation, whether rightly or wrongly, then it is the duty of every American citizen to give his support to the measure adopted by the Government. About the justice or the injustice of the declaration of war, a higher power and the later history of the world will give judgment

TRY TO AVOID WAR.

"On the other hand it is also the holy duty of each man to employ every righteous means at his command to the end that our land should not become involved in a war, and that the present differences between our nation and that of another nation may be smoothed out in a peaceful way.

"I am firmly convinced that Germany never sought war with America and does not now seek it, and that Germany never would attack our country. This knowledge must be a source of great comfort to all German-Americans in this anxious hour.

"If America should declare war on Germany there is only one duty for German-Americans, and that is 'stand by the flag of your country.' Our hearts may bleed and break, but that does not relieve us from the necessity of fulfilling our duty to the land of our adoption. It is the duty that we have taught our children, and is great and holy.

HOPES FOR PEACE.

"I still hope that it will not come to a declaration of war with Germany, but if this should happen there remains for us German-Americans only the course that I have indicated. We will never be ashamed of our German origin, but will be proud of it; never denying it in cowardly fashion. But to the land that now we call home, the birthplace of our children, we will ever remain unwaveringly loyal, though we do not boast of our loyalty in the hour of danger nor cringe to anyone."

STAATSVERBAND VON MINNESOTA,
St. Paul, Minn., February 19, 1917.

Hon. MOSES E. CLAPP,
United States Senator, Washington, D. C.

DEAR SIR: Ours being an organization largely composed of alien citizens of Teutonic descent we have refrained as such from voicing our sentiments in regard to the present difficulties between our Government and that of the German Empire, because we do not wish to be regarded in any other light than that of loyal Americans.

It seems to us that in the present controversy between these two Governments neither the honor nor safety of our country is at stake, and we therefore would respectfully petition you and earnestly beg you to use your high office and best efforts to keep our country out of war, as long as such will be compatible with the honor, dignity, and safety of our country.

We thus speak for 23,000 loyal citizens of Minnesota, who wish to see the peace and happiness of our country preserved.

Very respectfully, yours,

JULIUS MOERSCH.
C. F. TRETTIN.

Mr. CLAPP. Mr. President, I have incorporated these communications in my remarks with the greater pleasure, because, first, they voice, to my mind, a high ideal of grateful remembrance of the country from which these people and their direct ancestors came, and at the same time they voice an unwavering loyalty to the land of their adoption. Knowing these men and these people as I do, I believe in the absolute genuineness and sincerity of the declaration.

While I am on the subject of the alleged relation between the pending tax bill and the European war I regard it as fairly within the purview of this discussion to refer to another matter.

About a year and a half ago the senior Senator from Oklahoma [Mr. GORE] brought in a resolution warning our people from going into the danger zone of the European war. On the floor of this body he substituted for that another resolution, which, so far as its relation to the right was concerned, was a complete reversal of the resolution he had offered. The Senate, without stopping to understand the substitute, and to the great surprise of many Senators after they had done it, proceeded to table the substitute resolution; but in order that there might be a protection to some, or for some other reason, it was given out to the public that the Senate had tabled the Gore warning resolution and that certain Senators who had voted against tabling it were in favor of warning our people. Consequently by some they were characterized as cowards, by some they were characterized as disloyal, and all sorts of criticisms were placed upon them because it was supposed that they were in favor of warning our people against needlessly going into danger.

As bearing upon this subject, I noticed day before yesterday in the Washington Star a bit of information. I ask that there may be read from the desk the item which I now send to the desk.

The PRESIDING OFFICER. The Senator from Minnesota presents a clipping which he asks may be read. Is there objection? There being none, the Secretary will read as requested.

The Secretary read as follows:

[From the Washington Evening Star of Feb. 20, 1917.]

KEEPS WOMEN AT HOME—AUSTRALIAN GOVERNMENT ALSO FORBIDS DEPARTURE OF CHILDREN FOR EUROPE.

LONDON, *February 20.*

A law has been passed by the Australian Government, according to a Reuter dispatch from Melbourne, forbidding the departure of women or children for Europe under any circumstances.

The Indian Government recently adopted, among its new war measures, a law forbidding women and children to sail for England except for the most urgent reasons.

Mr. CLAPP. So it would appear, Mr. President, that there are lands and countries where it is not considered either treason or cowardice to warn noncombatants, especially women and children, from going into the danger zone declared in war.

Now, Mr. President, in regard to the pending amendment of the Senator from Alabama, there are three classes of people who are affected by the amendment. Two of those groups are abundantly able to voice their own sentiments. One is the allied group of those who produce cottonseed oil and live stock for beef, the Beef Trust. They are able to put out their information, their circulars, their telegrams. There is another group, composed of those who are engaged directly in the making of butter, and they too are able to have their organization put out their literature and send their petitions and telegrams. But there is one group of people interested in this subject who have no organization. They are unable to put their plea before Congress either through the instrumentality of petitions, literature, or telegrams. I refer to the man who is living on the border line of want, to whom every cent of the added cost of living to-day towers almost mountain high, the man who ultimately must bear the burden of this tax.

It has been my privilege to occupy a seat in this Chamber for 16 years, and aside from the proposition that was once made and carried here to tax corporations and except the holding companies, to tax the going corporation that brought into being the products for the people and except the holding company that stifles competition and sometimes stifles production, I do not think there has been a measure brought here of a tax-bill nature that is so remarkable as the amendment of the Senator from Alabama.

Here I want to say I have got to reconcile a difference. I notice my friend from Alabama speaks of oleomargarine. I am a good deal inclined to accept him as authority, but my scholarly friend, the Senator from Massachusetts [Mr. WEEKS], whom I must also accept as authority, refers to oleomargarine. In this dilemma I think it would be a fair compromise just to refer to this product as oleo.

The present tax upon oleo uncolored is one-fourth of a cent a pound. It is claimed that this material is wholesome; that it is not injurious to health; that it is a fair food product; and it is urged by its friends that it is the poor man's food. If that be true, I should like to have some Senator explain to me why it is that it is proposed to add 1¼ cents a pound to the product that we declare wholesome food and that is essentially the poor man's food? We have sought in legislation in the past, as far as possible, to relieve the man who is unfortunate and to place the burden of taxation upon those who are best able to bear that burden, but here is a proposition to start in now and increase the tax upon one article of food alone, and that article alleged to be a wholesome article and especially the poor man's food. How it can be justified I do not know and I can not suggest, because I have not yet heard on this floor a suggestion of a justification for starting in now and selecting a wholesome food product and putting a tax on that when it is alleged that it is not the rich man's food but it is essentially the poor man's food. This is inexplicable. But this is not by any means the worst phase of this question.

When it comes to imitations of a product there are two reasons why no product should be permitted to be imitated. In the first place, it is immoral to practice deception, and that ought in itself to be a sufficient reason why we should never permit the imitation of a product. But there is another reason why it is wrong to permit an imitation. There is only one reason why a man seeks to imitate a product, and that is that he may get more nearly approximately the price of the product that is imitated. There is no other inducement for imitating butter in the making of oleomargarine excpt the fact that the more perfect the imitation the more easy it is for the man who makes the imitation to get for the imitation approximately the price of the genuine article. Strip it of that spirit and incentive of gain and there would be no reason on earth for imitating it.

So, not only is there the moral wrong but it makes it possible to take this cheap product which it is declared is for the benefit of the poor man and not only add a direct tax of 2 cents a pound on the poor man's food, but by allowing it to be colored in imitation of genuine butter to add to that tax of 2 cents a part of the difference between the cost of the oleomargarine and the genuine butter. Yet we are told that this is done here in the interest of the laboring thousands of America. It may be, Mr. President, that some of the laboring people in this country can be influenced by that argument. It may be

that some of them can be deceived, but I believe that if we would talk less here about the Beef Trust and the dairy interests and go to this arugument directly to the consumer we would clear the atmposphere, the clouds of deception and confusion would roll by, and the man who toils for a living would realize that he has got to pay a tax to begin with of 2 cents a pound on every pound of oleomargarine which he eats, and so far as the deception can be practiced he has got to pay a part of the difference between the cost of manufacturing this imitation and the genuine product.

When the consumer of this country, facing to-day, as he does and as she does, the high cost of living, will realize that in the last analysis it is the consumer not only who is deceived, but that he is directly taxed 2 cents a pound, and then as much of the difference as it is possible to load upon him in the imitation of the genuine butter by the imitation article, there will be a response throughout this country, and the question will have to be answered why it is that in raising taxes here we let all food products of the land go untaxed especially, except one particular article, and that the poor man's food, and place first a direct tax of 2 cents upon that, and then the additional tax which he is obliged to pay so far as he is deceived in this imitation, and so far as in that deception it is possible to make up the difference between the cost of these two articles. The Senator from North Dakota says "a man has a right to eat butter if he prefers and to eat oleomargarine if he prefers, and to know it is oleomargarine and to buy oleomargarine at oleomargarine price instead of paying a butter price for it.

No, Mr. President, unwarranted as it seems to me much of this tax is, it does appear to me when you brush away these clouds and get down to the solid fact we are adding first a tax of 2 cents a pound to the poor man's food, declared to be the poor man's food by the champions of this measure, and then adding as much more to that tax as the maker of oleomargarine distributing it sells it at, and finally to the man who sells last to the consumers of this article so much of the difference in the cost as it may be possible to obtain by reason of this imitation.

Mr. UNDERWOOD. Mr. President, I should like to ask if we could reach some agreement to vote on the pending amendment on the oleomargarine question to-morrow. If no one wishes to debate it at length, I would like to suggest and would be glad to vote to-morrow at 12 o'clock.

Mr. PENROSE. If the Senator wants to submit that question to the Senate, I think we ought to have a call of the Senate and have more Senators present than are here now.

Mr. UNDERWOOD. To agree to vote on the amendment does not require a call of the Senate.

