By Mr. COADY: A bill (H. R. 5939) granting an increase of pension to Agnes C. Cissel; to the Committee on Invalid Pensions.

My Mr. FRENCH: A bill (H. R. 5940) granting a pension to Matilda J. Haines; to the Committee on Invalid Pensions.

By Mr. HAMLIN: A bill (H. R. 5941) granting a pension to Benjamin Brown; to the Committee on Invalid Pensions.

By Mr. IGOE: A bill (H. R. 5942) granting a pension to Nellie Collier; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5943) granting a pension to Catherine B. McDonnell; to the Committee on Pensions.

Also, a bill (H. R. 5944) restoring to the pension roll the name of Catherine B. Casey, now Catherine B. McDonnell; to the Committee on Pensions.

By Mr. ROBBINS: A bill (H. R. 5945) granting a pension to George W. Beck; to the Committee on Pensions.

By Mr. SHOUSE: A bill (H. R. 5946) granting an increase of pension to David Compton; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By the SPEAKER (by request): Petition of the Tunnel and Subway Constructors' International Union of North America, headquarters New York, urging legislation to insure to the people a reasonable supply of food at fair prices; to the Committee on Agriculture.

By Mr. BACON: Petition of Ottman Eberbach, of Ann Arbor, Mich., against certain inconsistencies in the proposed tax on proprietary medicines in the revenue bill; to the Committee on Ways and Means.

Also, petition of the Van Blerck Motor Co., Monroe, Mich., against that part of the proposed excess-profits tax in the revenue bill that would put them out of business; to the Committee on Ways and Means.

By Mr. BROWNING: Memorial of New Jersey State Federation of Labor, opposing a constitutional amendment for the submission to the States of the question of prohibition of the manufacture and sale of alcoholic beverages; to the Committee on the Judiciary.

By Mr. CARY: Petition of the twenty-fifth annual convention of the Wisconsin State Federation of Labor at Ashland, Wis., relative to the coal situation; to the Committee on Interstate and Foreign Commerce.

Also, petition of the Wisconsin Life Insurance Co., Madison, Wis., protesting against article 4 of House bill 5723; to the Committee on Interstate and Foreign Commerce.

By Mr. COOPER of Wisconsin: Petition of the Wisconsin State Federation of Labor, at its thirty-fifth annual meeting, held at Ashland, urging that the Government assume ownership and control of all the coal mines in the United States; to the Committee on Interstate and Foreign Commerce.

By Mr. DALE of New York: Petition of the Motor Vehicle Publishing Co., protesting against any increase in second-class postage rates; to the Committee on Ways and Means.

By Mr. ESCH: Memorial of Wisconsin State Federation of Labor, favoring Government ownership of all coal mines; to the Committee on Ways and Means.

By Mr. FESS: Petition of Ohio Religious Liberty Association, against the passage of House bill 128; to the Committee on the Judiciary.

By Mr. McKEOWN: Papers to accompany House bill 5899, for the relief of Sophia Moran; to the Committee on Claims.

By Mr. MOON: Papers to accompany House bill 3043, to remove the charge of desertion from the name of John W. Bates; to the Committee on Military Affairs.

By Mr. OSBORNE: Petition of the board of directors of the Los Angeles (Cal.) Chamber of Commerce in regard to the labor situation; to the Committee on Labor.

Also, petition of the board of directors of the Venice (Cal.) Chamber of Commerce in regard to using ships on their return trip from Europe to transport military prisoners to America; to the Committee on Interstate and Foreign Commerce.

By Mr. ROBBINS: Memorials of sundry societies of Junior Order of United American Mechanics, of Pennsylvania, asking enforcement of the new immigration law; to the Committee on Immigration and Naturalization.

By Mr. WELTY: Petition of residents of St. Marys, Ohio, urging the passage of the Moore purple cross bill; to the Committee on Military Affairs.

SENATE.

THURSDAY, *September 6, 1917.*

(Legislative day of Wednesday, August 15, 1917.)

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

PETITIONS.

Mr. LODGE presented petitions of sundry citizens of Boston, Somerville, Stoneham, Lynn, Dedham, Fall River, Everett, Wellesley, Quincy, Revere, Cambridge, Medford, Wakefield, and Ayer, all in the State of Massachusetts, praying for the enactment of legislation subjecting friendly aliens to the provisions of the draft law, which were referred to the Committee on Military Affairs.

BILLS AND JOINT RESOLUTION INTRODUCED.

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

By Mr. COLT:

A bill (S. 2843) granting a pension to Mary Maloney (with accompanying papers); and

A bill (S. 2844) granting an increase of pension to Charles A. Mathewson (with accompanying papers); to the Committee on Pensions.

By Mr. LEWIS:

A joint resolution (S. J. Res. 98) providing a special canceling die to be used in advertising the one hundredth anniversary of the admission of the State of Illinois into the Union; to the Committee on Post Offices and Post Roads.

WAR REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 4280) to provide revenue to defray war expenses, and for other purposes.

Mr. JONES of Washington. Mr. President, I suggest the absence of a quorum.

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

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

Ashurst	Johnson, Cal.	Nelson	Simmons
Culberson	Johnson, S. Dak.	New	Smith, Ga.
Curtis	Jones, Wash.	Norris	Smith, Mich.
Dillingham	Kellogg	Overman	Smoot
Fernald	Kenyon	Page	Stone
Fletcher	Knox	Penrose	Sutherland
Gronna	Lodge	Poindexter	Trammell
Hale	McCumber	Ransdell	Vardaman
Harding	McNary	Saulsbury	Williams
Husting	Martin	Shafroth	Wolcott
James	Myers	Sheppard	

Mr. MYERS. My colleague [Mr. WALSH] is unavoidably absent. He is paired with the Senator from New Jersey [Mr. FRELINGHUYSEN]. I will let this announcement stand for the day.

Mr. SHAFROTH. I desire to announce the unavoidable absence of my colleague [Mr. THOMAS] on account of illness. I will state that he is paired with the senior Senator from North Dakota [Mr. McCUMBER]. I will let this announcement stand for the day.

Mr. HUSTING. I desire to announce that the Senator from Illinois [Mr. LEWIS] and the Senator from Oregon [Mr. CHAMBERLAIN] are necessarily absent on official business.

Mr. SUTHERLAND. I wish to announce that my colleague the senior Senator from West Virginia [Mr. GOFF] is absent on account of illness. I will let this announcement stand for the day.

Mr. SMITH of Michigan. I wish to announce the unavoidable absence of my colleague [Mr. TOWNSEND] on account of illness in his family. I desire this announcement to stand for the day.

The PRESIDENT pro tempore. Forty-three Senators have answered to their names. The Secretary will call the roll of absentees.

The Secretary called the names of the absent Senators, and Mr. FRELINGHUYSEN, Mr. HOLLIS, Mr. JONES of New Mexico, Mr. KIRBY, Mr. SHERMAN, Mr. STERLING, and Mr. WATSON answered to their names when called.

Mr. FRELINGHUYSEN. I wish to announce that my colleague [Mr. HUGHES] is unavoidably absent owing to illness. I ask that this announcement may stand for the day.

Mr. BRADY, Mr. WARREN, Mr. COLT, and Mr. THOMPSON entered the Chamber and answered to their names.

Mr. STONE. I desire to announce the unavoidable absence of my colleague [Mr. REED], who is detained by important business.

I think possibly he will return to-day. I will let this announcement stand for the present.

Mr. THOMPSON. I desire to announce that the Senator from Arkansas [Mr. ROBINSON] is detained on official business.

Mr. LA FOLLETTE, Mr. PITTMAN, Mr. FRANCE, Mr. KENDRICK, Mr. GERRY, and Mr. POMERENE entered the Chamber and answered to their names.

The PRESIDENT pro tempore. Sixty Senators have answered to their names. There is a quorum present.

Mr. SIMMONS. Mr. President, Senators will recall the fact that when we were several days ago, probably more than a week ago, considering the first title of the bill, income taxes, the Senate adopted what are known as the Lenroot amendments in the House bill. It also at the same time adopted what is known as the Gerry amendment, which dealt with the last three brackets in section 2 of the income-tax title. The Lenroot amendments are in fractions. Beginning on page 3, line 7, the first Lenroot amendment was 13.75 per cent. Each of the brackets was raised in the same way, nearly all carrying a fraction, up to the point where the Gerry amendment would take effect. The Gerry amendment began on page 4, line 5, and provided for a rate of 35 per cent. It will be observed that the Lenroot amendment, in the bracket immediately preceding the Gerry amendment, raised it to 37.5 per cent, thereby making the Gerry amendment, which was adopted before we adopted the Lenroot amendment, less on the next higher bracket than upon the last bracket of the Lenroot amendment.

Mr. President, I desire to ask for a reconsideration of the action of the Senate in adopting both the Lenroot amendment and the Gerry amendment for the purpose of adjusting them. The committee amendment offered now proposes to adjust them in this way: We propose, in place of the Lenroot amendment, to strike out the fractions from the rates of that amendment and raise such rates to the next number; that is, where the rate is 13.75 per cent, to strike out this fractional rate and make it 14 per cent, and next, where it is 17.5 per cent, we propose to strike that out and make it 18 per cent. The next rate is 21.25 per cent. We propose to strike that out and to make it 22 per cent. The next is 25 per cent. We leave that as it is. That is a round number. The next is 30 per cent. We leave that as it is. The next is 33.75. We raise that to 34. The next is 37.5. We reduce that to 37. We do that in order to conform the Lenroot bracket with the next bracket, which is in the Gerry amendment.

Mr. HOLLIS. The Senator dropped his voice at an important part. How much did he say he made the last bracket?

Mr. SIMMONS. The last bracket was 37.5, and we made that even 37 per cent, that being the first time where we reduced the Lenroot rates. We raised them in every other instance.

Mr. SMOOT. That equalizes the steps.

Mr. SIMMONS. We are doing that to equalize the steps. The next step starts with the Gerry substitute for 41.25 per cent in the Lenroot amendment. In the next bracket it is 35. We propose to change that 35 to 40, thereby increasing it 5 per cent over the Gerry amendment. The next brackets we propose to allow to remain as they were in the Gerry amendment as adopted.

Now, Mr. President, I move to reconsider the amendment on page 3, line 7.

The PRESIDENT pro tempore. The Senator from North Carolina moves to reconsider the vote by which the amendment he has indicated was agreed to.

The motion to reconsider was agreed to.

Mr. SIMMONS. In line 7, page 3, I move to insert "14" for "13.75."

Mr. VARDAMAN. If the Senator from North Carolina has the data, will he explain to the Senate just the amount we increase the revenue in that way?

Mr. SIMMONS. I am not able to tell the Senator how much it will be increased. I do not think the increase will be very great. This is not done for the purpose of making increases so much as for the purpose of adjusting these rates. There will be an increase, but I have just made these figures this morning. I move to strike out "13.75" and insert "14."

The PRESIDENT pro tempore. The question is on the amendment to the amendment.

The amendment to the amendment was agreed to.

Mr. SIMMONS. I move to reconsider the vote by which the amendment on page 3, line 10, was adopted.

The motion to reconsider was agreed to.

Mr. SIMMONS. I move, in line 10, page 3, to strike out "17.5" and insert "18."

The amendment to the amendment was agreed to.

Mr. SIMMONS. In line 13, page 3, I move to strike out "21.25" and insert "22."

The PRESIDENT pro tempore. Without objection, the vote by which the amendment was agreed to is reconsidered and the amendment to the amendment will be agreed to.

Mr. SIMMONS. In line 22, page 3, I move to strike out "33.75" and insert "34."

The PRESIDENT pro tempore. Without objection, the vote by which the amendment was agreed to is reconsidered and the amendment to the amendment will be agreed to.

Mr. SIMMONS. On line 1, page 4, I move to strike out "37.5" and insert "37."

The PRESIDENT pro tempore. Without objection, the vote by which the amendment was agreed to is reconsidered and the amendment to the amendment will be agreed to.

Mr. SIMMONS. On line 4, in place of the first bracket in the Gerry amendment, which, I think, was "35," I move to insert "40."

The PRESIDENT pro tempore. Did the Senator's first motion cover a reconsideration of the Gerry amendment?

Mr. SIMMONS. I do not think it did. I move to reconsider the vote by which the so-called Gerry amendment was adopted.

The motion to reconsider was agreed to.

Mr. SIMMONS. I now move to strike out, on line 4, "41.25" and insert "40."

The PRESIDENT pro tempore. Without objection, the amendment to the amendment will be agreed to.

Mr. KIRBY. Mr. President——

The PRESIDENT pro tempore. Does the Senator from North Carolina yield to the Senator from Arkansas?

Mr. SIMMONS. In just one minute, if the Senator will pardon me. I think that covers the amendment.

Mr. BRADY. What was the amount to be inserted on page 7?

Mr. STONE. I think the amendment had better be stated at the desk.

Mr. KIRBY. That is what I wanted to ask the Senator to do.

Mr. STONE. I suggest to the Senator from North Carolina, when he is through, to have the Secretary state just what the amendments are.

Mr. SIMMONS. Where in the Gerry amendment the percentage is 35, I move to strike out "35" and to insert "40."

The PRESIDENT pro tempore. The Senator from North Carolina moves to amend the amendment offered by the Senator from Rhode Island [Mr. GERRY], the vote by which it was adopted having been reconsidered, by striking out "35" and substituting "40." The question is on the motion of the Senator from North Carolina.

The amendment to the amendment was agreed to.

Mr. SIMMONS. I now move the adoption of the Gerry amendment as amended.

The PRESIDENT pro tempore. The question is on the adoption of the amendment of the Senator from Rhode Island as amended.

The amendment as amended was agreed to.

Mr. STERLING. I should like now to ask the Senator from North Carolina a question.

Mr. SIMMONS. Is it not necessary, Mr. President, for the Chair also to put the motion for the adoption of these various amendments which have been made to the Lenroot amendment, so called?

The PRESIDENT pro tempore. The Senate has already agreed to the changes proposed. The Chair calls the attention of the Senator to the fact that an amendment was proposed and adopted by the Senate to line 4, on page 4—the so-called Lenroot amendment—changing the percentage of 41.25 to 40. The Chair suggests that the vote by which that amendment was adopted should be reconsidered.

Mr. SIMMONS. I move to reconsider the vote by which that amendment was agreed to. The amendment was made inadvertently.

The PRESIDENT pro tempore. Without objection, the vote by which the percentage of 41.25 was changed to 40 per cent will be reconsidered. The Chair hears no objection, and it is reconsidered.