Mr. PENROSE. I know that, but it means unanimous consent, I understand, to vote on this particular amendment, and I do not think any Senators here in the minority would want to consent to that without a call of the Senate, so that Senators who are absent may be here.

Mr. UNDERWOOD. I will state to the Senator that I do not desire to interrupt the proceedings at this time by having a call of the Senate. I merely wanted to give notice that, so far as I am concerned, I am willing to agree to an hour for a vote on this subject. Of course, if the gentlemen on the other side of the Chamber are not prepared to make the agreement at this time, we can let it go over until to-morrow.

Mr. PENROSE. The minority certainly are not prepared, because there is not a quorum in the Senate at the present time. I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from Pennsylvania suggests the absence of a quorum. The Secretary will call the roll.

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

Ashurst	Hughes	Martin, Va.	Simmons
Beckham	Husting	Martine, N. J.	Smith, Ga.
Brady	James	Norris	Smith, Mich.
Brandegee	Johnson, S. Dak.	Oliver	Smith, S. C.
Broussard	Jones	Overman	Smoot
Bryan	Kenyon	Owen	Sterling
Chamberlain	Kern	Penrose	Thomas
Chilton	La Follette	Pittman	Thompson
Clapp	Lane	Pomerene	Underwood
Cummins	Lea, Tenn.	Reed	Vardaman
Fernald	Lee, Md.	Robinson	Walsh
Fletcher	Lewis	Shafroth	Watson
Gronna	McCumber	Sheppard	
Hollis	McLean	Sherman	

Mr. SMITH of Michigan. I desire to announce that my colleague [Mr. TOWNSEND] has been called away by the illness of his wife.

Mr. VARDAMAN. I desire to announce the absence of the Senator from Tennessee [Mr. SHIELDS] on account of illness.

The PRESIDING OFFICER. Fifty-four Senators have answered to their names. There is a quorum of the Senate present.

Mr. McCUMBER. Mr. President, I wish to say to the Senator from Alabama that I do not think there will be much trouble in arriving at an agreement as to a very early vote upon his amendment. We simply desire that there be coupled with the request for a vote the length of time any Senator shall be allowed to talk upon the subject, so that the whole time may not be taken up by one or two Senators, and that there may be a vote, not at an evening session, but some time in the daytime, when practically all Senators will be present.

Mr. UNDERWOODD. I agree with the Senator about his suggestion; but what suggestion has the Senator to make as to what time is to be taken?

Mr. McCUMBER. I think that can be better made in the morning, when more Senators are present. I know we all want to get through with the bill. None of us are hankering after an extra session.

Mr. UNDERWOOD. That is satisfactory to me.

Mr. SIMMONS. Mr. President, if we wait until the meeting of the Senate to-morrow to fix a time to vote on one amendment, and if then the idea of the Senator from North Dakota is carried out, fixing a time when we shall close general debate on the amendment, and then a time for debate under the five or ten minute rule, it would probably take the whole of to-morrow—Friday—to dispose of this amendment.

Mr. McCUMBER. Not necessarily. I do not think so. I think we could get through some time in the afternoon.

Mr. CUMMINS. I was not here when the Senator from North Carolina made his proposal. What is the object of asking unanimous consent to fix a time to vote on an amendment to the bill?

Mr. SIMMONS. I did not myself ask the unanimous consent. The Senator from Alabama [Mr. UNDERWOOD] made the suggestion.

Mr. THOMAS. I should like to state to the Senator from Iowa that yesterday, just before the Senate took a recess, it was agreed that this amendment should be disposed of in advance of the bill, the first thing in the morning.

Mr. CUMMINS. I assume, in the very nature of things, the amendment will be disposed of in advance of the bill.

Mr. LA FOLLETTE. Was there a unanimous-consent agreement of that sort reached?

Mr. THOMAS. I was in the chair when it was made, and the RECORD shows it.

Mr. CUMMINS. I only desire to say that I should prefer that the matter should go along in the regular way, and, when the time comes to vote on the amendment, to vote on it; whether at night or day, it does not make any difference to me.

Mr. SMITH of Michigan. Mr. President——

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

Mr. CUMMINS. I yield the floor.

Mr. SMITH of Michigan. I thought the Senator had yielded the floor.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Mr. SMITH of Michigan. The Senator from Colorado [Mr. THOMAS] just remarked that it was his understanding that there had been practically an agreement reached that we should vote on the pending amendment to the bill in advance. I did not so understand.

Mr. SMITH of Georgia. There has not been any such agreement made.

Mr. SMITH of Michigan. I never heard of any such agreement. Is there a request for unanimous consent now pending?

The PRESIDING OFFICER. There has been no request submitted for unanimous consent. The Secretary will proceed with the reading of the bill for amendments.

The Secretary proceeded to read the bill.

The first amendment of the Committee on Finance was, under the head "Title II, Excess profits tax," on page 2, line 24, after the word "includes," to insert the word "also," so as to read:

> The term "corporation" includes also joint-stock companies or associations and insurance companies.

The PRESIDING OFFICER. Without objection, the amendment will be agreed to.

Mr. SMOOT. Mr. President, before the amendment is agreed to I should like to refer to the RECORD to see just what it shows in relation to the pending amendment. On page 4241 of the RECORD it is shown that this is what took place last night:

> Mr. SIMMONS. Of course, I wish to pursue the usual course, which is to take the committee amendments in their order; but in view of the

fact that this amendment has attracted special attention, and we have spent the day in discussing it, and probably the discussion upon it will be resumed in the morning, I think it might be just as well that we should disregard the usual rule and have our first vote upon this amendment. I think probably that would facilitate the consideration of the bill.

Mr. WARREN. Mr. President, I think that is a matter that ought to rest largely with the Senator himself, with reference also to the author of that amendment, and his colleague on the committee, who is the ranking minority member.

Mr. SIMMONS. I desire to ask the Senator from Pennsylvania, who is the ranking minority member, whether that would be satisfactory?

Mr. PENROSE. What is the proposition of the Senator?

Mr. SIMMONS. The suggestion that we first vote upon the oleomargarine amendment.

Mr. PENROSE. So far as I am concerned—and I have no reason to doubt that it will be satisfactory to the others of the minority—it will be entirely satisfactory to dispose of the oleomargarine amendment first.

Mr. SIMMONS. Then I move that the Senate take a recess until 10.30 o'clock to-morrow.

Mr. PENROSE. Before that motion is put, may I ask whether the Senator's very able explanation of this measure will be in the RECORD to-morrow?

There was no action by the Senate as recorded in the RECORD. It was suggested by the Senator from North Carolina [Mr. SIMMONS], who has the bill in charge, that that was the program, and the Senator from Pennsylvania [Mr. PENROSE], the ranking minority member of the committee, said that he had no objection to it; but there was no vote taken on the part of the Senate.

Mr. THOMAS. Did not the Senator from Pennsylvania say that there would be no objection to it?

Mr. SMOOT. He said there would be no objection to it.

Mr. SIMMONS. I wish to be entirely frank with the Senate——

Mr. THOMAS. The Senator's exact language was that it would be entirely satisfactory.

Mr. SIMMONS. It is my understanding that we did not reach an agreement.

Mr. THOMAS. He was speaking for the minority.

Mr. SMOOT. As the Senator from Colorado was in the chair at the time, I will ask him, does he understand that the Senate agreed that the vote should be taken upon the so-called Underwood amendment?

Mr. THOMAS. Such was my understanding. There were five Senators present at the time.

Mr. SMOOT. The RECORD does not show that the Chair said "Without objection, it is agreed to." It only shows that there was an agreement between the Senator from North Carolina [Mr. SIMMONS] and the Senator from Pennsylvania [Mr. PENROSE].

Mr. THOMAS. I concede that technically there was no decision upon the matter in a formal way by the Senate; but upon the announcement of the Senator from Pennsylvania that there would be no objection to it, the Chair assumed that the matter was so understood.

Mr. PENROSE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Pennsylvania?

Mr. SMOOT. I do.

Mr. PENROSE. I certainly did not mean to assume any authority or responsibility to speak for my colleagues of the minority; neither did I imagine that there was any suggestion that a time certain should be fixed for a vote on the oleomargarine amendment. The casual suggestion was made whether there would be any objection to voting on that amendment first, it being a very important amendment, before other amendments were taken up, and I said good-naturedly that, so far as I knew, I did not know of any objection; but investigation may disclose the fact that there is objection. If so, I certainly have no power to prevent it or no desire to do so.

Mr. CUMMINS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Iowa?

Mr. SMOOT. I have said all I desire to say, and I yield the floor.

Mr. CUMMINS. I have no desire to escape from any honorable obligation that has been entered into; I do not care in what order these amendments are voted upon; I had just as soon vote on the oleomargarine amendment as on any other amendment; but I do not want any time fixed for voting upon that amendment, and that was not included within the arrangement.

Mr. PENROSE. There was no suggestion last evening of the time when the vote would be taken.

Mr. SIMMONS. None at all.

Mr. CUMMINS. No one can tell when a vote may be reached. The debate has substantially closed, but we have all had enough experience in the fixing of a time for voting on amendments to know that after the time is fixed the debate is practically over, for the only thing that keeps in the Chamber the few Senators who do stay here, is the fear that some amendment in which they may be interested may be voted upon in their absence.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment which has been stated.

The amendment was agreed to.

Mr. SMITH of Georgia. I do not understand that the chairman of the committee or the ranking minority member of the committee claimed any right to fix a time for a vote. It was a mere negotiation in open session, in the nature of a conference. Neither undertook to bind anybody at that time by their action. I would really object very much to the assumption of authority by them to have bound those who were absent. They did not do so. I am myself very much opposed to singling out one amendment and voting on it, as I think we ought to vote on the amendments in the usual way, as we come to them.

The PRESIDING OFFICER. The Secretary will resume the reading of the bill for committee amendments.

Mr. SMOOT. Mr. President, I understand the Secretary is reading the bill for committee amendments.

Mr. SIMMONS. He is.

The PRESIDING OFFICER. The bill is being read for committee amendments. It has been heretofore read in full.

Mr. SMOOT. I know it has been read in full. But taking it up as it has been taken up now, and stating the amendments without reading the paragraphs in which the amendments occur makes it difficult to follow. I ask that the context be read together with the amendments, so that we can understand what they are.

The PRESIDING OFFICER. The Secretary will read the paragraphs in which the amendments occur.

The Secretary resumed the reading of the bill for amendments.

The next amendment of the Committee on Finance was, in section 201, on page 3, line 15, after the word "organized," to strike out "excepting income derived from the business of life, health, and accident insurance combined in one policy issued on the weekly premium payment plan"; and in line 20, after "$5,000," to strike out "and" and insert "plus," so as to make the clause read:

SEC. 201. That, in addition to the taxes under existing law, there shall be levied, assessed, collected, and paid for each taxable year upon the net income of every corporation and partnership organized, authorized, or existing under the laws of the United States, or of any State, Territory, or District thereof, no matter how created or organized, a tax of 8 per cent of the amount by which such net income exceeds the sum of (a) $5,000 plus (b) 8 per cent of the actual capital invested.

The amendment was agreed to.

The next amendment was, on page 4, line 2, after the name "United States," to strike out "and" and insert "plus"; and in line 11, after the word "income," to strike out "and" and insert "plus," so as to make the clause read:

Every foreign corporation and partnership, including corporations and partnerships of the Philippine Islands and Porto Rico, shall pay for each taxable year a like tax upon the amount by which its net income received from all sources within the United States exceeds the sum of (a) 8 per cent of the actual capital invested and used or employed in the business in the United States, plus (b) that proportion of $5,000 which the entire actual capital invested and used or employed in the business in the United States bears to the entire actual capital invested; and in case no such capital is used or employed in the business in the United States the tax shall be imposed upon that portion of such net income which is in excess of the sum of (a) 8 per cent of that proportion of the entire actual capital invested and used or employed in the business which the net income from sources within the United States bears to the entire net income, plus (b) that proportion of $5,000 which the net income from sources within the United States bears to the entire net income.

The amendment was agreed to.

The next amendment was, in section 202, page 4, line 17, after the word "value," to strike out "at the time of payment"; in the same line, after the word "cash," where it occurs the second time, to strike out "paid in" and insert "at the time such assets were transferred to the corporation or partnership"; and in line 22, after the word "partnership," to insert "whether evidenced by bonds or otherwise," so as to make the section read:

SEC. 202. That for the purpose of this title, actual capital invested means (1) actual cash paid in, (2) the actual cash value of assets other than cash at the time such assets were transferred to the corporation or partnership, and (3) paid in or earned surplus and undivided profits used or employed in the business; but does not include money or other property borrowed by the corporation or partnership, whether evidenced by bonds or otherwise.

The amendment was agreed to.

The Secretary proceeded to read section 203.

Mr. SIMMONS. Mr. President, there is no amendment to that section, and I do not see any reason why the Secretary should read that section when we are considering only committee amendments.

The PRESIDING OFFICER. The Secretary will simply read those paragraphs in which committee amendments appear.

The next amendment of the Committee on Finance was, in section 204, page 5, line 22, before the word "act," to strike out "the" and insert "such"; in line 26, after the word "partnerships," to insert "or corporations"; on page 6, line 1, after the word "derived," to insert "exclusively"; and in the same line, after the word "from," to strike out "agriculture or from," so as to make the section read:

SEC. 204. That corporations exempt from tax under the provisions of section 11 of Title I of such act approved September 8, 1916, and partnerships carrying on or doing the same business shall be exempt from the provisions of this title, and the tax imposed by this title shall not attach to incomes of partnerships or corporations derived exclusively from personal services.

Mr. OLIVER. Mr. President, I desire to make a parliamentary inquiry. I have an amendment to propose to this amendment of the committee, and I ask that this section be passed over that I may have an opportunity to prepare the amendment.

Mr. SIMMONS. Do I understand the Senator from Pennsylvania to say that he desires to offer an amendment to the committee amendment?

Mr. OLIVER. I have not the amendment in precise shape now. This provision reads:

And the tax imposed by this title shall not attach to income of partnerships or corporations derived exclusively from agriculture or from personal services.

I want to provide that it shall not apply to such part of the income of any partnership or corporation as is derived from agriculture.

Mr. SIMMONS. The Senator wants to add the word "part."

Mr. OLIVER. I desire to offer an amendment, inserting the words "such part of the income of any partnership or corporation as is derived from agriculture or from personal services."

Mr. WATSON. Where does the amendment come in?

Mr. OLIVER. Directly after the word "to," in line 26, in lieu of the amendment suggested by the committee.

Mr. SIMMONS. Does the Senator offer that amendment now?

Mr. OLIVER. I will offer that as an amendment to the committee amendment.

Mr. SIMMONS. If the Senator desires time to prepare the amendment, I will ask that the committee amendment be passed over for the present.

Mr. OLIVER. I will offer the amendment to the committee amendment now.

The PRESIDING OFFICER. The Senator from Pennsylvania offers an amendment to the committee amendment.

Mr. SIMMONS. I ask that the Secretary state the amendment.

The PRESIDING OFFICER. The Chair will ask the Senator from Pennsylvania to restate the amendment.

Mr. OLIVER. After the word "to," in line 26, page 5, insert "such part of the income of any partnership or corporation as is derived from agriculture or from personal or professional services," and strike out the remainder of the paragraph.

Mr. SIMMONS. I can not accept that amendment.

The PRESIDING OFFICER. The Secretary will state the amendment to the committee amendment.

The SECRETARY. On page 5, line 26, after the word "to," it is proposed to strike out the committee amendment and the remainder of the paragraph, and to insert "such part of the income of any partnership or corporation as is derived from agriculture or from personal or professional services."

Mr. OLIVER. I think that the intent is exactly the same as the intent of the committee; but it is more clearly expressed, and I think it is free from objection.

Mr. SIMMONS. No; I think this amendment of the committee and the amendment of the Senator are in direct conflict. What the Senate committee amendment contemplates is not to exempt from the income tax any income not exclusively derived from personal services; that is, the corporation or the copartnership to entitle it to the exemption must be a corporation or a copartnership deriving its income exclusively from personal services.

Mr. OLIVER. It is incomes from agriculture that I have in mind.

Mr. SIMMONS. I am not speaking now about the agricultural feature. Under the proposed amendment of the Senator all income of any corporation derived exclusively from personal services, although it might have income derived from other sources, would be entitled to this exemption.

Mr. OLIVER. Oh, no; Mr. President. If the Senator will read my amendment, he will see that it only exempts such part of the income as is derived from agriculture or from personal services.

Mr. SIMMONS. The Senator is taking a corporation and segregating a part of the income that is derived from personal services from the income derived from other sources, and exempting that part of the income which is derived from personal services from the operation of this tax.

Mr. BRYAN. And that part derived from agriculture.

Mr. SIMMONS. Yes; and that part derived from agriculture. The committee made this exemption and put it in such language, or attempted to put it in such language, as to make it certain that it would inure only to the benefit of a copartnership or a corporation that had no income that was not derived from personal services.

Mr. OLIVER. Mr. President, it seems to me that a corporation may have income from one source which would be taxed under this bill and also have a large income from agriculture. A firm of merchants, for example, in a country town may have some farms out in the country; and what I aim at is to except from the operation of this tax that portion of their income which is derived from the farms, not excepting that derived from other business.

Mr. SMITH of Georgia. Mr. President, if the Senator will allow me, we have stricken out that provision entirely from the bill as it came to us from the House. Our plan is to leave the profits from partnerships engaged in agriculture and corporations engaged in agriculture subject to the tax. The Senator will see, on page 6, that the words "agriculture or from" have been stricken out, so that the excess profits of corporations or partnerships even from agriculture would be subject to the tax.

Mr. OLIVER. Not as the bill is printed.

Mr. SMITH of Georgia. Yes.

Mr. OLIVER. Certainly not, in my copy of the bill.

Mr. SMITH of Georgia. On page 6, line 1, the Senator will see that the words "agriculture or from," contained in the House bill, have been stricken out, or our amendment proposes to strike them out.

Mr. OLIVER. The copy that I have must be an earlier copy, because it does not appear in that copy.

Mr. SIMMONS. The Senator has the wrong copy.

Mr. SMOOT. The bill as it passed the House has the words "agriculture or from" in it.

Mr. SMITH of South Carolina. Mr. President——

Mr. SIMMONS. Mr. President, if the Senator will pardon me, we have amended that provision as it came to us from the House so as not to give corporations or copartnerships engaged in agriculture the benefit of the exemption. Under the committee's amendments, these corporations and copartnerships engaged in agriculture are as much subject to the tax as those engaged in any other line of business.

Mr. SMITH of South Carolina. Mr. President——

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from South Carolina?

Mr. SIMMONS. I do.

Mr. SMITH of South Carolina. If the Senator yields the floor, I should like to take this occasion, in my own time, to call attention to the amendment proposed by the committee in line 1, page 6, where they involve agricultural copartnerships in this tax.

Mr. President, I think the House did wisely to exempt agricultural copartnerships from this tax. We are now in the throes of what we call the high cost of living. Every Member of this body knows that the remedy must come from an adequate supply of the necessities of life that come from the agricultural interests of this country. We have just finished passing a law providing for rural credits in order to enable men to get the funds to invest in land and in the improvement of land, to increase the supply of foodstuffs in this country. Every man knows that the law of business is the law of the aggregation of capital. The momentum of finance is no less true and unchangeable than the momentum of a man in the material world.