Mr. STERLING. Mr. President, I should like to ask what was the amendment of the Senator from North Carolina to the Gerry amendment?

Mr. SIMMONS. The amendment was simply to raise the 35 per cent rate to 40 per cent.

The PRESIDENT pro tempore. The Chair so understands.

Mr. STERLING. I want to ask the Senator from North Carolina to what amount will the 40 per cent apply under the Gerry amendment?

Mr. SIMMONS. That percentage will apply where an income exceeds $500,000 and does not exceed $750,000.

Mr. HOLLIS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from North Carolina yield to the Senator from New Hampshire?

Mr. SIMMONS. I yield the floor, Mr. President.

Mr. HOLLIS. Mr. President, the original Gerry amendment carried 35 per cent on amounts of income exceeding $500,000 and not exceeding $750,000; 45 per cent on amounts exceeding $750,000 and not exceeding $1,000,000; and 50 per cent on the excess over $1,000,000. It is now proposed to change the first rate so that the three Gerry rates will be 40, 45, and 50 per cent.

Mr. SIMMONS. That is correct.

Mr. McCUMBER obtained the floor.

Mr. NELSON. Mr. President, I want to ask the Senator from North Carolina a question.

Mr. McCUMBER. I yield to the Senator from Minnesota for that purpose.

Mr. NELSON. What becomes of the last bracket in the print of the bill from which I read?—

Forty-five per cent upon the amount by which the total net income exceeds $1,000,000.

Mr. SIMMONS. On incomes of over $1,000,000 the tax will be 50 per cent. The 45 per cent bracket will provide for a tax of "45 per cent if the amount exceeds $750,000 and does not exceed $1,000,000, and the tax will be 50 per cent where the income is over $1,000,000."

Mr. NELSON. Then that requires an amendment in the bill as reported.

Mr. SIMMONS. I understand such an amendment has been made.

Mr. NELSON. Has it been made?

Mr. SIMMONS. That is my understanding.

The PRESIDENT pro tempore. That amendment has been adopted. It was the amendment to the amendment of the Senator from Rhode Island.

Mr. LA FOLLETTE. Mr. President——

The PRESIDENT pro tempore. Does the Senator from North Dakota yield to the Senator from Wisconsin?

Mr. McCUMBER. I yield.

Mr. LA FOLLETTE. I wish to make an inquiry of the Senator from North Carolina.

The PRESIDENT pro tempore. The Senator from North Dakota has yielded to the Senator from Wisconsin.

Mr. LA FOLLETTE. I wish to inquire how soon will the Senator from North Carolina be able to furnish the Senate with the table or the computation showing exactly what these changes amount to?

Mr. SIMMONS. Mr. President, I will ask the expert of the committee to make the calculation immediately. I think it can be done in a very short time.

Mr. LA FOLLETTE. I supposed it could be made in a short time, so that the Senate could be placed in possession of the facts.

Mr. SIMMONS. Certainly, I shall be very glad to do that.

Mr. McCUMBER. Mr. President, I think very few Senators realize the full effect of their action yesterday upon this bill. I think if I should ask any Senator on this floor to attempt to make a guess of what the tax would be out of the pockets of a stockholder who would receive $10,000 from a corporation earning 100 per cent upon its investment not one of them could give any idea of about how much it would be.

I think also, Mr. President, that few Senators realize that by our action of yesterday we have compelled people who under the individual income-tax provision pay not one penny of taxes to in reality pay as high as 50 per cent. It can be easily demonstrated that many persons who would receive an income from a corporation, say, of $900, which would not be subject to even the normal tax, would, nevertheless, have to pay out of that earning, which otherwise would come to them, the sum of $450.

Few Senators realize that under the present method which we have now adopted of levying this tax one person receiving $10,000 from one corporation would pay a certain tax, and that another person receiving $10,000 from another corporation might pay twice as much in taxes, or pay a very small tax.

We have accomplished one thing that is certain: We have succeeded in raising a greater amount of revenue; but at whose expense? That is a matter to which few of us have given a great deal of consideration. As the greater proportion of all these taxes must be paid out of incomes that come from business, and as 80 per cent of the business of the country is conducted through corporations, Senators can begin to realize how much the individual must go down into his pocket or the equivalent of it in the diminution of the income he would receive from the great corporations.

I thought it worth while, Mr. President, to have the Treasury expert prepare me a table showing the amount of tax which would be paid by an individual deriving his income from a corporation earning 100 per cent on the capital invested on a basis of $100,000 capital, 30 per cent of which is owned by the individual. Of course, with no taxes imposed, that individual would receive from the corporation, if none of its earnings were reserved, $30,000. It is quite interesting to note what the effect of the bill as at present framed will be upon incomes ranging from, say, $5,000 to $30,000 and as there are so many whose incomes range between those figures upon whom the pinch of taxation will be excessively high the effect of the proposed law upon them.

Now, I ask the Secretary to read in detail the table which I send to the desk, in order that we may ascertain how each item is arrived at and where a person who otherwise would receive $30,000 will be left when he has paid the Government tax. I will simply mention now the sum total. Out of the $30,000 he would have left $11,890 after the Government tax has been paid. From that, of course, he would still have to pay his State and municipal taxes, and I have assumed that a person whose ordinary income would be about $30,000 would pay upon an average of about $1,200 in State and municipal taxes. At least that would probably be as little as he would pay. On that basis, after he has paid all taxes, he will have left out of his $30,000, $10,690. I will ask the Secretary to read the table.

The PRESIDENT pro tempore. Without objection, the Secretary will read as requested.

The Secretary read as follows:

Table showing amount of tax paid by an individual deriving his income from a corporation earning 100 per cent on capital invested, on a basis of $100,000 capital, 30 per cent of which is owned by the individual.

Capital invested		$100,000
Net income for taxable year		100,000
Excess profits (above 10 per cent)		90,000
Corporation excess-profits tax:		
$1,500 at 12 per cent		180
1,000 at 16 per cent		160
2,500 at 20 per cent		500
2,500 at 25 per cent		625
2,500 at 30 per cent		750
5,000 at 35 per cent		1,750
5,000 at 40 per cent		2,000
5,000 at 45 per cent		2,250
5,000 at 50 per cent		2,500
60,000 at 60 per cent		36,000
90,000		46,715
Net income subject to corporation tax		53,285
Corporation tax at 6 per cent		3,197
Net income left for distribution		50,088
10 per cent of capital allowed for reserve		10,000
Balance for distribution		40,088
Share of said individual stockholder, 30 per cent		12,026
Income tax of stockholder (income is exempt from normal tax because all dividends received from corporation):		
$2,500 at 1 per cent	$25	
$2,500 at 2 per cent	50	
$2,026 at 3 per cent	61	
		136
Net income, after deducting all Federal taxes		11,890
Amount which said individual would have received after allowing reserve		27,000
Amount paid in taxes	$15,110	
Estimated State and municipal taxes	1,200	
Total tax paid by individual		16,310
$11,890 less State and municipal tax of $1,200		10,690

Mr. McCUMBER. So, Mr. President, it will be observed that out of the $30,000 earned from such a corporation after having paid his tax the individual will have for the support of his family about $10,000. He will have paid to the Government more than $15,000 in taxes and will have paid in municipal and State taxes, according to my estimate, about $1,200.

Mr. STONE. Mr. President, will the Senator permit me to interrupt him?

The PRESIDING OFFICER (Mr. BANKHEAD in the chair). Does the Senator from North Dakota yield to the Senator from Missouri?

Mr. McCUMBER. I yield to the Senator from Missouri.

Mr. STONE. If the individual investor or stockholder referred to by the Senator has $30,000 invested and from it at the end he receives something over $10,000 net, after paying out Federal, State, and munipical taxes, his net earnings would represent something over 33 per cent on the investment?

Mr. McCUMBER. Oh, yes, Mr. President; the great hardship, of course, would be on those persons owning only a little stock who would not receive any great amount of income; but the figures given are enough, Mr. President, to indicate the pinch of this method of taxation and its inequalities, and it is upon that particular branch of the subject that I wish to address my remarks this morning.

I am opposed to any further raise in the rates of taxation on incomes; I am opposed to it, Mr. President, because of my fear of its influence upon the American people in affecting their war spirit and their purpose to carry this war to a successful end and because an increase beyond that already reported by the committee would be both excessive and unnecessary.

Mr. JONES of New Mexico. Mr. President——

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

Mr. McCUMBER. I do.

Mr. JONES of New Mexico. I should like to ask the Senator if I am right in interpreting the figures which he has just had read from the desk. He takes a case where the capital invested is $100,000, and the net income for the taxable year is $100,000.

Mr. McCUMBER. As I have stated, I took a case where there was an excess profit of $90,000, or where there was 100 per cent profit, and, of course, I had to base my figures on a 100 per cent profit.

Mr. JONES of New Mexico. But the excess profits above 10 per cent are $90,000; in other words, the Senator has taken a case where before the war there was an investment of $100,000 and that $100,000 earned $10,000, and now after the war the same $100,000 is earning $100,000, which is 900 per cent increase over the earnings before the war. He has taken the most extreme case possible under this bill.

Mr. McCUMBER. I have taken a case in which the profits are 100 per cent upon the investment.

Mr. JONES of New Mexico. But the Senator——

Mr. McCUMBER. Just a moment, Mr. President. I do not care about arguing that matter any further, because it is clear just what the result will be. The Senator has assumed that the corporation referred to, which is a supposititious corporation only, made 10 per cent before the war. It may have made 100 per cent or it may have made 200 per cent, but there is only 10 per cent deduction, no matter what the amount of profit was before the war. What I am trying to ascertain is what the result would be upon the income. You can take a case where a corporation made 50 per cent, and the tax would be less; you can take a case where they made 20 per cent, and the tax would be still less; but the instance given is sufficient to give an idea of the operation of this tax upon corporation profits, upon the individuals entitled to these earnings.

Mr. JONES of New Mexico. Mr. President, the Senator's figures are so startling to some of us that it seemed to me that it ought to be made clear that this is a most extreme case which he has presented to the Senate—a case where only $10,000 was earned before the war and after the war $100,000.

Mr. McCUMBER. Mr. President, it is nowhere near so extreme as many of the cases here, because we have been discussing cases where the profits were 300 per cent, 500 per cent, and 600 per cent upon the capital, and we have fixed our rates accordingly.

Mr. JONES of New Mexico. But this is a thousand per cent.

Mr. McCUMBER. I did not take the highest rate, of course, which would be far more excessive; but among these excessive rates—and, of course, this is excessive—I took one of them which would be 100 per cent. That is one-fifth as much as the excessive rates for which we have provided.

Mr. President, I hate to see a bill the purpose of which is to carry this Government through the bewildering difficulties which naturally and inevitably beset a wholly unprepared nation when suddenly thrown into a great world-wide conflict used as a vehicle to cripple or paralyze its efforts. When the Nation is athirst I hate to see the fountain from which alone that thirst can be slaked poisoned at the source.

Mr. President, it is due to those boys who have gone to the front in defense of national rights and honor that they shall have back of them at all times an enthusiastic war spirit and sentiment. That spirit and sentiment are just as essential to the successful termination of this war as are guns and ammunition. I want, therefore, a revenue bill that, while it supplies every war need of the country, will at the same time create and maintain a sentiment for aggressive warfare, a popularity to insure vigorous prosecution of the war, and a courage to meet its exactions.

I know human nature well enough, and I am sufficiently acquainted with the history of the world to understand that no matter how patriotic a people may be, you can impose on them such onerous burdens as will dampen their ardor and destroy their war spirit. I also know the extreme caution of business well enough to understand that it can be so intimidated as to threaten the stability and very life of a country which in times of war is so dependent upon it. I recall the late Senator Hoar, an acknowledged statesman, philosopher, and historian, making the declaration in this Chamber, that the principal factor in terminating the War of the Revolution and in securing the recognition of the independence of this country was the excessive rates of maritime insurance on British shipping. British sailors were brave; British soldiers were not slackers. But when insurance rates pinched British trade too hard, every British industry dependent upon foreign trade became an advocate of peace and finally forced its Government into a yielding attitude which culminated in surrender.

Now that we are in this war, Mr. President, I want to make it a success. I want this country to achieve a victory that will enable it to conclude a peace so fair, so just, and above all, so assuredly permanent, that allies and enemies alike will rise and call us blessed. I do not want to force the country to back out of this war, either through a lack of popular sentiment or by arraigning the business interests and sentiment of the country against it. I know there are a great many people of this land who want to force the country to quit this war, to back out of it, no matter how such action affects the country, or what questions it may leave unsolved. I do not say that all those who desire to tax this generation to the limit of desperation want to create a sentiment that will compel the Government to take a backward step, but I do say, Mr. President, that if I wanted to accomplish that end I should attempt to do just what they propose, not only in this bill but in relation to other legislation before the Congress.

If I had felt that we, as a Nation, ought to have submitted to the assumption of a belligerent in declaring that more than 2,000,000 square miles of the ocean, covering all of the important lanes and avenues of sea commerce, should be a death zone, and that any American ship, no matter what its destination might be, or the innocent character of its cargo, should be sunk without notice, and our citizens and seamen murdered as pirates without even the protection accorded prisoners of war by the laws of humanity; if I had felt that we should have submitted, without striking a blow in self-defense, to the blockade of our Atlantic ports as they were blockaded, by threats of the destruction of our ships and seamen from February 1 until April 6, 1917, when Congress declared that it would not submit to these threats; if I had felt that we should have humbled our pride, and brought the blush of shame to the cheek of every patriotic American citizen by an abject surrender to these demands, proving ourselves to be unworthy the respect of the world or of our people; and if, after the country had declared that the acts of this great belligerent were acts of war which we were compelled to recognize, I still desired to get the country out of that war, without any regard to what the results would be upon our own future welfare or the welfare of future generations; if I felt that this war should immediately cease without any agreement whatever that would assure the world against the recurrence of such a damnable crime against that unoffending portion of humanity, the common soldier and the common citizen, who were in no sense responsible for it but who have had to suffer and die by the millions because of the ambition of a military autocracy; if I felt that all this talk about making the world safe for democracy and for the small nations of the world to work out their own commercial and industrial destinies, free from the ever-impending danger of annihilation and enslavement by some greater power, was mere political slush and of no concern to ourselves—in a word, Mr. President, if I were against my own country in this present war I would do just what I think is being done in this Senate to create dissatisfaction among the people—to lessen their ardor for the conflict which is before them and to thereby cripple and hinder our war efforts.