We have passed this law. We are attempting to encourage agriculture and the "back-to-the-farm" movement. Every man knows that real estate, both within a municipality and in the agricultural districts, can not avoid taxation. It pays the county tax; it pays the road tax; it pays the State tax; it pays the municipal tax; it pays the school tax. In the final and last analysis, in fact, every tax rests upon the ground.

Now, let us compare artificial production with natural production. The miner can determine his crop because he is the master of the season of mining. He can increase his force and increase the product of his mine. He can lessen the supply or increase the supply at his own free will. The same is true of the manufacturer in every department. It is wholly within his hands according to his needs, because it is artificial. But the

man who farms has to wait upon a natural law, which is as capricious as the seasons, because it is dependent upon the seasons. He has lean years, disastrous years, like the year 1916 just past, when the accumulation of profits of from 10 to 15 years is wiped out, not because of bad business management, not from lack of foresight, not for speculative reasons, but because the windows of heaven have been shut, or storm and disaster has been turned loose from a providential source. Now you step in and say that he shall not have the profits of the full years and the flush years to recoup the losses of the years preceding, and you are discouraging with one hand the identical thing that you tried to encourage and are encouraging in the passage of your rural-credits bill.

I suspect that the reason why agricultural corporations were stricken out by the members of the Finance Committee was to avoid what they thought perhaps would subject them to the criticism that they were not treating all alike. They would have been subjected to that criticism had the nature of the businesses been alike. The farmer, however, is a man who has to depend upon a higher source than the mere rules and regulations of an artificial corporation. He has to depend entirely upon the caprice of the seasons, and it is notorious that for that reason he is a disorganized and a helpless man. Could he organize his business as other men organize theirs, capitalize it, and be sure of the return, the cost of living would already have been settled in relation to other affairs. But he is helpless, and the very drudgery and uncertainty that attend this avocation constitute the reason why those who follow it are notoriously poor. The only hope that we have for the adequate development of our agricultural resources is to take advantage of the laws you have passed extending him credit, and allowing him to form business combinations to reduce the cost of production, and in that way lessen the cost to the consumer.

It is true that you say there are very few such corporations. Why? For the very reason I have stated—on account of the uncertainty that always attends the production of a crop. It is the most uncalled-for, the most unwarranted provision in this bill, that you, right at the outset, begin to discourage anything like the formation of corporations in this notoriously poorly paid division of our great industries in this country.

I ask this body of Senators that this be stricken from this bill. If there is anything that needs the encouragement and help of this country it is the agricultural interests of this country.

It was said here to-day, even in the argument about the oleomargarine tax, that the man who produces the cream and sends it to the market does not participate in the high price that is obtained for the butter. That is notoriously true of all the raw materials that come from the farm, for the reason that the farmers as a mass can not organize themselves and demand their share of the wealth they produce. Now, right at the very threshold of an era that looked like promising something of organization at least along the line of obtaining financial aid for the development of the farmer's vocation you step in here and discourage organization and say that if he or they earn above a certain amount you will put them in the same category with artificial corporations—those that artificially produce and those who can control their own laws of production and the seasons and times of their marketing. You propose that the farmer shall be put in the same category with them.

I appeal to this body of Senators, standing face to face as we do with the high cost of living, which primarily is based on the fact that the farms are being decimated, and that the production is not keeping pari passu with the consumption because of the unattractiveness of agriculture, to strike from this bill the inclusion of agricultural organizations for the promotion of that for which we all stand here to-night and plead from every direction that there shall be some relief.

Therefore I move now, Mr. President, as an amendment, that the words "agriculture or from" shall be added to the bill.

Mr. OLIVER. Mr. President, I suggest to the Senator from South Carolina that he will accomplish his purpose by voting for the amendment which I have already offered.

Mr. SMITH of South Carolina. I simply move that we disagree to the Senate amendment, then.

The PRESIDING OFFICER. There is an amendment pending—the amendment of the Senator from Pennsylvania.

Mr. NORRIS. Mr. President, let me suggest to the Senator from South Carolina that he does not even have to do that. We will vote on the committee amendment. If he wants to leave it as it passed the House, he can accomplish that result by voting down the committee amendment.

Mr. SMITH of South Carolina. Well, that is what I shall be very glad to do.

Mr. NORRIS. It does not need any motion at all by the Senator.

Mr. HUGHES. Mr. President, as far as I understand the parliamentary situation, the question is about to come on the motion of the committee to amend the bill in this particular, striking out the words "agriculture or from," the object being to exempt copartnerships?

Mr. OLIVER. I have offered an amendment to the committee amendment.

The PRESIDING OFFICER. The Chair will say that the Senator from Pennsylvania has tendered an amendment to the committee amendment.

Mr. HUGHES. Then, as I understand, the vote first comes upon the attempt of the Senator from Pennsylvania to perfect the committee amendment?

The PRESIDING OFFICER. The Senator from New Jersey is correct.

Mr. SMITH of South Carolina. Mr. President, I was under the impression that the Senator from Pennsylvania withdrew his amendment.

Mr. OLIVER. Not if I know myself.

Mr. SMITH of South Carolina. The idea was that you were attempting to do what the committee has already done and what I am now trying to undo.

Mr. OLIVER. But, Mr. President, I was not attempting to do anything of the kind. I was attempting to accomplish just what the Senator from South Carolina is.

Mr. SMITH of South Carolina. I am very glad to know that.

Mr. NORRIS. Mr. President——

The PRESIDING OFFICER. The Senator from New Jersey has the floor. Does he yield, and, if so, to whom?

Mr. HUGHES. I yield to the Senator from Nebraska.

Mr. NORRIS. I want to submit this proposition—that we ought first to vote on the committee amendments before we vote on the amendment of the Senator from Pennsylvania, because the Senator from Pennsylvania undertakes to strike out the line or part of the line beginning on page 5 and all of lines 1 and 2 on page 6 and insert something else. There are two or three of the committee amendments—three of them, at least—which seek to perfect the text that the Senator from Pennsylvania moved to strike out by his amendment. Therefore, we ought to vote on the Senate committee amendments first and see whether that text shall be perfected as the committee has suggested, and then vote on the amendment of the Senator from Pennsylvania to strike that out and insert something else.

Mr. HUGHES. Mr. President, I agree with the Senator from Nebraska that it is in order now to vote upon the language suggested by the committee. If that language is adopted or disagreed to, in either event, the amendment of the Senator from Pennsylvania will be in order.

Mr. OLIVER. Mr. President, I am not very much of a parliamentarian, but it seems to me that the proposition before the Senate originally was the amendment proposed by the committee. If that shall be adopted, then the only way that you can get my language into the bill is by reconsidering it.

Mr. NORRIS. Oh, no.

Mr. HUGHES. No; I call the Senator's attention to the fact that we have perfected, or attempted to perfect, the text of the House amendment in one or two particulars in which the Senate, perhaps, is not particularly interested. One of them is a verbal amendment, the word "the" appearing in line 22, page 5. Now, the committee has a right to perfect the amendment. Then, after the text is perfected, and before the vote came upon the amendment as perfected, the Senator will have a right to further amend it.

Mr. SMOOT. The Senator from New Jersey is wrong.

Mr. HUGHES. Well, we certainly have a right to perfect the text before the Senator from Pennsylvania has a right to move to strike out anything.

Mr. BRADY and Mr. SMITH of Georgia addressed the Chair.

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

Mr. HUGHES. I yield to the Senator from Georgia.

Mr. SMITH of Georgia. Is not this the real status: The Senator from Pennsylvania moves to strike out certain lines in paragraph 204, and substitute——

Mr. OLIVER. In lieu of the committee amendment.

Mr. SMITH of Georgia. But the committee amendment is not there yet. The Senator from Pennsylvania moves to strike out certain lines, and substitute. Now, the committee undertakes to perfect those lines by certain changes in them—two different changes; not just one. The nature of the motion of the Senator from Pennsylvania is to substitute for lines 1, 2, and 3 at the close of that paragraph certain other distinct language. Would we not, therefore, vote upon the committee amendments to perfect the original language, and then, after we have perfected

that original language, vote upon the motion to strike out and substitute, offered by the Senator from Pennsylvania?

Mr. SMOOT. Mr. President——

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Utah?

Mr. HUGHES. I do.

Mr. SMOOT. The statement made by the Senator from Georgia would be absolutely correct if we were going to offer a substitute for section 204; but that is not what the Senator desires. All he wants to do is to amend section 204. Now, if the Senate amendments are agreed to, the only way in which he could offer an amendment to the section, after amending it, would be by a reconsideration of the vote by which the Senate agreed to the amendment.

Mr. SMITH of Georgia. But he is amending it by striking out and substituting.

Mr. NORRIS. Mr. President——

Mr. SMITH of Georgia. It is a motion to strike out and substitute; and, as it is a motion to strike out and substitute, you can perfect the matter to be stricken out before you vote on the motion to substitute.

Mr. NORRIS. Why, of course.

Mr. SMOOT. The Senator is perfectly correct if there is a substitute for section 204. Then the proper way to proceed would be, as the Senator says, to perfect section 204, and then to offer a substitute for section 204 if the Senator from Pennsylvania so desires.

Mr. NORRIS. Mr. President, I should like to ask the Senator a question.

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Nebraska?

Mr. HUGHES. I yield.

Mr. NORRIS. The amendment of the Senator from Pennsylvania is to strike out, on line 26, page 5, all after the word "attach."

Mr. SMOOT. All after the word "to."

Mr. SMITH of South Carolina. All after the word "to"?

Mr. NORRIS. Well, that is the next word to "attach"; all the balance of the paragraph?

Mr. SMOOT. Yes.

Mr. NORRIS. Now, that includes not only three committee amendments, but it includes some other language outside of the committee amendments.

Mr. SMOOT. Yes.

Mr. NORRIS. If the Senator's position is right and we should vote on the amendment of the Senator from Pennsylvania first, then what becomes of the committee amendment? We never would vote on it.

Mr. SMOOT. Certainly.

Mr. NORRIS. We strike out the words that the committee amendment undertakes to amend. It is the same principle that we apply when an amendment is pending. We have a right to perfect the amendment itself before the question comes on striking it out and putting something in its place.

Mr. SMOOT. The way to vote upon the amendment is to vote. Those who are in favor of the committee amendments will vote against the amendment offered by the Senator from Pennsylvania.

Mr. SMITH of Georgia. Not necessarily.

Mr. NORRIS. Not necessarily. A Senator might be in favor of the amendment of the Senator from Pennsylvania if certain parts or all the amendments of the committee were agreed to, and some other Senator might be in favor of the amendment if the committee amendments were rejected, while others might be opposed to it if the committee amendments were adopted. So we ought first to perfect the language the Senator from Pennsylvania seeks to strike out.

Mr. SMITH of Georgia. Undoubtedly.

Mr. NORRIS. We do that by voting on the committee amendments.

Mr. SMOOT. Let me call the attention of the Senator to the position, if adopted by the Senate as he suggests. If we are going to do that, then we first vote upon the amendment inserting after the word "partnerships" the words "or corporations."

Mr. NORRIS. Yes, sir.

Mr. SMOOT. Now, suppose that be agreed to.

Mr. NORRIS. All right.

Mr. SMOOT. Then the next amendment would be inserting the word "exclusively" after the word "derived." Suppose the Senate agreed to that.

Mr. NORRIS. All right.

Mr. SMOOT. Then the next amendment would be to strike out the words "agriculture or from," and suppose the Senate agreed to that.

Mr. NORRIS. All right; suppose it did.

Mr. SMOOT. Does the Senator mean to say that the amendment could be moved without a reconsideration of the votes by which these amendments were agreed to?

Mr. NORRIS. Certainly.

Mr. SMITH of Georgia. Absolutely.

Mr. NORRIS. The motion is to strike out the language we put in. If we strike out that language, the whole question is settled.

Mr. FLETCHER. The amendment then of the Senator from Pennsylvania would be to strike out all the language agreed upon after the words "attached to."

Mr. NORRIS. But the Senator from Pennsylvania does not make that motion. He moves to strike out, at line 26, page 5, commencing with the words "incomes of partnerships or corporations."

Several Senators addressed the Chair.

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

Mr. BRADY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Idaho will state his parliamentary inquiry.

Mr. BRADY. Is the amendment offered by the Senator from Pennsylvania to the amendment in order at this time?

The PRESIDING OFFICER. The Chair holds, of course, that an amendment to the committee amendment is in order; but owing to the peculiar phraseology, since it comprehends certain language of the House text, the Chair holds that at this particular time it is not in order.

Mr. OLIVER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Pennsylvania will state it.

Mr. OLIVER. Is it understood that if the Senate votes upon the various amendments proposed by the committee, all of which constitute one amendment, my amendment will be in order upon the adoption of that amendment?

The PRESIDING OFFICER. The present occupant of the chair thinks so.

Mr. FLETCHER. The Senator's motion, then, would be to strike out all that had been agreed to.

Mr. HUGHES. Mr. President, in order to bring this matter to an issue, I ask unanimous consent that the committee amendment be considered as adopted, giving the right to the Senator from Pennsylvania to offer his amendment.

Mr. CUMMINS. Considered as adopted?

Mr. HUGHES. With the right of the Senator from Pennsylvania to offer his amendment.

Mr. CUMMINS. I have an inquiry to make in regard to the committee amendment before it is adopted. I do not wish to do it in the time of the Senator from New Jersey.

Mr. HUGHES. To bring this matter to a consummation, I ask to have the committee amendment to amend the text adopted, subject to the right of the Senator from Pennsylvania, or any other Senator, to offer such amendment as he chooses in the way of amendment to the committee amendment after the text is perfected.

The PRESIDING OFFICER. Will the Senator from New Jersey kindly restate his request?

Mr. HUGHES. I ask unanimous consent that the amendment suggested by the committee be considered as adopted, with the right of the Senator from Pennsylvania, or any other Senator, then to move to amend it in any particular he sees fit.

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

Mr. OLIVER. I have no objection.

Mr. McCUMBER. I object.

The PRESIDING OFFICER. The Senator from North Dakota objects.

Mr. SMITH of South Carolina. Mr. President, a parliamentary inquiry. I want to know now if the Chair holds it is in order to vote on each separate amendment proposed, beginning in line 26, voting first on the insertion of the words "or corporations"? That is one of the committee amendments.

The PRESIDING OFFICER. That the Chair understands has been agreed to.

Mr. CUMMINS. It has not. I have been standing on my feet for 10 minutes trying to get a word in edgewise in order to address the Chair on that very amendment.

Mr. SMITH of South Carolina. I wanted to get that clear, because when we get to the next amendment, then I hope the Senate will vote to disagree to it.

Mr. NORRIS. The Senator means the second amendment?

Mr. SMITH of South Carolina. The third amendment. I hope the Senate will vote to disagree to it.

Mr. NORRIS. The Senator has reference to the committee amendment in line 1, page 6?

Mr. SMITH of South Carolina. Yes; striking out the words "agriculture or from."

Mr. NORRIS. There are two amendments ahead of that.

Mr. CUMMINS. Mr. President, I do not attempt to settle this parliamentary tangle; it seems to me to be utterly immaterial; but I have an inquiry to make with regard to the committee amendment.

Mr. VARDAMAN. I should like to ask the Chair if the request of the Senator from New Jersey [Mr. HUGHES] was granted?

The PRESIDING OFFICER. It was objected to by the Senator from North Dakota [Mr. MCCUMBER].

Mr. VARDAMAN. I merely wished to have that understood.

Mr. SIMMONS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from North Carolina?

Mr. CUMMINS. I yield to the Senator from North Carolina.

Mr. SIMMONS. What I desire to suggest is that the amendment of the Senator from Pennsylvania deals with three separate and distinct amendments proposed by the committee.

The PRESIDING OFFICER. The Chair held that the amendment of the Senator from Pennsylvania is not in order at this time.

Mr. SIMMONS. I was going to make that point.

Mr. CUMMINS. This is the question I desire to ask the chairman of the committee—on the amendment which consists in the interpolation of the words "or corporations," occurring in line 26, on page 5, and in line 1, page 6: How can a corporation render a personal service? Undoubtedly there must have been in the minds of the members of the committee some instances in which corporations, which are artificial beings or entities, can render personal service, but those instances do not occur to me. I should like to know what has been or is in the minds of the members of the committee with regard to that matter.

Mr. SIMMONS. Mr. President, I will state frankly to the Senator from Iowa what I understood to be in the minds of the committee at the time the amendment was adopted.

Mr. ROBINSON. Mr. President, I rise to a question of order. The Senate is not in order, and we can not hear anything that is going on.

Mr. STERLING. We can not hear on this side.

The PRESIDING OFFICER. The point of order is well taken. The Senate will be in order.

Mr. SIMMONS. The Senator will observe the language is "the tax imposed by this title shall not attach to incomes of partnerships or corporations derived exclusively from personal services." The committee conceived a possible case where a corporation will have no income except such as is derived from the personal services of the members of the corporation. I think for a concrete example it was suggested to the committee that there is now in this country a very large corporation composed exclusively of civil engineers. The sole income of that corporation is from the professional services of the engineers who are members of the corporation. It does no business outside of obtaining contracts to do engineering work, and that work is performed by members of the corporation. The result is that the total income of the corporation is derived from personal services.

Another illustration which was in the mind of the committee and discussed was that of a law firm. Of course law firms are generally partnerships, but they are sometimes corporations. A number of lawyers can associate themselves together in a corporation, issuing, if you please, no stock, the total income of the corporation of lawyers being the fees that are earned by them, and they are divided under some rule agreed upon among themselves.

Another illustration was that of physicians. To state that would be a mere repetition of what I said about lawyers. The idea of the committee was that if there was such a corporation to do the work and they had no other income except that derived from the personal services of the members or experts in the line of the work of the corporation whom they employed, their income would be an instance where the corporation derived its sole income from personal services.

Mr. CUMMINS. Mr. President, my first observation is that if it was intended by the committee to reach any such cases as have been suggested by the Senator from North Carolina, this language would not do it. If three lawyers were to incorporate it would not be the corporation that rendered the service, for no corporation has the right to practice law. It can perform no act in a professional capacity. If three physicians were to incorporate the reasoning would be exactly the same. If, however, it was intended, as I suspect it was, to release all corporations or some corporations rather without capital, then I insist it should be made so general that either the presence of capital or the absence of capital should be the test and not the rendition of a service by the corporation.

I do not believe in the distinction at all based upon any such discrimination or division as has been stated by the Senator from North Carolina. Evidently the House did not believe in any such thing, because the House very properly limited the exception to personal service rendered by a partnership, which is simply a collection of individuals without the legal characteristic which follows a corporation.

I think we ought to pause a moment before we make any such distinction as is here suggested. I am sure that the three cases cited by the Senator from North Carolina are not provided for in the act under this language, for these personal services would be rendered by individuals and not by a corporation. I think the very character of the service is such that it can not be rendered by a corporation.

I am afraid that there are other instances which I am not able myself to mention or to describe through which some very large incomes would entirely escape taxation. There is no such discrimination in the income-tax law as I remember. This is based on the same general idea. If a corporation such as is here mentioned can be required to pay an income tax, why should not the corporation be required to pay the additional tax that is here imposed?