If I purposed to thus force my country to abandon this war, I should reason and act about as follows: I should first recognize that as the pinch of hunger weakens the physical prowess and lessens the mental courage of the soldier, so the undue and aggravated pinch of taxation lessens the war spirit and weakens the war ardor of those who, through the thousands of channels of business, must furnish the necessary means to carry that war to a final end. I would therefore make the tax just as heavy as I could upon this generation. I would discourage business and tax to the limit of desperation. I would reason that as it is this generation and not the coming generation which must shed its blood and part with its treasure in maintaining the war, so the pain and the pressure should be brought to bear against this generation to dishearten it and induce it to back out of the conflict without accomplishing the objects for which we entered it.

This, Mr. President, would be my principal antiwar weapon. What would be my next?

It would be the weapon of prejudice. Recognizing that in a republic no war can be carried to a successful termination unless it has back of it the sympathy and sentiment of a united people, I would proceed to work upon the prejudices of the people by declaring that this war was not a people's war, but a war instigated by munition manufacturers, that they might fatten upon the blood of our young manhood; that this war was instigated by wealth and fought for its profits. If I thought more of accomplishing a purpose than I thought of truth, I would circulate this lie throughout the land. I would carefully refrain from saying what truth and good faith would demand of me, that in this war the son of the rich man and of the poor man, of the banker and of the carpenter, of the lawyer and of the laborer, of the merchant and the farmer, responded to the call for volunteers with equal alacrity and enthusiasm and to-day stand shoulder to shoulder, comrades in arms, comrades in sentiment, comrades in patriotic fellowship, guardians of the honor and the life of the Republic. The whole bent of my argument, not only in what I should say but in what I should adroitly fail to say, would be to create and intensify class prejudice.

Knowing the eagerness of the press to publish the startling and sensational rather than the actual and commonplace; knowing that in the race for publicity cold realities and plodding truths have little hope of success against sensational, startling, and inflaming headlines, I would take advantage of that avenue to command the attention and reach the ear of the public and to plant the seed of this prejudice—a prejudice which I could not fail to understand would tend to clog the wheels of the vehicle of war and bring it to a stop before it had reached the goal of a victorious destination.

Nor would I stop here in my efforts to discourage the American people in this contest. If I felt that the people did not fully recognize just what this war means to our future and to the world's future; if I felt there was any lack of support of the Government in its purposes in this war, I would know just how to use that lack of understanding, that lack of war enthusiasm to block our war purpose.

Every man who recalls his schoolboy days, the occasional disagreements with his comrades, the battles which often followed, will remember that when his antagonist stopped between blows to suggest a parley he knew he had him beaten; and if he himself suggested a respite for any purpose, he realized that thereafter his own blows were less vigorous, that he was unable to rally from the blighting effect of his own suggestion. And, Mr. President, you know that that is true of a nation engaged in war.

When men are fighting a battle the ultimate purpose of which they do not comprehend as they should, they will listen more readily to a suggestion of peace. I would therefore fully understand the psychological effect of such a suggestion; I would know that if I could induce them to pause in their contest they would lose much of their courage and determined purpose, and it would thereafter be far easier for me to prevent a return to the same determination and vigorous purpose. If several nations, with divers interests, were allied in the contest, I would fully understand that the cessation of hostilities for the purposes of considering an independent or selfish peace by one of the great powers, even for a day, would destroy their cohesion and assure victory to their enemies.

And so I would introduce in Congress peace resolutions, knowing that they would have this clogging influence, that they would create this tendency to yield or surrender.

No man who by resolution or otherwise suggests a peace at this time, when the enemy has never once indicated that he would surrender the position which he took and which caused the war with us, can fail to understand that such a suggestion weakens his own Government; that no matter what the motive the act in its effect does lend aid and comfort to the enemies of his country.

Why, Mr. President, do those who purpose to break down the scheme of taxation recommended by the committee labor so assiduously to keep the attention riveted on a few corporations which have made extreme profits out of European nations through the sale of war supplies, while they purposely hide what the effects of their own scheme of raising revenue would be on the small business concerns of the country or the people of moderate incomes? Because, Mr. President, it is so easy to work the prejudice racket through the use of the term "corporation." And so they segregate and personify the corporation, painting it as a monster, black, grim, and large, absorbing countless millions and never responding to the requirements of the Nation in its hour of peril.

What a false caricature! What a demogogic play! What is a corporation? Is it a real being, or is it a name only? Wherein does it differ from a partnership or any character of business society in which men unite their energies or their capital in a common undertaking? There is no difference, as we all know. But we also know that if we use the term "partnership" or "society" instead of "corporation" the word would lose its charm. It would be impossible to evoke the same degree of hostility.

Mr. President, a corporation is not a material thing. It is but the name under which human beings carry on the great industries of the country, a name which enables the society to sue or be sued in or under its adopted name. But, after all, it is but a society of men and for men. Of itself, it eats nothing; it wears nothing; it consumes nothing. It is not even conscious of its own existence. It is as senseless of its being or its use as the steel girders spanning the streams and valleys over which the commerce of the world is carried. It is but the mechanism, the instrumentality used by people in every line of human endeavor. Why, then, create or perpetuate the false assumption that dollars can be taken from the corporation? You know that every dollar you levy, every dollar you exact is a dollar that belongs in whole or in part to some person; that it is a dollar taken out of the pocket of some person. Whether it is taken in the first instance from the corporate mechanism before it is distributed, or in the second instance from the individual after it is distributed, in either case the dollar taken belongs to some person, some person possessed of the same emotion, the same hopes, and having the needs that we have.

Of course the Government can take that dollar wherever it finds it, at whatever point in the transmission from one man to another it finds it. The only question is which is the best way, which way will be the most just to the person it is actually taken from. One class of tax advocates in the Senate say, "Conscript everything a corporation earns above a certain per cent." Another class, who recognize the fact that whatever you take must come from the individual citizen, ask you to pause a moment and ascertain the injustice of this scheme of conscription against the individual citizen or the several classes of citizens from whom it is taken. The moment you pause to consider the consequences of the application of this rule you will see that a conscription of the earnings of a corporation operates as a conscription not of a part only but of practically all the income of thousands upon thousands of people whose principal incomes are derived from corporate stock. Let us exemplify this by taking even one of those great corporations so often alluded to in this debate. Let us take one whose estimated net earnings will be $20,000,000. Now, who in reality will own that $20,000,000? I called attention to this the other day. I shall exemplify it a little further. Probably 10 men will own one-half, or about $10,000,000 of it. The income of those 10 men will, therefore, be $1,000,000 each. The next five million will probably be owned by a thousand people. Their income, therefore, will be $5,000 each, or what you might call a moderate income. The other five million will probably be owned by 10,000 people. Their income would, therefore, average about $500 each, which would be a very meager income. Now, apply this conscription tax which you would apply to this corporation, and what would be the result? Your first 10 people could pay the tax and still have sufficient left to live on very extravagantly. Your next 1,000 would pay a percentage on their income that would be most exorbitant and extortionate, because in many instances it would amount to from 50 to 60 per cent. The next 5,000, the poorest people, those who ought not to be taxed one penny and who under the individual income tax provisions of the bill are not taxed one cent, would be robbed of practically all of their income.

And yet, Mr. President, those of the committee who have opposed such a method of taxation, easy on the few, inexorably harsh on many more, and actually confiscatory on the much larger number, have been pillorized by those whose weapon is always the weapon of prejudice.

What is the only true method of levying a tax on incomes? It is, first, that those whose income only assures a living under rigid economy shall pay no part of their income to the Government; second, that those of moderate income shall pay a moderate tax; and, third, that those earning an excessive income shall pay a very large tax. Your corporation conscription system reverses this just law, and your committee therefore based its principal tax on the individual income which could be easily varied by an ascending scale to operate equitably on each class of incomes, while levying only a nominal tax on the corporation as such and on such undistributed corporation earnings only as would assure reasonable taxes upon those undistributed profits which might otherwise escape taxation altogether.

Your committee, therefore, in adopting this scheme of taxation were actuated by a sense of equity. The only complaint that can, in my opinion, be urged against the tax on individual income presented by the bill is that it is too heavy on those of moderate incomes. It is too heavy on incomes ranging from $5,000 to $30,000. People who have been living on a scale commensurate with these incomes in the large cities, who have purchased and furnished homes that could be maintained on such incomes, will find it exceedingly difficult to pare their expenses down to the necessities of their earnings as they will remain after the Government has taken the heavy toll provided in the bill. They can not sell their homes and go into apartments or boarding houses, because there will be no demand for such homes. They must continue to pay the heavy taxes levied upon dwellings heretofore occupied by them. They must still pay the higher prices for coal to heat them, for water and electric current to supply and light them.

But as the vast proportion of the people who will pay the income tax are those whose earnings range from $5,000 to $30,000, this rate could not be greatly reduced without creating a deficit in the amount which the committee had determined to raise from this source, and so this too heavy burden was not, to my mind, sufficiently lightened. I think we are levying too heavy a tax on the people of the country for the first year. I think we should levy a smaller tax on these moderate incomes, leaving the heavy tax proposed on the very large incomes and raising the balance required by bond issues.

And so, Mr. President, the majority of the committee thought, but were influenced to bring in a higher levy that they might compose, if possible, their views with those which advocated an extremely high rate of taxation and with the views of those who want this generation to pay all the expenses of this war.

Now, Mr. President, the moment the committee, swerved by the clamor of the press for a higher excess-profits tax, abandoned the only logical rule of taxation—namely, a tax on the income of the individual, which could always be graduated to work approximate justice, and entered upon a scheme of levying an additional tax on corporations or on the business from which the income was derived, thereby imposing a double tax on the same income, and which, of course, could not be graduated equitably, because the amount held by the owner of stock representing a million dollars paid no greater rate than that portion represented by stock of $100—we naturally found ourselves confronted by enormous difficulties.

The press of the country and the people of the country demanded a heavy tax on war profits. They had not figured out any method or any basis for computing such war-profits tax, but they wanted to tax these war profits as distinguished from any other kind of profits. They wanted to do just what the opponents of this bill in all of the debates have insisted upon—that we should get at the enormous profits that had been made in the production of war munitions and other things demanded by this war. Every utterance of the opponents of this bill increased the clamor for a war-profits tax. The committee responded to that demand. There was no possible way to determine what particular businesses had made money because of the war and what businesses had made money irrespective of or despite the war. It was impossible to determine with any reasonable degree of accuracy the capital invested by each corporation or business as a basis for the levy.

But, Mr. President, while we could not tell what percentage of increase there had been in any business because of the war, we could by a very simple process determine how much more the several businesses of the country were earning after the war than they were earning before the war started. All we had to do was to subtract their prewar earnings in any year from their war earnings in any year. But as no two years' earnings prior to the war were exactly the same, we adopted the average of three years as the basis and subtracted that average from the earnings of the year upon which the tax was to be levied. No one could complain of the fairness or of the comparative accuracy of this method.

But, as suggested, the moment we attempted to apply a rule we found that some businesses were making great profits before the war and continued making those great profits after the war began; that institutions making 100 per cent before the war and which were only making 100 per cent after the war would pay no taxes because the war had not increased their earnings; while those which had made 10 per cent before the war and 100 per cent after the war would be paying a tax of 90 per cent of their earnings. Of course, that did not work equitably. It did not work equitably because the comparative earnings were not equitable, and it was impossible to levy a tax that would work with any degree of equality, based upon war profits alone. But the country demanded, the press demanded, and the opponents of this bill for the most part demanded such a tax, and the committee reported it.

The moment, however, the bill got before the Senate and those who had advocated so earnestly a tax on war profits began to investigate the subject, the moment they stopped preaching long enough to begin to practice upon any set of figures, they saw the inequalities of a war-profits tax and immediately began to berate the committee for doing just what they had vociferously declared the committee should do.

And so, to again meet their demands, to meet the very suggestions which they had made as soon as the bill was before the committee, that committee met and brought in an amendment to conform to what these opponents declared should be the rule of taxation of profits.

This rule, Mr. President, abandoned the war-profits idea entirely and substituted a tax on corporate incomes. But we are led by this insistence into an inequality and injustice just as glaring as that complained of when the committee reported a substitute for the title which levied a tax on war profits. We now proceed to, first, levy a tax on the money earned by the corporation or partnership, and which is owned by the individual stockholders or the copartners, and then we tax the same sum, the same earnings again to the individual who owns it. And, as I have shown before, we thereby compel the individual stockholder who, under the individual income-tax provision, would not be compelled to pay anything, to surrender a large percentage of his earnings to the Government. What we should have done is just what we have done in Title I, determine just what each individual should pay who receives a specified income, and graduating that tax as we have graduated it. We should then have levied a nominal tax on corporations or upon the business of the country which should not be at all excessive. There should be but one excessive tax on excessive profits. The excessive profits should be charged to the individual and the graduated tax levied upon it as an individual income, a moderate tax on the moderate income and a very large tax on the very great income.

It should be a small, flat tax; and then a further tax on undistributed incomes of corporations above what was necessary and proper for them to withhold, to the end that all incomes, whether distributed or not, should pay a reasonable tax to the Government.

This levy, together with the levies under the other titles of the bill, should have been the limit of our taxation for this year. The balance of the money required should have been obtained through the issuance of bonds.

Mr. President, the avarice, the gross extortions of a few great American concerns in taking unconscionable advantage of the necessities of and bleeding the warring nations of Europe to the limit have created a feeling of antipathy against them that endangers not them alone but the great bulk of the American industries which have conducted their affairs in accordance with the principle of "live and let live." In order to get even with those who made immense profits in 1915 and 1916, there is a disposition to punish all the others who earned no greater profits because of the war and whose profits have been moderate.

Great Britian and France found themselves suddenly plunged into the vortex of a war for which they were wholly unprepared. They needed munitions and equipment far beyond the capacity of their own mills and factories to produce. Every other great manufacturing country in the world but one was engaged in that struggle and was equally unprepared. The United States alone could supply their demands. They were therefore compelled to pay whatever those concerns demanded, and, Mr. President, they demanded the last ounce of blood. They made enormous profits. If we can now reach these concerns, if we can extort by the strong arm of the taxgatherer a goodly portion of that which they extorted from foreign countries two and three years ago without injuring the thousands of innocent concerns, well and good; but if we are to do this by the application of a rule which might injure every other business, we should hesitate a moment to consider the consequences of our proposed action.

So pausing, what will we find? Will we find these profits, these funds, drawn from European belligerents now deposited and held as bank credits?