If I knew just who would be caught or just who would be exempted by this language I would have a more intelligent judgment, but I confess I do not know. However, I will put to the Senator from North Carolina an illustration. I do it because I have received some communications upon that subject. Suppose two or three gentlemen who are engaged in promoting Chautauqua lectures incorporate, as they have done. They have no capital substantially. They employ eminent personages to go about the country and deliver lectures and from that business acquire a considerable income. I think they ought to be excepted from the operation of this additional tax, but does the Senator from North Carolina think that these words will embrace such an instance as I have just given?

Mr. SIMMONS. Mr. President, I will say to the Senator that I am inclined to think they would. I do not myself see the distinction which the Senator makes. I understand the Senator contends that a corporation which is an artificial entity can not render any personal service, and that therefore that corporation can not derive any income from the personal service of those who may render service in behalf of the corporation.

Mr. CUMMINS. In the case cited by the Senator from North Carolina I thought that was true.

Mr. SIMMONS. In the case the Senator put you have a number of gentlemen who are associated together as a corporation to deliver lectures. I am not quite clear as to whether that might be personal service.

Mr. CUMMINS. The corporation does not deliver the lectures.

Mr. SIMMONS. They are associated together in a corporation. That is what I said. They are associated together in a corporation, and the purpose of the association is that the members of the corporation shall do a certain line of professional work.

Mr. SMOOT. They may employ others.

Mr. SIMMONS. They may employ others, but, as a rule, they do the personal work themselves. They are to do a certain line of personal work. In doing that personal work they receive a certain compensation. That compensation, according to the terms of the incorporation, is to be turned into the treasury of the corporation and divided between the members of the corporation according to some rule they fix among themselves. Now, that is not the corporation rendering the service, but it is an income which comes to the corporation through personal service rendered, and it only comes through the personal service.

Mr. CUMMINS. Will the Senator be willing to amend this paragraph so that it will read—I will not attempt to quote it literally—but so that it will except the income of corporations derived from the personal labor or service of the members of the corporation?

Mr. HUGHES. That is exactly what was intended, I will say to the Senator.

Mr. CUMMINS. But that is just what it would not do, in my opinion.

Mr. HUGHES. In my opinion, it would do it; but I have no objection to the amendment suggested by the Senator from Iowa, so far as I am concerned.

Mr. SIMMONS. I have no objection at all, if the Senator from New Jersey will pardon me, to accepting any amendment

the Senator from Iowa may offer which will make clearer and more certain the purpose the committee had, which, I think, I have accurately stated.

Mr. SMOOT. Mr. President, will the Senator from Iowa yield to me a moment?

Mr. CUMMINS. I yield to the Senator from Utah.

Mr. SMOOT. I will say to the Senator that if the language suggested by the Senator from Iowa is adopted there will be many corporations in this country that will never have to pay a tax under this bill.

Mr. SIMMONS. I did not say that I was willing to accept that particular language, which the Senator from Iowa proposed a little while ago.

Mr. SMOOT. I so understood the Senator.

Mr. SIMMONS. I said I would accept any language that would clarify it; that if there were any ambiguity or uncertainty about it I would accept any language which would carry out the purpose. I have stated what was in the mind of the committee.

Mr. SMOOT. I know of corporations in which there is not a single, solitary person employed except those who are members of the corporation. I know of large corporations that will not allow an employee to work for them unless they become members of the corporation and render personal service.

Mr. HUGHES. The Senator will remember, however, that I insisted upon the retention of the word "exclusively."

Mr. SIMMONS. Of course.

Mr. SMOOT. They do not employ a single person who is not a member of the corporation.

Mr. HUGHES. I do not think the Senator from Utah has in mind the case of a corporation where they derive their incomes from nothing but the personal services of their employees. If they are manufacturing corporations, they sell goods.

Mr. SMOOT. But I am speaking of merchants——

Mr. HUGHES. Merchants, of course, would not fall within that class. They derive an income from the sale of goods.

Mr. SMOOT. But the sale of goods comes through their personal services.

Mr. HUGHES. They are not within this language.

Mr. CUMMINS. I think the Senator from New Jersey is right about that and I will point it out in a moment to the Senator from Utah.

Mr. OLIVER. Mr. President——

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Pennsylvania?

Mr. CUMMINS. In just a moment, when I shall have answered the Senator from Utah.

In the case of a merchant, his profits, or, if it is a corporation, their profits are partly derived from the capital invested, and therefore they would not come within the meaning of this language.

Mr. SIMMONS. We intended to exclude them by the use of the word "exclusively."

Mr. SMOOT. That would be, of course, where they had capital stock, but they do have capital stock in such cases.

Mr. BRANDEGEE. What corporation does not have capital stock?

Mr. SMOOT. Let me ask the Senator having the bill in charge if this was not the way this matter came about: The House provision only referred to incomes of partnerships, and, of course, that could apply to personal services; and the Senate committee put in the words "or corporations," and made no change whatever in the words "personal services"?

Mr. HUGHES. I will say to the Senator that there is a species of corporations in this country which are practically partnerships; two or three civil engineers, for instance, form a corporation, and operate as a corporation. They render their services to various individuals, and the corporation sends those individuals the bills. The money goes into the treasury of the corporation and the profits are divided. They are practically a partnership.

The question with the committee was whether or not we wanted to lay an excess profits tax upon the earnings of men who had a very small capitalization, just sufficient to come within the laws of the State.

Mr. SMOOT. They have incorporated for the reason that they think there is an advantage in being incorporated.

Mr. HUGHES. Yes.

Mr. SMOOT. And therefore they should pay the tax.

Mr. HUGHES. I will say to the Senator that we discussed that phase of the matter. I have personal knowledge of a number of such cases. We went into the proposition rather fully, and considered it from every viewpoint. I have no quarrel with the Senator if he does not take the view that the committee took of the subject. But we came to the conclusion that such a corporation would not be properly subject to this excess profits tax as would be a corporation with a tremendous capitalization which would be permitted to earn a rate of profit upon its great capitalization before the excess profits tax would apply.

Mr. SMOOT. Such individuals take contracts in the name of the corporation, do they not?

Mr. HUGHES. I am not speaking of their taking contracts.

Mr. SMOOT. They do work in the name of the corporation?

Mr. HUGHES. They do work in the name of the corporation.

Mr. SMOOT. Just the same practically as any other corporation does work for the corporation and in the name of the corporation?

Mr. HUGHES. Exactly; yes.

Mr. SMOOT. Then I do not see why they should not be taxed.

Mr. HUGHES. There are a number of doctors and surgeons throughout the country who have formed partnerships and formed corporations, who run hospitals and sanitariums in connection with their practice.

Mr. SMOOT. If they run hospitals they have money invested.

Mr. HUGHES. Then they would pay this tax, but if their income is derived exclusively from their professional practice they would not. Take the Mayo Bros., merely for illustration. If they have a great hospital for operating and practicing medicine, and so on, in the city of Washington, and there should be three partners who decide, for the purpose of convenience, that they will incorporate themselves, which is frequently done, and they derive no income except from the surgical operations which they perform, they would not properly come within the provisions of this proposed law; at least we thought they would not, and our language is intended to exclude them.

Mr. SMOOT. I think, perhaps, as a hospital is equipped with surgical instruments and apparatus of every description necessary to carve people up——

Mr. HUGHES. Or to cut them down.

Mr. SMOOT. And to make them whole if they are broken in two, and so forth, many times they have just as much capital invested in their business as have other corporations in their business, and it seems to me they should pay the tax.

Mr. HUGHES. The Senator has the right to vote that way.

Mr. CUMMINS. There is a very great hospital at Rochester, Minn.—the greatest, I suppose, in the world. I do not know whether the Mayo Bros. are incorporated or not. They have a very large income, and they deserve it. Does the committee intend that if they incorporate their hospital, to relieve their income of this tax?

Mr. SMITH of Georgia. Mr. President, answering and giving my own opinion to the Senator from Iowa, I will say that their income must be derived exclusively from personal services or they would not be relieved. I do not know a corporation anywhere that has not any money invested and which derives its income exclusively from personal services. If there are any such, I do not object to it, but I myself do not know any that it would relieve.

Mr. CUMMINS. There are many corporations, of course, which have no capital stock at all; but I do not believe that those corporations were intended to be relieved, for few of them could be said to derive their income exclusively from personal services. Take the case of an insurance company without capital stock. It does not derive its income exclusively from personal services, I presume, although it always begins in that way.

Mr. SMITH of Georgia. No, Mr. President, it does not begin in that way.

Mr. CUMMINS. The Senator from North Carolina has just suggested an amendment.

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Georgia?

Mr. CUMMINS. Yes.

Mr. SMITH of Georgia. It does not begin in that way, because the promoters had to put up money to start it; it could not start just by personal services. It takes some money to start with.

Mr. CUMMINS. So it does with a corporation of lawyers or of physicians. They must have enough money, at least, to pay the fees of incorporation and whatever costs are incidental to organization. I am very anxious that the whole of the class that was intended to be covered by this exemption shall be clearly embraced in it. If corporations of lawyers and doctors are to be exempted from the tax, then I want other corporations, altruistic in their character, also to be exempted.

Mr. SIMMONS. Will the Senator from Iowa let me inquire of him whether his view about this matter would be met if, after the words "personal services," the words "rendered by the members of the corporation," were added, so that it would read "to incomes of partnerships or corporations derived exclusively from the personal services rendered by the members of the corporation."

Mr. CUMMINS. I think that would be entirely satisfactory, if there was provision for a small maximum of capital; that is, the capital that is required to incorporate. It would not be substantially an earning capital, but every such corporation must, as the Senator from Georgia has said, spend a little money in preparing for its work.

Mr. SMITH of Georgia. I meant to go further than that. The insurance company promoters, for instance, are compelled to put up some money to meet losses for a while until they build up a reserve. They can not start the company without having some capital, whether it is called a subscription to stock or voluntary contribution by promoters. It requires money to promote and start the company and to take care of the losses for a while.

Mr. CUMMINS. But, nevertheless, Mr. President, the income at any given time might be derived entirely from personal services, even though they had invested some capital in the beginning.