Will we find them anywhere in the vaults of the concerns themselves? Mr. President, we know we will not so find them. Why? Because these earned millions could not remain idle. They were scarcely earned when the very demand which created them required increased facilities and equipment to supply a greater and growing demand. For the most part, therefore, they went back into extensions and into increases in plant structure and equipment. They became capital. Profits earned one year became employed and invested capital for the succeeding years. We can not, therefore, reach the 1915 and 1916 profits of these concerns by any scheme of excessive tax levies without confiscating the capital now invested in the very lines which this Government in its extremity requires shall be operated to the very limits of their capacity. We need the products which that added capital will yield us next year a hundred times more than we need the dollars which it represents.

But, Mr. President, we did not get into this war until April, 1917. The laws which we enacted to protect the Government against excessive charges, and which will also protect our allies against excessive charges, will not be in full force and operation before the end of the year. So during this year there will probably be a greater profit earned by these concerns than before. All of these profits, above a reasonable return upon the investment, should be reached by taxation. But in determining a reasonable return upon investment we must make due allowance for the depreciation in value of those extensions and equipment which will become practically useless when the close of this war compels a return to a normal demand. We must either allow these concerns to make such a profit as will take care of all the money invested in extensions, or we must do just what the Government is now doing in many instances, advance out of the National Treasury every dollar required in extensions and machinery.

If, in order to supply the war demand, any great manufacturing plant must expend $50,000,000, and if the war were to close in two years, at the end of which time that $50,000,000 of investment would be worthless, then the company must not only make an interest on this $50,000,000 invested but also must make a profit equal to the $50,000,000 invested during that period in order to preserve its capital. There are those who insist that the Government should take all of the profits made this year, even though it would be compelled to advance the sum necessary to make the extensions required by the Government demands. But I am confident that the private enterprise can conduct its business far more economically than it would be possible for the Government to do it.

If those Senators who are as eager to bleed the business enterprises of this country to the limit as some of those enterprises have been to bleed the warring nations of Europe to the limit would just investigate the causes which compelled this Government to make certain contracts for supplies, they would begin to realize the dangerous tendency of their extreme proposals. A short time ago the administration, through the Secretary of the Treasury, made an estimate of about what war munitions the Government would need in the first year of this campaign. They presented this estimate to the munitions makers. The reply received was, "We can not produce the required quantity." "Why can not you produce the required quantity?" "Because we have not got the capacity." "Why not, then, enlarge your plants?" "We can not do that." "Why can not you do it?" "We have not got the money to do it." "Why can not you borrow the money?" "Because we have not got the credit." "Why have not you got the credit?" "Because we are threatened with such a heavy tax upon what we may make if we are successful, while we must suffer the entire loss of our capital if we are not successful, and in any event the capital invested in extensions would be practically worthless at the end of the war that the banks will not lend us the money on such an uncertainty." That was the answer which was given.

What then happened? The Government was compelled to enter into a contract with these manufacturers whereby the Government advances every dollar in the erection of additions to these plants, every dollar for the machinery that is to be used therein, and is to take the property back—that is, these additions and this machinery—at the close of the war, because, there being then no demand for the product, those extensions will be practically worthless.

Now, I think, as a whole, it would have been far better policy to have said to these manufacturers, "Take the money out of your earnings—at least a sufficient amount—to pay for these extensions and we will allow you a reasonable return upon the investment, such a return as will enable you to care for the necessary depreciation which the cessation of war will unquestionably produce and maintain a healthy business credit. The country, Mr. President, would be far ahead under such a scheme at the end of the war.

Mr. President, there is a wrong impression, a mistaken impression, an impression that has been created more by the debates in the Senate than by any other instrumentality, unless it be the press, that these great concerns which have made such exorbitant profits out of the fighting nations of Europe before we entered into this war, will continue to make the same profits out of this Government and out of our allies. Under recent legislation this is not possible. Before we engaged in this war we had no direct interest in the contracts that were made by private individuals to supply the war needs of foreign nations. We could not interfere with those contracts. All the people of the country shared in these big profits. They raised the price of labor. Labor purchased more freely in every market, and that required additional production and better prices; and so the whole country prospered. But when we ourselves entered this war and such exorbitant charges for war supplies affected not only ourselves, but those engaged in the common cause, we immediately passed legislation which would enable the administration to prevent any further excessive or unjust profits. I assume that the administration will perform its duty and that these laws will be enforced. If it does, there will be no excessive profits on which we can justify an excessive levy for the next fiscal year. Every business should be assured a reasonable profit, and in war times a reasonable profit means a higher than normal profit, because it must be a profit that will anticipate the reaction that is sure to follow.

Apropos of this argument, Mr. President, I wish to read into the RECORD here an excerpt from an editorial in the Washington Post of September 3, referring to some observations made by President Wilson in his letter to American manufacturers, in which he said:

> It is just as much our duty to sustain the industrials of the country, all the industries that contribute to its life, as to sustain our forces in the field or high sea.

The editorial proceeds:

> This is a hint that the Government, if given the power to fix prices, will fix the price of raw materials needed by industry in order to sustain industry and keep it active in war service. That is the proper thing to do; that is what must be done, in fact, if industry is to become as effective in supplying the forces as the forces themselves are expected to be in battle.
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> Therefore the Senate should not cut to the quick in taxing industry. No disabling tax should be imposed. Let extravagant war profits be eliminated by forcing prices down all along the line. It is not common sense to permit industry to collect huge profits from the public, after boosting prices out of reason, and then try to square the account by taking away the profits in taxes. It does not square the account. The public is still out of pocket. Prices are still excessively high. The consumer is the loser.
>
> A moderate policy in taxation and a moderate policy in price fixing will accomplish what is sought. One will make industry bear its load of war expenses and the other will relieve the people without stopping the wheels of production. Let Congress boldly and confidently provide for price fixing of basic materials, all of them. The manufacturer will then be assured a square deal in acquiring raw materials and the price of the finished product will be forced down. Full publicity as to costs and profits will prevent extortion. Then there can be one price for all—Government, allies, and public.

So, Mr. President, it is my ardent hope, my patriotic desire, that this war measure will in its final form represent the calm yet determined purpose of the Government to wage the most energetic warfare, a measure that will maintain the business prosperity of the country, upon which alone we must rely to meet the demands of an ever-increasing expenditure. This is no time to gratify animosities, no time to seek instrumentalities of punishment, no time to make threats which will intimidate the innocent more than the guilty. My hope is that on its face this measure shall express no animosities, that in its folds there shall be found no dagger of destruction, in its words no threat of confiscation. Just, as just as an income-tax measure, dealing with irreconcilable inequalities can be made, it should be made, but hope and encouragement should be read in its every line.

Certain as I am that this war can not be fought to a successful termination short of several years, we had better a thousand times be too lenient than too severe or exacting. Back of the courage of the soldier must be the courage of the great business world, which in modern warfare is the soldier's only reliance. Our American armies must be fed and clothed and munitioned to the highest degree of efficiency. All that requires money, and all money comes from business profits. It must be made before the taxgatherer can lay his hand upon it.

It its last analysis what we back our armies with is the surplus energy of a people expressed through the thousands of prosperous industrial activities. That energy can be maintained only through the buoyancy of assurance and faith, and the whole should be backed by a patriotic conviction of the justice of our cause.

Mr. NORRIS. Mr. President——

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

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

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

Ashurst	Hale	McCumber	Sheppard
Bankhead	Harding	McKellar	Simmons
Beckham	Hitchcock	McNary	Smith, Md.
Borah	Hollis	Martin	Smith, Mich.
Brandegee	Husting	Myers	Smith, S. C.
Broussard	James	Nelson	Smoot
Calder	Johnson, Cal.	New	Sterling
Chamberlain	Johnson, S. Dak.	Norris	Sutherland
Colt	Jones, N. Mex.	Overman	Swanson
Culberson	Jones, Wash.	Page	Thompson
Curtis	Kellogg	Penrose	Trammell
Dillingham	Kendrick	Phelan	Vardaman
Fernald	Kenyon	Pittman	Wadsworth
France	King	Poindexter	Warren
Frelinghuysen	Kirby	Pomerene	Weeks
Gerry	Knox	Ransdell	Williams
Gronna	La Follette	Shafroth	Wolcott

Mr. CURTIS. I desire to announce the unavoidable absence of the senior Senator from New Hampshire [Mr. GALLINGER]. I will let this announcement stand for the day.

The PRESIDING OFFICER (Mr. GERRY in the chair). Sixty-eight Senators have answered to their names. There is a quorum present.

Mr. HOLLIS. Mr. President, I rise to a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from New Hampshire will state it.

Mr. HOLLIS. I inquire what amendment is before the Senate?

The PRESIDING OFFICER. The amendment of the Senator from Wisconsin [Mr. LA FOLLETTE], to strike out section 2 and insert a substitute.

Mr. NORRIS. Mr. President, the question of raising revenue for governmental purposes is always a troublesome one. From the beginning of civilization it has perplexed the minds of scientists and statesmen. Its proper solution is one of the difficult tasks of government. Taxation is always burdensome, and if it were in my power I would gladly relieve all our citizens from its exactions. Burdensome as it is, however, it is absolutely necessary. In time of war it becomes more necessary and more troublesome. Modern warfare has increased the burdens of taxation, and we are confronted to-day with a necessity for raising more money than was ever before demanded of any people on earth. The numerous expenditures necessary for carrying on the war stagger the human imagination. The tremendous amount that we must raise from our people is almost beyond the ability of the human mind to realize.

There are only two ways in which this money can be raised. It must be raised by the issuance of bonds or it must be raised by increased taxation. There is no doubt in my judgment but that both of these methods must be utilized by this Government in the present war. It is bad financial policy, however, to resort to the issuing of bonds at least until all reasonable limits of taxation have been exhausted. It is not a sound economic or financial policy to issue bonds for the purpose of carrying on war or, for that matter, for any other enterprise until we have raised all the money by taxation that can be raised without interfering with the living expenses and with the proper conduct of the business operations of all our citizens.

There are those who believe that practically all the necessary funds should be raised by the sale of bonds and that no perceptible increase of taxation should take place at the present. This method would saddle the entire expense upon future generations. In all the wars of the past a very large amount of the funds necessary have been raised by the sale of bonds. At the present time we have no people to sell bonds to, excepting our own people. We are almost the only Nation in the world that is not, partially at least, bankrupt. If we issue bonds, they must be sold to the same people who must pay the taxes if we raise the necessary funds by taxation. If we issue bonds, we dispose of them only to the people who volunteer to buy them. If we raise the expenses of the war by taxation, we conscript money from the same people and take it for governmental purposes. If, therefore, we apply the doctrine of conscription to the financing of the war, as we have to the raising of an army, it would follow that the men raised by conscription will be paid by conscription. If we sell bonds, it means not only that those who follow us must pay the face of the bonds, but they must pay interest on them, which will amount to much more than the face of the bonds. It follows, therefore, that whatever amount we raise by the sale of bonds must be paid at least twice, so that the raising of money by bonds will be in the end much more expensive and the burden much greater than if we raise the same money by taxation.

It is conceded by all, I believe, that we should not, in our plan of taxation, interfere any more than we absolutely must, with the transaction of all legitimate business. We ought also to avoid as long as we possibly can, taxation upon consumption. That kind of a tax will have a tendency to increase the already high cost of living. We ought to leave if we can, exempt from taxation, a living for all of our citizens. It is impossible to secure money where none exists. Any scheme of taxation must fail if it makes its levy where there is no money. There is no plan by which we can obtain money from people who do not possess it. From such a source we can not get money, either by the issuing of bonds or the levying of taxes, neither from volunteers nor by conscription.

It follows, I think, as a legitimate conclusion, that if you do not want to interfere with business, and if you do not want to create hardship and dissatisfaction among our people, you must take the taxes from such sources as will not tend to increase the cost of living or create a hardship upon those who have to pay them. It is not only the amount of taxes we levy on an income that we should consider, but it is exceedingly important likewise to take into consideration what the taxpayer will have left after he has paid his taxes. To avoid hardship, he should always have a sufficient amount of money left from his income to support himself and his family in a proper and comfortable way. Assuming that the tax levied in necessary, then an income tax levied according to this rule would never bring suffering or hardship, and ought not be objected to by any patriotic citizen.

The pending amendment seeks to increase the tax on incomes. It does this by a sliding scale. It levies no tax upon any income of $5,000 or less. It is true that incomes of less than $5,000 are taxed under existing law, but the pending amendment levies no tax upon any income of less than $5,000. Upon that part of an income between $5,000 and $6,000 it levies a tax of only one-half of 1 per cent. It levies a tax on the next thousand—that is, on that part of an income from $6,000 to $7,000—of 1 per cent, and so it continues to increase one-half of 1 per cent upon each additional thousand dollars of income, until the income reaches $20,000. Then it increases three-quarters of 1 per cent upon each thousand dollars' additional income, until the income reaches $30,000, and then it increases 1 per cent for each $1,000 additional income, until the rate reaches 32 per cent upon the amount by which the total net income exceeds $46,000 and does not exceed $47,000. It continues to increase at different rates until it reaches a rate of 50 per cent upon the net income in excess of $1,000,000.

I can not see how this amendment, if enacted into law, would bring hardship to any living person. Take, for instance, the man with an income of $10,000 per year. If this amendment were adopted, such an income would have to pay a total tax under existing law and the amendment of $355. This would leave the holder of such an income a net income, free from all Federal taxes of every kind and description, of $9,645. Can it be said that such a tax is a burden to a man who is in possession of such an income?

Take, for instance, the man with an income of $15,000. His total tax under the existing law and this amendment, would be $755. This would leave him a balance of $14,245. His tax as a matter of fact would be just 5.03 per cent on his total income. It might be well to note that if this man lived in England and had the same income, he would have to pay an income tax of 30⅝ per cent, or $4,625.

Let us take an income of $30,000. The tax, if this amendment were enacted into law, not only of the increased tax provided for under this law but the tax under existing law also, would amount to $2,947.50. This would leave a man with an income of $30,000 per year a balance of $27,052.50. Would there be any danger of such a man suffering for the necessaries and comforts or even the luxuries of life? Is it unpatriotic to ask him, out of an income of $30,000, to pay this comparatively small sum to help support his country and pay the expenses of the war that in many instances was instrumental in enabling him to make this enormous amount of money? The tax that he pays would amount, on his total income, to a rate of 9.38 per cent. If he lived in England he would have to pay 35⅝ per cent on the same income.

Let us now take the man who gets an income of $50,000. Under the proposed amendment the tax, together with the tax under existing law, would amount to $9,117.50. This would leave him a balance to care for himself and family and to keep the wolf from the door of $40,882.50. This same income in England under existing law would have to pay a tax of $21,250.