Mr. President, I feel this way about it: I could not clearly see the cases that were intended to be exempted, and so I asked the question of the Senator from North Carolina, and this debate has opened up rather a pretty wide inquiry, and I hope that the amendment will not be finally disposed of to-night. It is growing late.

Mr. SIMMONS and Mr. SMITH of Georgia addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. SIMMONS. If the Senator from Iowa desires that this amendment shall go over until the morning, I am perfectly willing that that shall be done.

Mr. CUMMINS. I should be very glad to have this particular amendment go over until to-morrow.

Mr. SMITH of Georgia. I doubt if we will have as many Senators who understand it present at any one time to-morrow as we have to-night.

Mr. SMITH of South Carolina and Mr. McCUMBER addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina has the floor. To whom does he yield, if to anyone?

Mr. SIMMONS. I yield to the Senator from South Carolina.

Mr. SMITH of South Carolina. It has been suggested to me that there are one or two Senators here who would like to say something on the portion of the amendment concerning which I raised a question.

Mr. SIMMONS. We have not reached that point yet.

Mr. SMITH of South Carolina. I understand that; but that is right along in the same line.

Mr. SIMMONS. That is the next amendment in order.

Mr. SMITH of South Carolina. I am going to ask this question while this matter is up, because I may not get an opportunity in the morning. The Senator from Iowa raised a question that caused me immediately to recall a like condition in my State. There is a sanitarium there that was organized with $100,000 capital. The income derived is from the personal services of the physicians and those who are employed to render service to those who are afflicted and brought there for treatment. Under the terms of this bill are they exempt from the operation of this tax? As I have said, their income is derived from their personal services; but suppose a dividend were to be paid to certain stockholders, would the infirmary corporation be subject to this tax?

Mr. SMITH of Georgia. If the dividend was over 8 per cent it would be subject to an 8 per cent tax on all in excess of 8 per cent.

Mr. HUGHES. I will say to the Senator that my recollection is that this language follows the language of the English act, and the word "exclusively" there would prevent the corporation named by the Senator from South Carolina being exempted.

Mr. SMITH of South Carolina. My interpretation of that language was, that so long as their earnings were from personal services and not from the barter and sale or exchange of goods, they would be exempt, no matter what their earnings were. That was my understanding of it.

Mr. McCUMBER obtained the floor.

Mr. VARDAMAN. I desire to inquire of the chairman of the committee——

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Mississippi?

Mr. VARDAMAN. I beg the Senator's pardon. I thought the chairman of the committee had the floor.

Mr. McCUMBER. I merely desire to ask a question of the Chair to find out what was done with the amendment on page 3, lines 15 to 18, the portion proposed to be stricken out by the committee?

Mr. HUGHES. That was agreed to.

Mr. McCUMBER. Has that been passed upon?

The PRESIDING OFFICER. That amendment has been agreed to.

Mr. McCUMBER. Mr. President, I think that amendment was read so hurriedly that a number of us did not know that it had been agreed to; and I ask that the vote by which the amendment was agreed to may be reconsidered, so that we may have a vote upon it some time to-morrow. I think it is very important.

The PRESIDING OFFICER. The Senator from North Dakota moves that the vote whereby the amendment referred to by him was agreed to be reconsidered.

Mr. HUGHES. Mr. President, the Senator can make his motion when the bill reaches the Senate.

Mr. McCUMBER. Not after it has been adopted here. There was no reservation made at the time.

Mr. HUGHES. The Senator can reserve it whether there was a reservation made at the time or not. He can move to disagree to the committee amendment in the Senate.

Mr. McCUMBER. I do not think that I can, Mr. President. I think the amendment was adopted without a majority of the Senators being aware of what was going on. It was read so rapidly and passed upon so rapidly, that it fairly took the breath away from some of us when we ascertained that it had been adopted.

Mr. HUGHES. There is absolutely no question about the Senator having an opportunity to get a vote on that amendment in the Senate.

Mr. McCUMBER. I think there is.

Mr. BRANDEGEE. Mr. President——

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

Mr. McCUMBER. I yield.

Mr. BRANDEGEE. I myself did not know that that amendment had been reached. Evidently there was no debate upon it, because I came in from the cloakroom as soon as I was told that the bill was being considered for committee amendments.

Mr. HUGHES. There was no debate on the amendment.

Mr. BRANDEGEE. I am told that the section was not even read.

Mr. STERLING. I will say to the Senator from Connecticut that the section was not read. Immediately after passing that paragraph it was suggested by the Senator from Utah [Mr. SMOOT] that the paragraphs in which amendments occur be read, and after that time they were read.

Mr. BRANDEGEE. The paragraph in which this amendment appeared was not read, but the reading of the paragraphs commenced after that. I hope the Senator from North Dakota [Mr. McCUMBER] will insist on a reconsideration of the vote by which that amendment was agreed to.

Mr. CURTIS. Mr. President, I desire to ask the chairman of the committee to consent to a reconsideration of that amendment. Several of us desire to discuss it briefly, but we do not care to take up the time of the Senate now at this late hour in doing so.

Mr. SIMMONS. I have no sort of objection to the Senator from North Dakota entering a motion to reconsider.

Mr. McCUMBER. Suppose I make it now and have it disposed of right now?

Mr. SIMMONS. I have no objection to the Senator making the motion now, if he so desires.

Mr. McCUMBER. I move that the vote whereby the amendment on page 3, striking out portions of lines 15, 16, 17, and 18, was agreed to be reconsidered.

The PRESIDING OFFICER. The question is on the motion of the Senator from North Dakota.

The motion was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment inserting the word "exclusively" on page 6, line 1.

Mr. McCUMBER. Mr. President, I will ask the Senator from North Carolina if he will not allow us to pass over the amendment just reconsidered until to-morrow, so that we may have a full Senate here to vote upon it?

Mr. BRADY. My understanding, Mr. President, is that we have already agreed that that shall go over.

The PRESIDING OFFICER. It has been reconsidered; that is all.

Mr. CUMMINS. Mr. President, I desire to make an inquiry about the amendment I was discussing. I understood it was to go over until to-morrow.

Mr. SIMMONS. That is the amendment as to the word "corporations"?

Mr. CUMMINS. Yes.

Mr. SIMMONS. The whole amendment may just as well go over.

Mr. McCUMBER. I refer to the amendment on page 3.

Mr. CUMMINS. I understand that, but as I was returning to my seat I was informed that the Chair was just putting the question on the adoption of the amendment inserting the word "corporations."

Mr. SIMMONS. I understand the Senator from North Dakota desires the amendment which has just been reconsidered to go over until to-morrow?

Mr. McCUMBER. Yes.

The PRESIDING OFFICER. Is there objection to that request?

Mr. SIMMONS. I have no objection to it.

The PRESIDING OFFICER. The Chair hears no objection, and that particular amendment goes over until to-morrow.

Mr. BRADY. Mr. President, my understanding is that it has been agreed that the entire section 204 shall go over until to-morrow. Am I correct?

The PRESIDING OFFICER. The Chair is not aware of any agreement of that sort.

Mr. SIMMONS. Yes; if the Chair please, those three amendments are very intimately connected, and if we are going to put one of them over we had better put all three of them over.

The PRESIDING OFFICER. Very well. It is the understanding, then, that all of section 204 shall be postponed until to-morrow.

Mr. BRADY. That is very satisfactory.

The PRESIDING OFFICER. Is there any objection? The Chair hears none, and the section will be passed over until to-morrow. The Secretary will continue the reading.

The reading of the bill was resumed.

The SECRETARY. On page 7, after line 14, it is proposed to insert the following:

SEC. 208. Titles I and II of this act shall cease to be of effect on and after July 1, 1921.

Mr. WATSON. Mr. President, I desire to offer an amendment to the committee amendment, which is to strike out "twenty-one" and insert "nineteen," so that it shall read:

Titles I and II of this act shall cease to be of effect on and after July 1, 1919.

Mr. SIMMONS. That is next year.

The PRESIDING OFFICER. The Senator from Indiana proposes an amendment, which will be stated.

The SECRETARY. On page 7, line 17, it is proposed to strike out "twenty-one" and to insert "nineteen."

Mr. SMOOT. Mr. President——

The PRESIDING OFFICER. Does the Senator from Indiana yield to the Senator from Utah?

Mr. WATSON. I yield.

Mr. SMOOT. It seems to me that if you are going to make an amendment to it, you ought to make it terminate at the end of the calendar year, because the taxes will be imposed for the calendar year, and even the amendment suggested here by the committee runs it into the middle of the year. It seems to me that it would be very much better if the Senator would make it the 31st day of December, 1918.

Mr. WATSON. I thought it was to conform to the regular governmental fiscal year.

Mr. SMOOT. We will have to pay the taxes under this for this calendar year, and then, under that amendment, we would have to pay them for the calendar year 1919, or, in other words, the imposition of the tax with that amendment would be for two years.

Mr. SIMMONS. The amendment proposed by the Senator, I understand, would be for one year.

Mr. SMOOT. No.

Mr. SIMMONS. He proposes that the tax shall end in 1919.

Mr. SMOOT. Two years.

Mr. WATSON. Nineteen hundred and nineteen—two years instead of four.

Mr. SMOOT. It would be two years and a half.

Mr. SIMMONS. No.

Mr. SMOOT. Oh, yes.

Mr. SIMMONS. The tax would be given in for the calendar year.

Mr. SMOOT. Yes.

Mr. SIMMONS. But the tax would not be due until just before the expiration of the fiscal year.

Mr. SMOOT. But the Senator does not mean to say that when we pay taxes next year we only pay them from July 1 of this year.

Mr. SIMMONS. I mean to say that the taxable year begins on the 1st of January or the last of December.