A man who has an income of $100,000 would have to pay a tax of $30,617.50, leaving him a balance to meet the increased cost of living for the year of $69,382.50.

A man who has an income of $500,000 would have to pay a tax of $240,617.50, leaving him the paltry sum of $259.382.50

with which to pay for coal to keep himself and his family warm during the winter.

The man with an income of $1,000,000 would pay a tax of $530,617.50, leaving him, in round numbers, a balance to defray his household expenses for a year of $500,000. By following Hoover's advice, he would be able to squeeze through.

It must be remembered in every case that these balances are net. They are not subject under any Federal law to any kind of taxation. Can people who have these enormous incomes justly complain? Is there any injustice in levying these taxes upon those who are so fortunate as to enjoy under the laws of our country these enormous incomes? The man with an income of $10,000,000, if it were given to him in dollar bills, would not be able to count it, working eight hours a day every working day of the entire year. The truth is that many of the holders of these immense incomes, if they were compelled to count their incomes, would not have time enough left to spend them. The facts are that large as some of these amounts appear to be, they come from incomes where the holder of the income would never realize that the tax was levied and collected from him if publicity were not given to the law.

Under no possible luxurious system of living can anyone expend in a year, in any legitimate way, these huge balances. There are limits to the power even of money. The man who has an income of a million dollars can do everything and anything, so far as any legitimate expenses of himself or his family are concerned, that could be done if his income were doubled. It is an impossibility for the amounts to be legitimately expended for living expenses.

It must be remembered also that these taxes do not interfere with the capital. The capital is left undiminished, untouched, and uninjured. The business is left undisturbed. It must be remembered also that if we raise money by issuing bonds, a large number of these incomes will not be called upon to contribute anything. Many of the enormously large incomes have been brought about either partially or entirely on account of war conditions. To a great extent they will disappear when the war is ended, and if we do not tax them now they will escape taxation forever. If the war has given a man an income of a million dollars where he would otherwise have had an income of only $100,000, can it be said that there is any injustice even if we took all of the surplus for the payment of the very war that made his income possible?

And yet there is bitter opposition to this amendment on the part of those who favor the committee bill. Instead of sufficiently taxing war profits and swollen incomes it is proposed to tax coffee, tea, cocoa, sugar, molasses, and medicines—to levy a tax on every parcel-post package, on every freight receipt, on every express receipt, on every ticket on the railroad; and as the bill was originally brought in by the committee it levied a tax on every letter sent through the United States mails. These taxes are small, it is true. They are levied in pennies, but the burden, small though it is, is sustained by countless thousands who are already bowed down in poverty, already struggling in every possible way to feed and clothe themselves and their families. It is a less hardship for the holder of a $2,000,000 income to pay $1,000,000 of it in taxes than it is for the poor widow, struggling to feed and clothe her children, to buy a pound of sugar or a pound of coffee.

The only objection I have to the proposed amendment is that on the large incomes it does not take enough. It may be necessary before the war is over to levy a consumption tax, and to tax every letter that is sent through the mails. It may be necessary to tax every express receipt, every freight receipt, every railroad ticket, every ounce of medicine, and all the other necessaries of life. It may become necessary to tax the medicine of the sick, the blind, the crippled, and the insane who have been returned to our shores from the blood-drenched trenches of Europe, but that time will never come with my consent until the last swollen dollar of war profits and excessive incomes has been conscripted, the same as we have conscripted the human flesh and blood of American citizens.

The cost of living has already increased to such an extent that many of our people, many of our families, who have heretofore lived in comfort, and some in luxury, have found it necessary to sacrifice and economize in every possible way to make both ends meet, while there are enormous incomes which we scarcely touch and which go practically scot-free.

It might be interesting to note that in the fiscal year 1915, ending June 30, 1916, there were 120 people in the United States who had incomes exceeding $1,000,000. There were 329 who had incomes exceeding $500,000. There were 3,824 people who had incomes exceeding $100,000, and there were 54,154 people who had net incomes exceeding $15,000. These figures are for the fiscal year 1915. I have been unable to get from the department any similar statistics for 1916, but it is safe to say that the number of large incomes for 1916 were increased very materially over 1915, and it is likewise safe to assume that statistics from 1917 will show that the figures for 1915, startling as they are, will be much smaller than 1917.

While we are calling upon the young men of our country to sacrifice their lives, while we are conscripting the youth of the Nation to make up the necessary 100 per cent of human lives, would it be out of place to say that all the excess of all incomes over $15,000 should be conscripted and paid into the Treasury of the United States, leaving still the net untaxed balance of $15,000 in every case? Would it be a hardship upon anybody? Would it bring any suffering to anyone? Would it be as great a sacrifice to take all in excess of $15,000 as it is for a man to give his life, a father to give his son, a widow to give her first born? And yet, Mr. President, this amendment does not propose to take anywhere near all of this excess. An examination of the table that I shall append to my remarks will show that in every case more money is left net and untaxed than can be used in any possible legitimate expenditure in the support of the taxpayer and his family.

What is the objection even to the mild increase provided for by this amendment? It is insisted, in the first place, that it would interfere with business. Can this be true when nothing is taken but a portion of the income, leaving to the holder enough for himself and his family to live in luxury, while his fellow men, with their lives conscripted, are dying in the trenches of a foreign country? Would it interfere with business even if we took it all, providing only that the men whose incomes were taken are as patriotic as the man who offers his life? This amendment does not seek to take near all. It does not seek to take anything that by any possible construction could be held to be necessary for the support of the taxpayer and his family. It leaves them to live the same as they have always lived, while other citizens are compelled to not only give their incomes but to give up business, and if necessary life itself.

I have in mind an illustration, called recently to my attention, of a young man 27 years of age, who was the owner and publisher of a country newspaper. Through his own efforts and unceasing economy he had succeeded in placing it on a sound business basis. He owned a home, and had a wife and one small child. With the exception of a mortgage of $400 on his home, he was out of debt. He was making a comfortable living and saving a little money. He was a member of the National Guard, and when the order came to go he was unable to dispose of his business or to make any satisfactory arrangement for continuing the publication of his newspaper. He gave up his business, the result of years of toil, stored his printing outfit in the cellar of his home, and answered his country's call. To-day his wife is clerking in a store to support herself and child, while he is on his way to a foreign country to fight our common foe. In the ranks of our soldier boys there are hundreds of thousands of similar sacrifices made in behalf of our flag. When men have offered their lives, and given all their capital and all their income, is it unreasonable to say that those who are the possessors of enormous incomes shall not have at least a portion of it conscripted in support of our Government?

I know that there are many cases of patriotism exhibited by men of immense wealth. I am not complaining of the men because they are wealthy. I am glad that there are large incomes so that a portion of them can be taxed, and I am only asking common, ordinary justice in behalf of the men and women who have given up all they possess for the sake of our flag. I have had called to my attention some wonderful exhibitions of patriotism by men who are in possession of great incomes, and who are willing to donate their entire incomes to Red Cross and hospital work. If I could by any law exempt the incomes of such men I would do it. I have had letters by the hundreds from people who have said, "I am perfectly willing that my entire income, everything that I shall make during the war, shall be conscripted by the Government and used in the prosecution of the war. All I ask is that my business shall be left intact." This amendment would do that in every instance. I am satisfied that the increasing of the tax on incomes to a very much greater extent than is proposed in this amendment would meet with the most hearty and patriotic approval of the thousands of people whom it would affect. There are many patriotic business men all over our land who realize the terrible sacrifices that have been made, and must continue to be made, by their fellow citizens. They realize that the terrible expense of the war ought to be borne by those who can bear it with the least hardship. They do not expect to make a profit out of the war. They do not ask to do so. They are willing that incomes above a comfortable living should be conscripted, and they feel that even should this be done, they would not be doing their full share when compared with those who offer not only business but life itself.

When the question of conscription was before the Senate it was argued by those who favored the measure that although nearly all of our citizenship was patriotic, and that hundreds of thousands of loyal men were ready to volunteer to fight in foreign lands, yet they were in favor of conscription in order that we might, as they said, equalize the burden; that even though the men were willing to volunteer we should have a law that would conscript all of our citizens, so that no favorites could be played, and so that those who were willing to sacrifice should not be compelled to bear the burdens of those who were slackers. Why does not the same argument apply to the raising of revenue for the prosecution of the war, and why does it not apply now? There are many men of immense wealth who are willing to sacrifice all their profits for our country's cause, but if we permit the holders of such incomes to volunteer their money are we not permitting the holders of other incomes to become money slackers? If it was logical to conscript the manhood of our country so that all should bear the burdens equally, why is it not equally logical that we should conscript the incomes of the country?

It is claimed also that if we increase the amount of the tax as proposed by this amendment it will prevent many men from contributing to charity from their incomes—men who are now the chief supporters of some worthy religious, educational, and charitable institutions. It might have been said also of the conscription law that if we conscripted the young men of the country it would prevent other citizens from volunteering their services and going into the war without conscription. If we add to the taxes of the already overburdened poor, as this bill proposes, we increase the need and the necessity for charitable contributions. If we relieve this class of our citizens from taxation and increase the taxes on large incomes, we lessen the necessity for charity. If the proposed increase on incomes took all of the excess above a comfortable living, there would be some reason for this objection; but even then it would not be conclusive. Even then the same argument that was made against volunteering and in favor of conscription would apply. It may be that before this terrible crisis is past many of our private schools and even our public schools may be temporarily closed, because at whatever sacrifice and at whatever cost we must eventually bring honorable victory to our cause. The time may come when all the incomes above a living will be conscripted and men will not be allowed to volunteer their money even though they desire to do so, but will be compelled to submit to its conscription in order that it may be placed where the Government, under all of the conditions and circumstances, deems it to be most needed. When we examine this amendment and analyze the amount of the increased tax it proposes it seems to me almost ridiculous that the objection should be made to it that these men whose large incomes it affects will have their charitable inclinations perverted by its enactment. Those who urge this objection to the adoption of this amendment are, in my judgment, questioning the patriotism of the very men whose incomes they are trying to protect.

But let us look at some of these incomes and see whether the holders are going to be so poverty-stricken, if this amendment becomes a law, as to deprive them of any contribution to charity that otherwise they might be disposed to make. Would the man who has an income of $20,000, and who, if this amendment becomes a law, would have to pay a little over $1,000 thereof as a tax, be so poor that he would justly and honestly feel unable to make any charitable contribution? Would the man who has an income of $50,000, who would have more than $40,000 remaining after he had paid his tax, feel so poverty-stricken that it would be a hardship on him to contribute something to charity? Would the man with a million-dollar income, who under this proposed increase would be required to pay practically half of it as taxes, and would have, in round numbers, $500,000 left, feel so poor that he could not contribute to the support of the preacher?

It has been argued on the floor of the Senate that wealth has been patriotic. This I freely admit. In my judgment it would be just as erroneous to say that all wealthy men are slackers as it would be to say that all the citizens called by the draft law for service in the Army were slackers. If the drafting of men casts no suspicion upon their loyalty, then why should the drafting of money be claimed an attempt to charge the disloyalty of rich men? If the conscription of human beings is necessary to bring equality of service in our country's need, then why is not the conscription of incomes necessary to bring about equality in the distribution of the financial burden? If we will not wait for men to enlist, then why should we wait for wealth to donate? If we demand by law that there shall be equality of service where human lives are at stake, then why should we not demand by law equality of contribution when funds for the prosecution of the war are necessary?

There is not a single penny provided for by this amendment that can possibly work a hardship upon any person. There is no injustice in any of its requirements. It would be a tax less troublesome than any other we could devise, even if it were increased threefold, and until it or some similar provision is enacted into law and this equality of the burdens of taxation brought about, it is not fair nor just that we should levy, even in pennies, taxes upon the very necessities of life. Not only is the increase provided by this amendment equitable and will be practically unnoticed and unfelt by those who have to contribute their share from their incomes, but it must be remembered that this additional tax will be collected without a single extra penny of expense on the part of the Government. We already have the machinery in operation for the collection of the existing income tax, and this increase will be collected without a penny of additional cost. It will cost no more to collect $10 from an income than it now costs to collect $5. So all of the increase will be net to the Government.

The pending bill levies a tax upon the food that the mother must have to give nourishment to her unborn babe; it taxes the medicine that she administers during the weary hours of the night while she watches the struggle between life and death in the cradle at her side; it taxes the food necessary for the child to grow to manhood's strength, and if perchance the child is now grown and has answered his country's call to defend the flag this bill as it came into the Senate taxed every message of love that the mother sends to her fighting son. It levies a tax upon every Christmas present sent by loving friends to our soldiers on foreign soil.

We should not issue bonds until these surplus incomes are taxed not only to the extent provided in this amendment but to a much greater extent. We should not burden those who shall live after us with the payment of bonds so long as we have such immense incomes untaxed and unconscripted. When we issue bonds without first exhausting all reasonable means of taxation we are doing an injustice to posterity. Unborn generations will bend their backs in toil to pay for the mistakes that we make here. The bonds that we issue now will be a burden a hundred years after we have passed away and are forgotten. For every dollar that we get by the issuing of bonds posterity must pay at least two. We owe it to those who shall live after us not to shoulder upon them any debt that could have been paid with ease and without discomfort by the holders of the immense incomes of to-day. We will not do our duty to our country or to future generations if we mortgage the future by issuing bonds before we tax all the immense fortunes of the present day, to the extent at least of taking that part of the income which is not necessary to the comfort or pleasure or even the luxury of its owner.

Objection has been urged against increasing the taxes on incomes because it is claimed that such a course would make the war unpopular. It has been argued on this floor that those who favor increasing the tax on large incomes are in reality interfering with and injuring the prosecution of the war. Mr. President, exactly the opposite is true. In the face of the record I do not see how any patriotic citizen can argue and make even himself believe that these large incomes should not be taxed at least as high as is provided in this amendment. If we want to make the war unpopular, we should pass this bill as it was introduced, and thus provide that increased burdens should be laid upon the backs of millions of our citizens who are already striving to the utmost to make a living. If we want to make the war unpopular, then we should, as the unamended bill provides, tax coffee, tea, sugar, cocoa, parcel-post shipments, letters, freight receipts, and all the other necessaries of life, and then pay the balance by issuing bonds. Nothing will make the people dissatisfied quicker. Nothing will bring disorganization and dissatisfaction sooner than to add even a penny of tax to those already overburdened, and relieve those whose incomes permit them to live in luxury, without the ability, in any legitimate way, even to spend the money that annually comes to them, in many cases without any effort on their part. To fight this war to a successful termination we ought to have a satisfied and happy people. We ought to arrange our taxation so that its burdens will not fall upon the poor but the cost of the war be paid for to as great an extent as is possible by those from whom it can be taken without leaving any tinge of cold or hunger or suffering in its trail. We should eliminate from this bill every tax upon the necessaries of life and confine it to incomes, war profits, and luxuries. Unless we do, we will bring dissatisfaction and discontent to millions of our citizens. It has been the history of the world that war has been one of the principal instrumentalities for building up immense fortunes. So true has this been that the owners of great wealth who are unscrupulous have often used their great influence to bring on war. There has never yet been a war where the bulk of the burden has not fallen on the poor and those of ordinary circumstances, while others have built up immense fortunes. Millions of people all over the civilized world, even before this war began, were toiling to pay bonds that had been issued for the carrying on of prior wars. If we set before the world a new example for the future—that of paying the expenses of war by taxing war profits and huge incomes—we will take the greatest step toward international peace that has ever been taken in the history of the world. Let it be known that war profits and large incomes must pay the bulk of the expense of the war and peace will come much sooner than it otherwise would, and if it be known that this precedent, thus established, is going to be followed as to all future wars, and that henceforth there will be no war profits, then war will become almost extinct, and the nations of the world will live together in perpetual peace. When once the great and powerful influences of wealth have been lined up in opposition to war the peace of the world will be practically assured, and the influences of wealth will be so lined up when there is no longer any financial profit in war. When once it becomes known all over the civilized world that the conscription of men means conscription of money as well, there will be no more conscription, and when armies must be recruited entirely from volunteers, there will be no more wars of conquest, and it will not be possible for ambitious monarchs to obtain either money or men to destroy the lives and liberty of the innocent people of other nations.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. NORRIS. Mr. President, I ask unanimous consent that I may print as an appendix to my remarks a copy of the amendment and also a table showing the amount of revenue that would be raised from the various incomes up to a million dollars if this amendment were adopted, and also showing what amount of tax would be paid on the same income in England. In this connection I wish to call attention to the fact that in England up to $13,000 it is impossible to compute what the income would be unless you know what kind of an income it is, because they have unearned and earned incomes, and up to and including $12,000 the rates for unearned and earned dividends are different. From that on they are the same. My table will show the amount of the English incomes from $13,000 up to a million. I wish to add, however, Mr. President, that from the incomes that are omitted from the table for the reason that I have stated, as far as Great Britain is concerned, there would in every case be a much larger amount paid than under our law if this amendment were adopted, regardless of whether the incomes were derived from unearned sources or earned sources, or from both.

The PRESIDING OFFICER. Without objection, leave will be granted.

The matter referred to is as follows:

Amendment intended to be proposed by Mr. LA FOLLETTE to the bill (H. R. 4280) to provide revenue to defray war expenses, and for other purposes, viz: Strike out section 2 of the bill and insert:

SEC. 2. That in addition to the additional tax imposed by subdivision (b) of section 1 of such act of September 8, 1916, there shall be levied, assessed, collected, and paid a like additional tax upon the income of every individual received in the calendar year 1917 and every calendar year thereafter, as follows:

One-half of 1 per cent per annum upon the amount by which the total net income exceeds $5,000 and does not exceed $6,000.

One per cent per annum upon the amount by which the total net income exceeds $6,000 and does not exceed $7,000.

One and one-half per cent per annum upon the amount by which the total net income exceeds $7,000 and does not exceed $8,000.

Two per cent per annum upon the amount by which the total net income exceeds $8,000 and does not exceed $9,000.

Two and one-half per cent per annum upon the amount by which the total net income exceeds $9,000 and does not exceed $10,000.

Three per cent per annum upon the amount by which the total net income exceeds $10,000 and does not exceed $11,000.

Three and one-half per cent per annum upon the amount by which the total net income exceeds $11,000 and does not exceed $12,000.

Four per cent per annum upon the amount by which the total net income exceeds $12,000 and does not exceed $13,000.

Four and one-half per cent per annum upon the amount by which the total net income exceeds $13,000 and does not exceed $14,000.

Five per cent per annum upon the amount by which the total net income exceeds $14,000 and does not exceed $15,000.

Five and one-half per cent per annum upon the amount by which the total net income exceeds $15,000 and does not exceed $16,000.

Six per cent per annum upon the amount by which the total net income exceeds $16,000 and does not exceed $17,000.

Six and one-half per cent per annum upon the amount by which the total net income exceeds $17,000 and does not exceed $18,000.

Seven per cent per annum upon the amount by which the total net income exceeds $18,000 and does not exceed $19,000.

Seven and one-half per cent per annum upon the amount by which the total net income exceeds $19,000 and does not exceed $20,000.

Eight and one-quarter per cent per annum upon the amount by which the total net income exceeds $20,000 and does not exceed $21,000.

Nine per cent per annum upon the amount by which the total net income exceeds $21,000 and does not exceed $22,000.

Nine and three-quarter per cent per annum upon the amount by which the total net income exceeds $22,000 and does not exceed $23,000.

Ten and one-half per cent per annum upon the amount by which the total net income exceeds $23,000 and does not exceed $24,000.

Eleven and one-quarter per cent per annum upon the amount by which the total net income exceeds $24,000 and does not exceed $25,000.

Twelve per cent per annum upon the amount by which the total net income exceeds $25,000 and does not exceed $26,000.

Twelve and three-quarter per cent per annum upon the amount by which the total net income exceeds $26,000 and does not exceed $27,000.

Thirteen and one-half per cent per annum upon the amount by which the total net income exceeds $27,000 and does not exceed $28,000.

Fourteen and one-quarter per cent per annum upon the amount by which the total net income exceeds $28,000 and does not exceed $29,000.

Fifteen per cent per annum upon the amount by which the total net income exceeds $29,000 and does not exceed $30,000.

Sixteen per cent per annum upon the amount by which the total net income exceeds $30,000 and does not exceed $31,000.

Seventeen per cent per annum upon the amount by which the total net income exceeds $31,000 and does not exceed $32,000.

Eighteen per cent per annum upon the amount by which the total net income exceeds $32,000 and does not exceed $33,000.

Nineteen per cent per annum upon the amount by which the total net income exceeds $33,000 and does not exceed $34,000.

Twenty per cent per annum upon the amount by which the total net income exceeds $34,000 and does not exceed $35,000.

Twenty-one per cent per annum upon the amount by which the total net income exceeds $35,000 and does not exceed $36,000.

Twenty-two per cent per annum upon the amount by which the total net income exceeds $36,000 and does not exceed $37,000.

Twenty-three per cent per annum upon the amount by which the total net income exceeds $37,000 and does not exceed $38,000.

Twenty-four per cent per annum upon the amount by which the total net income exceds $38,000 and does not exceed $39,000.

Twenty-five per cent per annum upon the amount by which the total net income exceeds $39,000 and does not exceed $40,000.

Twenty-six per cent per annum upon the amount by which the total net income exceeds $40,000 and does not exceed $41,000.

Twenty-seven per cent per annum upon the amount by which the total net income exceeds $41,000 and does not exceed $42,000.

Twenty-eight per cent per annum upon the amount by which the total net income exceeds $42,000 and does not exceed $43,000.

Twenty-nine per cent per annum upon the amount by which the total net income exceeds $43,000 and does not exceed $44,000.

Thirty per cent per annum upon the amount by which the total net income exceeds $44,000 and does not exceed $45,000.

Thirty-one per cent per annum upon the amount by which the total net income exceeds $45,000 and does not exceed $46,000.

Thirty-two per cent per annum upon the amount by which the total net income exceeds $46,000 and does not exceed $47,000.

Thirty-three per cent per annum upon the amount by which the total net income exceeds $47,000 and does not exceed $50,000.

Thirty-four per cent per annum upon the amount by which the total net income exceeds $50,000 and does not exceed $60,000.

Thirty-five per cent per annum upon the amount by which the total net income exceeds $60,000 and does not exceed $80,000.

Thirty-six per cent per annum upon the amount by which the total net income exceeds $80,000 and does not exceed $100,000.

Thirty-seven per cent per annum upon the amount by which the total net income exceeds $100,000 and does not exceed $150,000.

Thirty-eight per cent per annum upon the amount by which the total net income exceeds $150,000 and does not exceed $200,000.

Thirty-nine per cent per annum upon the amount by which the total net income exceeds $200,000 and does not exceed $250,000.

Forty per cent per annum upon the amount by which the total net income exceeds $250,000 and does not exceed $300,000.

Forty-one per cent per annum upon the amount by which the total net income exceeds $300,000 and does not exceed $500,000.

Forty-two per cent per annum upon the amount by which the total net income exceeds $500,000 and does not exceed $750,000.

Forty-five per cent per annum upon the amount by which the total net income exceeds $750,000 and does not exceed $1,000,000.

Fifty per cent per annum upon the amount by which the total net income exceeds $1,000,000.

Table showing the amount of tax a married person would pay under existing law and the proposed amendment, and the amount he would pay under the British tax law.

Income.	Total tax under existing law and proposed amendment.	Amount under British tax law.
$3,000	$20.00	
$5,000	80.00	
$6,000	125.00	
$7,000	175.00	
$8,000	230.00	
$9,000	290.00	
$10,000	335.00	
$11,000	425.00	
$12,000	500.00	
$13,000	580.00	$3,791.65
$14,000	665.00	4,083.33
$15,000	755.00	4,625.00
$16,000	850.00	4,933.30
$17,000	950.00	5,241.65
$18,000	1,055.00	5,550.00
$19,000	1,165.00	5,858.30
$20,000	1,290.00	6,500.00
$21,000	1,422.50	6,825.00
$22,000	1,532.50	7,150.00
$23,000	1,710.00	7,475.00
$24,000	1,865.00	7,800.00
$25,000	2,027.50	8,541.66
$26,000	2,177.50	8,883.33
$27,000	2,337.00	9,225.00
$28,000	2,557.50	9,566.66
$29,000	2,747.50	9,908.33
$30,000	2,947.50	10,750.00

Table showing the amount of tax a married person would pay.—Contd.

Income.	Total tax under existing law and proposed amendment.	Amount under British tax law.
$31,000	$3,157.50	$11,108.30
$32,000	3,377.50	11,451.65
$33,000	3,607.50	11,825.00
$34,000	3,847.50	12,183.30
$35,000	4,097.50	13,125.00
$36,000	4,357.50	13,500.00
$37,000	4,627.50	13,875.00
$38,000	4,907.50	14,250.00
$39,000	5,197.50	14,625.00
$40,000	5,497.50	15,666.66
$41,000	5,817.50	16,058.33
$42,000	6,147.50	16,450.00
$43,000	6,487.50	16,841.66
$44,000	6,837.50	17,233.33
$45,000	7,197.50	18,375.00
$46,000	7,557.50	18,783.30
$47,000	7,947.50	19,191.65
$50,000	9,117.50	21,250.00
$60,000	13,217.50	25,500.00
$80,000	21,817.50	34,000.00
$100,000	30,617.50	42,500.00
$150,000	54,117.50	63,750.00
$200,000	78,617.50	85,000.00
$250,000	104,117.50	106,250.00
$300,000	130,617.50	127,500.00
$500,000	240,617.50	212,500.00
$750,000	380,617.50	318,750.00
$1,000,000	530,617.50	425,000.00
$1,500,000	860,617.50	637,500.00
$2,000,000	1,195,617.50	850,000.00

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

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

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

Bankhead	Harding	Lodge	Shields
Beckham	Hitchcock	McCumber	Simmons
Borah	Hollis	McKellar	Smith, Md.
Brandegee	Husting	McNary	Smith, S. C.
Broussard	James	Martin	Sterling
Chamberlain	Johnson, Cal.	Myers	Stone
Colt	Johnson, S. Dak.	New	Sutherland
Culberson	Jones, N. Mex.	Norris	Swanson
Curtis	Jones, Wash.	Overman	Trammell
Dillingham	Kellogg	Page	Vardaman
France	Kendrick	Penrose	Wadsworth
Frelinghuysen	Kenyon	Pomerene	Watson
Gerry	King	Ransdell	Weeks
Gronna	Knox	Shafroth	Williams
Hale	La Follette	Sheppard	Wolcott

The PRESIDING OFFICER. Sixty Senators have answered to their names. There is a quorum present.

Mr. SMITH of South Carolina. Mr. President, there is so much confusion and uncertainty about all statistics relative to conditions which now obtain as compared with conditions before the war that in some cases, and particularly the one to which I am going to address myself now, they are disastrous and absolutely unjust. Certain individuals and certain interests, it seems, are creating the impression that Germany is receiving aid from neutral sources in the form of certain productions of America. I took occasion the other day, when certain matter was introduced in the RECORD tending to show that southern cotton was reaching Germany, to demonstrate that it was untrue and physically impossible, if the neutrals and our allies were consuming anything like their normal prewar amount of cotton. The agitation of that question and the subsequent placing of an embargo upon cotton have resulted in a loss of $30 a bale on cotton within three weeks, while the production of American cotton is 30 per cent below the normal and the price is but 40 per cent above the normal.

I sent to the Bureau of the Census and asked them to give me the exact figures of cotton production from 1913 to 1916, inclusive—one prewar year and three war years—and also to give me the consumption of cotton during the four years named. The cotton-consumption year differs from the producing year in that the consumption year begins on August 1 and extends to August 1 next, while the producing year is the calendar year. I ask the privilege of putting into the RECORD the letter of Mr. Rogers and the statistics furnished, and I want to give the Senate the benefit of what those figures show.

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

The letter referred to is as follows:

DEPARTMENT OF COMMERCE,
BUREAU OF THE CENSUS,
Washington, September 5, 1917.

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

MY DEAR SENATOR: In compliance with your request, I take pleasure in furnishing you the inclosed statement relative to the production and consumption of cotton in the United States and throughout the world. The figures for the United States are as collected and compiled by this bureau, those for the world have been compiled from a number of sources and contain some estimates, as definite information is not available for all countries.

Trusting that this statement may be of service to you, I am,

Very truly, yours,

SAM. L. ROGERS, *Director.*

Production of American cotton (running bales).

Growth year.	Total.	Lint.	Linters.
1913	14,613,964	13,982,811	631,153
1914	16,738,241	15,905,840	832,401
1915	12,012,813	11,068,173	944,640
1916	12,692,407	11,363,915	[1] 1,328,492

[1] Equivalent 500-pound bales gross weight.