Mr. SMOOT. That is just what I said. So I say, whatever you do, make it the calendar year, so that we will not be forced to make a report here for six months of any year. It is almost impossible for a corporation to do it. They close their books at the close of the year, and they take stock at the close of the year.

Mr. BRADY. Mr. President, I think it would help very much if the Senator from Indiana would make it terminate at the end of the year.

Mr. WATSON. Then, in accordance with the suggestions brought forward, I withdraw the amendment I have already offered and move that the language be changed to read:

Titles I and II of this act shall cease to be of effect on and after December 31, 1919.

Mr. President, the title of this bill recites that it is a special preparedness measure, and my understanding is that the sole object of the collection of this huge sum of revenue is for special preparedness. How long is this special preparedness to continue? If I am correctly informed as to the amount of revenue that will be derived from the operations of this act, it will amount to $401,000,000.

Mr. SMITH of Georgia. Annually?

Mr. WATSON. Annually—$226,000,000 so long as it shall last of the special tax, and $175,000,000 to be derived from the act of September 8, 1916; because Title II is the excess profits tax, from which is to be derived $170,000,000 from corporations and $56,000,000 from partnerships, the two combined making $226,000,000, and $170,000,000 from the operation of the act of September 8, 1916, a total of $401,000,000.

Mr. SMOOT. And the $22,000,000 inheritance tax.

Mr. WATSON. No; the $22,000,000 inheritance tax is not included in this, because it is in Title III.

Mr. SIMMONS. One-third of it is included in that.

Mr. WATSON. One-third—well, that only makes it that much worse.

Mr. SIMMONS. The other two-thirds are included in the $175,000,000.

Mr. WATSON. My point is simply this: Under the idea of preparedness it certainly is not essential, and we ought not to be asked, to appropriate for four years.

Mr. THOMAS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Indiana yield to the Senator from Colorado?

Mr. WATSON. I do.

Mr. THOMAS. I suppose the Senator is aware of the fact that we have what is called a naval program of five years.

Mr. WATSON. I understand that very well.

Mr. THOMAS. My impression is that this so-called preparedness will continue just as long as Congress will listen to the demands for it and make appropriations accordingly.

Mr. WATSON. To which I am objecting.

Mr. THOMAS. To which I am objecting also, but with no success.

Mr. WATSON. Mr. President, if war shall come—if we shall unfortunately become involved in the great catastrophe that is being enacted across the ocean—future Congresses can meet the emergency as it occurs. It is the part of wisdom for Congress to answer questions as questions arise, to solve problems as problems are presented for solution. If we are here for the purpose of providing for preparedness, my judgment is that two years of appropriations are amply sufficient to determine this question of preparedness; and if war shall come, even in the meantime, future Congresses may well provide for the contingency that confronts the Republic, just as they have in the last two years.

In other words, the President has come before us and said that in his judgment it was the duty of the Nation to participate in a world-wide league for peace. If any such proposition as that is possible in the future, it is absolute folly, in my judgment, for us at this time to be appropriating these huge sums of money for military preparedness, especially in view of the fact that we may be asked to become participants in a league of that character.

Two years is ample for us to prepare in view of the present emergency that confronts us; for manifestly if this European war shall not continue longer than two years, or if it shall

continue longer than two years, any Congress that convenes here will be able to take care of the situation that confronts us when that Congress convenes.

I am opposed, in the name of preparedness, to continuing for four years the appropriation of this vast and almost unparalled sum for like purposes of $401,000,000 each year.

Mr. SMOOT. The Senator's amendment provides for three years.

Mr. WATSON. The amendment provides for three years; yes.

Mr. SMOOT. 1917, 1918, and 1919.

Mr. WATSON. Yes. Now, I think it would have been much better and much more satisfactory and much more in conformity with public opinion and the present demands of public sentiment if it were confined to two years instead of three; but I offer this amendment because I do not think there is any good judgment in appropriating for four years under the plea and the guise of preparedness.

Mr. SIMMONS. Mr. President, this money that we are raising now is for the year 1918 and not for the year 1917. The fund that we are proposing to raise, according to the terms of the bill, is to be set aside and segregated from every other fund in the Treasury and to be spent by the Secretary of the Treasury for no other purpose than that of preparedness.

Your committee selected four years as the period when this part of the bill was to expire, because the Congress has already solemnly provided, with the approval of the American people and with but little dissent in either Chamber, a naval program which, it is provided as a part of the program, shall extend through a period of five years, one of which years has already expired. The theory upon which Congress acted was that a certain number of war vessels, warcraft of different kinds and characters, would have to be constructed and put afloat in order to place the Navy of this Nation upon a footing upon which the Congress thought it ought to be placed in the interest of the safety of the country.

The proposition is now made, before practically any of the ships authorized have been built, to cut short this naval program, to curtail this great scheme of preparedness; and instead of a scheme of naval expansion which, it was estimated, could not be completed under five years, we are to restrict it to a period of three years, thereby cutting off two-fifths of the program upon which Congress has agreed.

Mr. VARDAMAN. Mr. President——

Mr. SMOOT. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER. The Senator from Mississippi first addressed the Chair.

Mr. VARDAMAN. I will ask the Senator from North Carolina to permit me to ask him a question. I am compelled to leave the Chamber. Is the Senator going to move to adjourn pretty soon?

Mr. SIMMONS. At 11 o'clock.

Mr. VARDAMAN. Very well.

Mr. SMOOT. Mr. President, in that connection I wish to ask the Senator if the naval bill, as reported to the Senate and now on the calendar, has not been immensely increased over the 5-year program that was mapped out; and does not the bill provide more than was originally intended for the first year?

Mr. SIMMONS. If the naval bill that has been agreed upon, as I understand, by the committee becomes a law, there will be a larger fund provided this year than was anticipated by the House bill.

Mr. SMOOT. By about $175,000,000?

Mr. SIMMONS. By about $150,000,000.

Mr. President, if this money were authorized to-day the ships could not be built any faster by reason of the fact that we have increased the appropriation than they could with the smaller appropriation provided in the House bill. We understand that at this time there is very great congestion in all the shipyards of the country—the shipyards owned by private individuals as well as those owned by the Government. Only so many ships can be built in one year. The amount of money appropriated, in my judgment, is not likely very greatly to increase the number that can be built within the period of five years. I think the amount that we have provided in the naval bill that has passed the House will probably be sufficient to pay for all the ships that it will be possible to build within the next year. But however that may be, Mr. President, it is clear that it was the purpose of Congress, if the provision that is reported by the committee is put in here, that the fund raised in this way shall be a special fund for a special purpose, not to be spent for any other purpose. If we should finish the program in two years, or in three years, as the Senator has said, then, of course, there would be no necesssity for further continuing this act in force, because there would be no use to which the money could be devoted without further legislation, and in that condition, of course, Congress would repeal the act.

Mr. BRANDEGEE. Mr. President——

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

Mr. SIMMONS. I yield.

Mr. BRANDEGEE. In view of the fact the Senator says this special fund must be used for this purpose and nothing else, let me say that on page 2 there is this proviso:

That the Secretary of the Treasury may use such fund for other purposes——

Mr. SIMMONS. But it also provides that he shall reimburse it.

Mr. BRANDEGEE (reading)—

but such funds shall be reimbursed for any portion thereof so used.

But how? By another appropriation by Congress?

Mr. SIMMONS. No; reimbursed out of the appropriation for some other purpose.

Mr. BRANDEGEE. Suppose the department does not have any money in the Treasury; Congress will have to lay taxes to reimburse it or issue bonds, will it not?

Mr. SIMMONS. It is not unusual in the departments, where there are certain funds specifically set apart, to use one of them for another purpose, and then reimburse it. The money will go into the Treasury and will be kept intact.

Mr. WATSON. Is the Senator willing now to take a recess?

Mr. SIMMONS. Yes; I am going now to move a recess.

Mr. WATSON. Very well.

RECESS.

Mr. SIMMONS. I move that the Senate take a recess until 11 o'clock to-morrow. I make it 11 o'clock instead of half-past 10 because I understand that the minority desire to have a conference in the morning at 10 o'clock; and we think it but proper to give them at least an hour in which to hold the conference.

The PRESIDING OFFICER. The Senator from North Carolina moves that the Senate take a recess until 11 o'clock to-morrow morning.

The motion was agreed to; and (at 11 o'clock p. m. Thursday, February 22, 1917) the Senate took a recess until to-morrow, Friday, February 23, 1917, at 11 o'clock a. m.

HOUSE OF REPRESENTATIVES.

THURSDAY, *February 22, 1917.*

The House met at 10.30 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

We bless Thee, our Father in Heaven, that though more than a century has passed into history since the spirit of Washington, "the Father of his Country," took its flight from earth to the realms of the blest, his fame has not diminished nor the luster of his glory grown dim. Enshrined in the hearts of his countrymen, he lives and has become the patron saint of all true lovers of liberty, a man of great parts, a superb and gallant soldier, a statesman wise and strong, a Christian ever loyal to the Master. We see him leading the Continental Army, poorly clad, fed, and equipped, to victory, which gave to the world a nation of freemen. We see him presiding with dignity over that great body of statesmen who framed the Constitution of our Republic. We see him the first President of the United States laying its foundations firm and strong, first in war when peace was intolerable, first in peace when war had done its work, first in the hearts of a grateful people. We thank Thee that his spirit lives in our hearts, and we trust it will continue to live in the hearts of coming generations; that our Nation may live and continue to grow in all that makes a nation great. We thank Thee that his life, character, and splendid achievements will be told to-day in song and story round the fireside, in our public schools, from pulpit, platform, and press; that patriotism may not perish. Blessed be the memory of Washington and his compatriots.

Our fathers' God! to Thee,
Author of liberty,
To Thee we sing.
Long may our land be bright
With freedom's holy light;
Protect us by Thy might,
Great God, our King.

Amen.

The Journal of the proceedings of yesterday was read and approved.