Consumption of domestic cotton in the United States (running bales).

Year ending July 31—	Total.	Lint.	Linters.
1914	5,690,424	5,383,099	307,325
1915	5,787,150	5,375,305	411,845
1916	6,961,534	6,080,618	880,916
1917	7,350,281	6,482,972	867,309

World's production of cotton (500-pound bales; net weight).

Growth year.	Total.	United States, including linters.	All other countries.
1913	22,229,000	14,156,000	8,073,000
1914	24,656,000	16,258,000	8,398,000
1915	18,685,000	11,599,000	7,086,000
1916	19,635,000	12,226,000	7,409,000
Total	85,205,000	54,239,000	....

World's consumption of cotton (500-pound bales; net weight).

Year ending July 31—	Total.	American cotton and linters.	All other kinds.
1914	22,020,000	14,080,000	7,940,000
1915	20,660,000	13,390,000	7,270,000
1916	22,350,000	14,340,000	8,010,000
1917	21,720,000	13,590,000	8,130,000
Total	86,750,000	55,400,000	....

Mr. SMITH of South Carolina. Mr. President, a few weeks ago certain communications from New England manufacturers were introduced and read into the RECORD in reference to cotton finding its way to Germany.

I gathered statistics from the departments at that time to show that this was a mistake. Presumably upon the fear that the suggestion that cotton was going to Germany was true, cotton was included in the embargo. Beginning with the agitation of this question, and since the placing of cotton upon the embargo list, the price has declined $30 per bale. The impression is abroad that the present price of cotton is above all reason and is affected like other commodities by war conditions; this is absolutely untrue. According to the law of supply and demand, under normal conditions, freed from manipulation, cotton to-day, without the war, would be worth upon its merits, according to the law of supply and demand, a much higher price than it is now bringing.

I called upon the Census Department to furnish me with the figures first showing the growth or production of cotton for the years 1913 to 1916, inclusive. The total production of American cotton for the four years was 54,239,000 bales, including linters. The consumption of American cotton for the same period was 55,400,000 bales, showing a consumption exceeding production of 1,161,000 bales.

The world's production of cotton for the same period, according to the figures of the Census Bureau, was 85,205,000 bales. The world's consumption of all cotton produced was 86,750,000 bales, showing an excess of consumption over production of 1,545,000 bales.

Mr. STONE. Where did that come from?

Mr. SMITH of South Carolina. It was carried over from previous years. I shall show later on just what the condition now is.

The average consumption of American cotton per year for the four years named is 13,800,000 bales, whilst the average production is 13,500,000 bales, making the excess of consumption over production for each year 300,000 bales.

The consumption of the world's production averages 21,680,000 bales; the world's production averages 21,301,000 bales, showing an excess of consumption over production of practically the same amount—300,000 bales.

Taking the production and consumption year by year for each of the four years, taking one prewar year, 1913, and three war years, 1914, 1915, and 1916, the following table shows that there was produced of American cotton in 1913, including linters, 14,156,000 bales, consumed 14,080,000 bales; in 1914 produced 16,258,000 bales, consumed 13,390,000 bales; in 1915 produced 11,599,000 bales, consumed 14,340,000 bales; in 1916 produced 12,226,000 bales, consumed 13,590,000 bales.

The production of American cotton for the five years previous to the war, including 1914, averaged 14,000,000 bales per year, whilst the average for 1915 and 1916—the two last years of the war—was only 11,200,000, or a falling off from the average of 3,000,000 bales per year for the two years.

To put it more graphically, in 1915 we produced 11,068,000 bales and the world consumed 14,340,000 bales; in 1916 we produced 11,363,000 bales and the world consumed 13,590,000 bales, consuming in the two years all the surplus stock carried over from all the previous years; and, according to the figures furnished by the Census Department, we are to-day absolutely bare of all old cotton and are dependent upon the present incoming crop to supply the needs of the world.

Never before did such a condition as that confront the textile world in the history of cotton. We have wiped out the surplus, not on account of the increased consumption but on account of the disasters to production, which has dropped from 16,000,000 bales to 11,000,000 bales.

On September 1 the Agricultural Department gave out its condition report; and its estimate of the yield for this incoming year is 12,500,000 bales of American cotton. The average world's consumption, including America, of American cotton from 1914 to 1917, inclusive, is 13,800,000 bales, according to the figures furnished by the Census Department. If the estimate of the Agricultural Department is approximately correct, and the same demand for consumption continues, we will before the 1st day of next August be one and a half million bales short of the necessary supply to meet the demand.

Mr. VARDAMAN. Mr. President——

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

Mr. SMITH of South Carolina. I do.

Mr. VARDAMAN. Will it inconvenience the Senator from South Carolina for me to inquire of him the number of bales of cotton that are usually consumed by the countries that are now prohibited from receiving cotton from the United States?

Mr. SMITH of South Carolina. I will state, in round numbers, that formerly Germany received about 3,000,000 bales.

Mr. VARDAMAN. I mean the neutral countries. I understand, under the embargo which has been laid, cotton can not go to Germany; but my inquiry is with reference to the neutral countries of Europe against whom the embargo also operates.

Mr. SMITH of South Carolina. Those countries consume about 4,000,000 bales.

Mr. VARDAMAN. But no cotton is being shipped to those countries now at all?

Mr. SMITH of South Carolina. Oh, yes; cotton will be shipped, but only in proportion to their normal supply; none in excess of their prewar shipments.

The Senator will understand how the confusion arose in reference to that. When the great port of Bremen and other great German ports that formerly received American cotton, not alone for Germany but for other countries, and whose receipts of cotton appear in our tables, were closed, cotton found its way to lesser neutral ports, and immediately some said it was going to Germany. It was not hard to trace the source of this report, because the difference between the price of the raw material and the finished product is the margin of profit for those who convert the raw material into the finished product. I shall take occasion on the floor of the Senate to show that brown domestic bleached cloth, sheeting, and prints are selling to-day on a basis of 50 cents a pound for the raw cotton and the manufacturers are making a bigger profit than they made when they bought cotton at 10 cents a pound. I have asked the Department of Commerce and the Federal Trade Commission to furnish me a table, and if they can not furnish it I am going to get it myself from the merchants, showing the difference between what these goods were bringing in 1913 and what they are bringing now; yet there is no embargo threatened on manufactured cloth.

In 1910, which was, of course, a prewar year, the average price of cotton was 14 cents per pound. In 1913 we made 14,156,000 bales of cotton, and the average price was 12.5 cents per pound, a difference of 40 per cent between the price then and the price now, it being 40 per cent higher now than it was then.

In 1916 the production of cotton was 11,068,000 bales, exclusive of linters; compared with the production of 1913, it is a decrease of 30 per cent, showing that the decrease in production is just 10 per cent less than the increase in price. In 1910 cotton went to 20 cents per pound in New York. In 1913 it went above 15 cents per pound. On the basis of supply and demand comparing the production and the price of 1915–16 with the production and price of 1912–13, cotton is cheaper to-day than it was then.

Mr. VARDAMAN. Mr. President, may I ask the Senator if he has any remedy for the unfortunate economic or business ill which he is discussing? The embargo will not be taken from cotton. Does the Senator think there are malign influences here at home that are working on the market and causing the depression? It is a pretty serious question to your constituents and mine.

Mr. SMITH of South Carolina. My opinion is that there are selfish influences at work here——

Mr. VARDAMAN. I have no doubt about that myself.

Mr. SMITH of South Carolina. And I suspect that there are some foreign influences collaborating with home influences, operating to create an impression against the cotton producer. I will discuss that a little later on.

The prewar consumption of American cotton of our allies was, in round numbers, 6,000,000 bales. The American consumption now is 7,000,000 bales, making a total of 13,000,000 bales. If the estimate of the Agricultural Department is too little by one-half million bales of cotton, and we should make this year 13,000,000 bales of cotton, then there will be just enough to supply the prewar requisites of America and her allies without leaving a single bale on the 1st day of next August, to say nothing of the normal demand of other countries of the world.

The situation justifies a much higher price for cotton than now obtains. According to figures obtained from the department, the cost of production has advanced between 75 and 100 per cent; the cost of farm implements, labor, live-stock food, and fertilizers have increased 100 per cent, or in the neighborhood thereof, while the price of cotton has increased 40 per cent over the prewar price and the production has decreased 30 per cent below the prewar production.

The situation is entirely in the hands of the farmers of the South. It is only a question of whether or not they will sell their cotton for lower prices or be stampeded by the gerrymandered figures that are put around and about or by appeals to their patriotism on spurious grounds, because the most favorable condition that ever confronted the cotton farmer is before him to-day; he is master of the situation. I do not believe that he wants to extort any more than a just return on the intrinsic value of the commodity he produces. If cloth sells upon the basis of 50 cents a pound for cotton, and he has got to buy his cotton back in the form of a shirt, if mules have advanced 100 per cent, if food has advanced 100 per cent, surely he is entitled to a reasonable advance, especially in view of the fact that disasters have cut his production down from 30 to 40 per cent.

Mr. President, I shall at another time show that prices obtained now for cotton goods justify the mills in paying a much higher price than they are now paying for raw cotton. Taking the supply and consumption now as compared with normal, cotton is the cheapest article of all the necessities on the market to-day and is not bringing its intrinsic worth.

Mr. President, I wanted to put these facts in the RECORD, because day before yesterday cotton broke $6 a bale upon the presumption that some of it was finding its way to Germany and that the Government would have to license exports. What England alone will take and what America alone will consume will not leave out of this year's production the normal carry-over stock that justifies the trade in selling goods ahead. If necessity requires, if this assault on the cotton market on these spurious grounds does not stop, I think there is a way of finding out just where the influence is and exposing it on the floor of the Senate.

If the production of cotton was normal and the price was double the normal and I believed that cotton for munition purposes was filtering through to our enemy, I would stand before the Senate and fight that condition as every other patriotic American would do; but when certain influences, right at the debt-paying time of the poor producer, rig the market on gerrymandered figures, manipulated figures, which the reports of the department here prove incorrect, it is the patriotic duty of every man, to say nothing of those from the South, to stand up here and give this great world necessity a fair show. Because cotton happens to be selling for from 20 to 25 cents a pound men look upon it as being an abnormal price. As I have said before, it went to 20 cents a pound in 1910. Why? Because in 1910 we made exactly the crop, lacking a few thousand bales, that we made in 1915, and it went to 20 cents a pound with a carry-over stock from previous years of something like 3,000,000 bales. In 1915 we made 11,000,000 bales; in 1916, 11,363,000 bales; while the world's consumption was 14,000,000 bales. When it is considered that 900,000,000 people consume American cotton in the way of wearing apparel and necessary textile articles and that America has a monopoly of the world's production, there is just basis for a higher price for cotton than prevails to-day. On no other spot on the globe except the United States is the peculiar American middling upland duplicated. Under the microscope test all the tropical and semitropical and foreign cottons are shown to be radically different in their mechanical and physical make-up.

I have in my office a report from the British Cotton Growers' Association, from Mr. Arthur Capper, in which he said before that association that India, which is practically a dependency of England, produced 4,000,000 bales of cotton, and out of the 4,000,000 bales of cotton produced in India the great mills of Manchester, Lancashire, Oldham, Lyons, and Leeds only used 200,000 bales, because the fiber was so short and coarse that it was only fit for cordage; and he said further that the only hope of England to maintain her supremacy in the great cloth markets of the world was American cotton, because of its superior quality, lending itself to the loom. And now, when disaster, insects, and seasons have added burdens on the producers of cotton, when advance in wages, advance in food, fertilizer, and farming implements have increased the cost of production 100 per cent, these pirates and selfish foreign interests combine for the purpose of creating a scare in America and urge that the strong hand of the embargo ought to be laid on it in order to restrict cotton from going to Germany! I suspect that the real purpose is not so much to prohibit it, because they know that it is not going, as to force it to go to certain countries abroad for their benefit and for the benefit of certain home manufacturers.

The PRESIDING OFFICER (Mr. LEWIS in the chair). Will the Senator from South Carolina allow the Chair to ask him a question for information, which the Chair is sure will be interesting?

Mr. SMITH of South Carolina. Certainly.

The PRESIDING OFFICER. Will the Senator from South Carolina give the Chair his judgment as to what effect, if any, the proposed production of cotton in the fields of China, Africa, and Egypt is likely to have upon the southern cotton production?

Mr. SMITH of South Carolina. In 1867 a citizen of my city was employed by the Russian Government to go over to exploit cotton in Russia. At that time cotton was bringing $1.89 a pound in gold. He tried with all of his southern training to grow cotton in the seemingly favorable lands of Russian territory, and failed egregiously, because even from American seed it would not reproduce American fiber under the climatic conditions of that country. As everybody knows, in the case of the Egyptian cotton every foot of ground that will produce the long, silken fiber has been exploited. Egypt can grow no more cotton, according to the report of Mr. Arthur Capper, the president of the British Cotton Growers' Association. India can only grow a little short, half-inch fiber, fit only for coarse cordage and bags. Argentina produces a form of cotton that approximates the low grades of American cotton. The world has been tested, and nowhere else do the climatic conditions from the dewpoint and humidity and peculiar soil conditions produce what is known as American upland middling.

Why, Mr. President, it might be instructive here—and I will say this in closing—to reflect that we of America do not appreciate what we have in the way of a world monopoly of a world's necessity. Under the loose weave and the use of aniline dyes, cotton has entered the domain of wool, and practically is a substitute for it. When we used vegetable dyes it would fade under the influence of the weather; but with the use of aniline dyes the colors are fast, so that it will take an expert to tell the difference between "all cotton and a yard wide" and "all wool and a yard wide." Under the tight weave in the modern laundry it has practically driven flax out of the domain of clothing. Under the mercerized process it has taken the place of silk. They are the only three competitors it has in the world—flax, wool, and silk.

Wool is only wool, and you can not make anything else out of it. Flax is only flax—coarse, brilliant, flexible fiber—but you can only make flax out of it. Silk is the product of the worm, and it is so fine and attenuated that it can only be made into silk. But cotton can be made into flax, wool, and silk. If every silkworm were destroyed, and the sheep failed to bear wool, and flaxseed were unknown to mankind, you could still have flax, wool, and silk.

Not only is this true, but we can furnish you with butter, lard, fertilizer, shoe soles, rubber, leather, paint, bread, and meat out of the seed. And yet it is not properly appreciated because it happens to be produced in that despised section of the United States—I use the word "despised" in its etymological sense—that section that was stripped of its credit and its capital and left to work out its own destiny under the most adverse circumstances that ever fell with crushing weight upon a civilized people. Had it been any other section, where capital was easy to obtain and where the ability of the producer had been such that he could have distributed it as the world needed it, a dollar a pound would look dirt cheap to-day. And yet, during all these years, cotton has held the balance of trade in favor of America. Eight hundred million dollars last year came into America in the form of European gold or gold exchange in exchange for raw cotton sent abroad, to say nothing of the seed products and the by-products.

Our friends on the other side have built a great breastwork of protection around this country in order that home production might bring its fullest return and engage labor, while God himself built a wall around the most priceless gift ever vouchsafed to mankind, and put the clothing of the world in the hands of America; and yet we stand here and aid and abet our commercial enemies in fleecing us of our birthright.

I have advocated keeping the exchanges open because I believed that a great concentrated market place, where buyer and seller might meet, was a commercial necessity. But if the market places of this country are to be turned into dens of gamblers and those who reck of nothing except the profits that go into their own pockets, then perhaps we had better let buyer and seller come together, the actual producer and the actual consumer, without this convenient intermediary, because unless the transaction is conducted honestly and fairly it should not be conducted at all.

Pick up the morning newspaper. I read yesterday where a shower in Texas, the 1st of September, had caused a break in the market of about 70 points, when any man who knows enough about cotton to even call the name knows that all the rain that could fall from now until next planting season would not add a bale to the crop. The period of incubation is from the time the little shape forms to the open bloom, 20 days; from the bloom to the grown boll, 20 days; from the grown boll to the maturity of the seed and fiber, 20 days; so that if your Texas crop were to fill itself with shapes to-day frost would blight your bolls before they were mature; and yet in those dens in New York and New Orleans if a rain falls in December it is an excuse to break the market.

The Senator from Mississippi [Mr. VARDAMAN] asked me what remedy I would use. I was instrumental in writing into the new banking and currency law the amendment to section 13 that gave farm products the same standing in regard to the issuance of Federal reserve notes that prime commercial paper and foreign acceptances had, so that, with the proper reserve of gold in our banks, I could take my cotton and put it in a warehouse and have Federal reserve notes issued for six months to me, the owner of the real wealth, capitalize it to a certain per cent of its value, and enable me to meet my obligations. I hope the farmers will take advantage of that situation now and if there is such a plethora of cotton as these gentlemen seem to think justifies a drop of $30 a bale, hold it from the market, and let us see if they can spin cloth out of tissue paper or future contracts.

I know there are Senators on this floor, honest and patriotic men, not one of whom will sit idly by and see an injustice worked upon the South and the producers of cotton, to say nothing of depleting the income from abroad that its value justifies.

No, friends! Holding the balance of trade in our favor for 43 years, making us a creditor nation in place of a debtor nation, sending two bales out of every three abroad! Sixty-odd per cent of all the liquid capital of England is invested in cotton manufactories. Her prosperity and welfare depend upon the seasons in America, and yet the price of our monopoly, the price of American cotton, is fixed in Liverpool, instead of being fixed in the South, at the seat of production!

It is that for which I am fighting—that the section that produces this marvelous product shall receive such a price, based on its intrinsic value, as will in the near future enable them to price the product of their own sweat and toil, and not leave it to an Englishman who would not know a cotton stalk from a jimson weed.

I have been at this fight since I have been in the Senate, not because it is cotton but because of what, under the transformation of energy, cotton spells to America, and because it is right. The potentialities that rest in it have never even been approached.

Take steel, produced the world over, and under the manipulation of proper capital combined, and the genius of organization, the price doubles and quadruples. Take wheat, produced the world around, and under the manipulation of capital and organization the price doubles. In the case of those articles they have competitors in every country within the temperate zone. On the other hand, cotton, without a competitor on God's earth, with 900,000,000 people dependent upon it for clothing and textile products, is absolutely left at the mercy of him who purchases and converts it and makes the profit out of it. It is a reflection on America, on her men, and on the spirit which, thank God, is rapidly passing—the division between the sections.

Mr. President, at another time in the near future, as soon as I can get the facts together, I am going to stand here and show that the manufacturers of this country are making bigger profits out of 27-cent cotton than they ever made out of 10-cent cotton. The man that produces it is entitled to his fair and square deal under the law of supply and demand.

Mr. VARDAMAN. Mr. President, when the able Senator from South Carolina [Mr. SMITH] called attention to this question some days ago, I then expressed the fear that what has happened would happen. The disastrous consequence of this event cast its gloomy shadow before. The tragedy of the situation is in the fact that the man who has devoted 12 long, weary, arduous months of work to produce this cotton—who has suffered the most heartrending abnegation, self-denial, and poverty, who with his wife and children have toiled and sacrificed with the hope that their efforts would be rewarded with a price that would enable him to provide his family with the necessaries of life—is now confronted with the soul-crushing disappointment of having the price of his cotton reduced something like $30 per bale, with a fair prospect of falling lower still.

You who are blessed with plenty, who have never been confronted with the specter of want, may be able to imagine the feelings that well up in the breast of a fond father and devoted mother—the small farmer with 3 bales, 5 bales, or 10 bales of cotton, the product of a year's work, just at this time when he must dispose of his cotton in order to raise money with which to meet his maturing notes in the bank or liquidate his account "at the store," credits which have been extended to him in making his crop—imagine if you can how he feels when compelled to part with his cotton at this disappointingly low price—a price which the Senator from South Carolina has demonstrated is far below the value of the product. Do you not think it is enough to "repress the noble rage" and "freeze the genial current of the soul" in the most patriotic and loyal citizen of this Republic?

Oh, the rarity of that charity so scarce and yet so much needed in this world to-day. Think of the blighted lives, the frustrated ambitions, and the blasted hopes which this fall in the price of cotton will produce on the women and children in the cotton-growing sections of this great country. Do not forget that $30 a bale is the difference between independence and want—the difference between plenty and poverty.

I have no doubt but that cotton will go back again to a fair price, but I predict that it will be after it passes out of the hands of the patient man who toiled to produce it. The embargo on cotton in 1915, placed by the English Government in violation of international law, worked the same ravages and robberies upon the cotton farmers of the South that will result from the embargo on cotton in the year 1917. It may be that it is necessary to place this embargo on cotton in order to keep it from the enemy's country. I do not believe it is. I believe the sentiment that has provoked this talk about cotton "going to the enemy's country" originated with certain individuals who desire to buy cotton cheap for the cotton mills of this country, and of England, France, and Italy. I am afraid there is more personal pecuniary profits than patriotic considerations in this matter.

Mr. President, if the Senator from South Carolina has made a statement that is not absolutely correct and sustained by the facts in the case, I hope some Senator will call attenion to such mistakes. For God's sake let us have the truth about this matter. Let justice be done though the heavens fall. This question affects the life—the physical, mental, moral, and financial well being of nine-tenths of the people in my State. In it is involved a tragedy almost as deep, dark, and potential of evil as war itself. The able Senator from Idaho [Mr. BORAH] a few days ago called attention to the fact that during the English-Boer War it was discovered that among the laboring classes of England the manhood had been dwarfed and weakened because of a lack of nourishment due to bad economic conditions. The strength of this Republic consists in the physical strength, moral character, and intellectual development of the individual man.

There is no doubt of the truth in those lines from Oliver Goldsmith:

> A bold peasantry, their country's pride,
> When once destroy'd can never be supplied.

America can not be strong and great unless the men who toil and produce the wealth of the country are given an opportunity for the development of the latent powers of the mind and strength of the body. They must be given a chance in the race of life. Upon these more than any other class of our population depend the peace and permanency of American institutions.

I shall not go as far as the Senator from South Carolina has gone in offering advice to the farmers to hold their cotton. I am rather of the opinion that his judgment is correct—it may be better to hold the cotton. God knows I wish I could tell them what they ought to do, but I do not know whether cotton is going to become cheaper or that it may go back to the price of two weeks ago. Conscious of my own limitations, I hesitate to assume the responsibility of advising them. But I do know that a majority of the cotton farmers in my State have suffered sorely and disastrously from the effects of this war. I know they have obligations which they are compelled to meet. These obligations are maturing now and their only means of raising money to meet them is by selling their cotton. I would not ask for them any special advantage. They desire only a square deal.

But I am apprehensive that the same power that forced the price down $30 per bale may drive it down still further. The solution of the problem is beyond my mental ken. I only hope and pray for the best.

Yes; it is a tragedy, and calls for serious executive and congressional consideration. Something ought to be done. I hope the President may order somebody with authority and a will to make a careful investigation of all the facts in the case, and I am sure he will when he is brought to a realization of what it means.

I have stated heretofore that if cotton is going to the enemy's country let it be stopped, cut it off regardless of the consequences to my constituents; but if it is discovered that it is only a scheme or subterfuge on the part of the mill owners to rob the farmers of the South, then in the name of justice let the truth be published and the calamity averted.

Mr. JONES of Washington. Mr. President, we are confronted by abnormal conditions. These abnormal conditions require abnormal legislative acts. We are in the world war, the greatest conflict that has ever been participated in by humanity since the world began. I hoped that we could keep out of it. I did everything that I felt I patriotically could to keep us out of it, but we got in. We are in it now. It has ceased to be, so far as we are concerned, a European war. It is the war of the United States. It is a war by the American people, in which the American people are engaged, and it must be fought out by us until a peace satisfactory to us can be had.

I am not concerned now with the differences before it began. I want to do everything possible to bring it to a successful and speedy close. I want every power, every resource of men and money of the United States to be mobilized, concentrated, and used most effectively to bring victory to our cause, and a lasting and honorable peace.

In a Fourth of July address I said that there are just two classes of people in this country—patriots and traitors. Those were my sentiments then. They are my sentiments now. A man must be for this country or against it. I believe that the great, overwhelming mass of our people are with the country. They are standing by the Government. They propose to stand by the Government, and they want the Government to use whatever means and whatever measures are necessary to carry on this war with the utmost vigor. And they are willing to make every sacrifice to that end.

Mr. President, on yesterday the able and brilliant Senator from Illinois [Mr. LEWIS] expressed the view that this war would be over within two months or that it would last two years. My recollection is that he said we would have peace within two months or the war would last two years; and, as I understood his position, it was that we should take our measures of preparation for the prosecution of this war upon the idea that we would have peace within two months. God grant that we may have peace within two months.

But, Mr. President, with all due respect to my very good friend from Illinois, with all due respect to his ability and his judgment, I think that to follow a course like that would be the height of folly. I believe that we ought to make our preparations upon the basis that this is going to be a war of months, if not of years; that to make our preparations upon the basis that this war is going to close within two months, or in the hope that it is going to close within two months, is akin to "watchful waiting," that is fraught with the most dire consequences to our people and to our country.

Mr. President, I may be wrong, but in my judgment this war will not close in two months. I have no hope of its closing in two months. I do not believe there is any basis of hope for its closing in two months. We ought not to deceive ourselves with reference to this war and with reference to what confronts us. We ought not to deceive the American people with reference to what confronts them in the conduct of this war.

Mr. President, in my judgment, Russia is out of this war. If she does not make a separate peace by next spring, she will at any rate not be an aggressive, potential force in it; and, in my judgment, we shall see the armies of Germany and Austria that are now along the eastern front or going into Russia facing our armies and our allies on the western front, and it will be necessary for us to break through not only the armies that are there now but the armies that are now confronting and destroying the power of Russia.

Again, Mr. President, let us not deceive ourselves as to with whom we are at war. We are not at war with the Kaiser. We are at war with Germany. Let us not depend upon the German people to overthrow their Government represented in or by the Kaiser. In my judgment, Mr. President, we must conquer the German people and the German Government before we will have a peace along the lines laid down now. We must face that fact, Mr. President. We must face the fact that the German people have stood by their Government, as represented by the Kaiser, as no people have stood by any government or its representatives before in the history of the world. They feel that they are fighting for their very existence. That is the problem that we must meet—a united people behind their government and behind their representatives, who, as a matter of fact, are really resentful that we should attempt to control and dictate to them in their internal affairs. We must fight this war on battle fields of their choosing, not of ours. Our armies must be sent 3,000 miles away; they must be kept supplied with arms, munitions, clothing, food, and reinforcements. It is a huge task. It should not be minimized. If our people know what is before them they will bravely face it.

That is the way that I look at this conflict. Those are the conditions we face. We can not win the war by concealing the facts and dangers; we can not win it by boasting that we will win it. To win it will require every ounce of man power, every ounce of money power, and every ounce of resource that our people and this Nation can get together.

Mr. President, during the discussion of this bill there have been suggestions that I resent. There have been intimations and suggestions, if not assertions, that those who urge the taking of more of the incomes and profits of our people are unpatriotic; that they want to make this war unpopular; that they want to make this legislation unpopular.

Mr. President, an argument like that indicates a lack of merit, to say the least of it and speak mildly, in the cause of those who suggest it. Simply because I may not agree with some one else as to the best method of carrying on this war is certainly no basis upon which I can be charged with being disloyal.

A statement of this character was made by the honored chairman of the committee, for whom I have the highest regard and the highest respect, in which I do not believe that he really meant what he suggested. I do not believe that in his heart he meant what his language has been construed by the press to mean, and yet they were warranted from the language used in drawing the conclusion they did. In the Washington Post on the morning after this address was delivered there was a column with great headlines like this:

Charges disloyalty—SIMMONS says high-tax men seek to make war unpopular.

Mr. President, I resent any such suggestion as that. I think it is very improper upon the floor of the Senate or anywhere else.

Mr. VARDAMAN. Mr. President——

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

Mr. JONES of Washington. I yield.

Mr. VARDAMAN. I think the Senator from North Carolina did not exactly mean that, because a few days afterwards he brought into the Senate a proposition imposing a higher tax. He evidently saw the error of his way and in part corrected the mistake he had made.

Mr. JONES of Washington. Yes, Mr. President; but I see nothing in the papers suggesting anything about that. These broad headlines went out to the country, and these headlines are about all that a great many people of the country would remember. They would simply jump to the conclusion that the Senator from North Carolina had charged many of his colleagues on this floor with disloyalty, and many seeing that would go on and state that they were disloyal. Many would accept the statement made here as a statement of fact, without considering the circumstances under which the words were uttered or what was really said, and the result is hatred, intolerance and abuse, and absolute injustice.

Mr. JOHNSON of California. Will the Senator yield?

Mr. JONES of Washington. I yield.

Mr. JOHNSON of California. That speech, as the Senator will recall, was made when the chairman of the Finance Committee and his colleagues were insisting that upon the original bill presented they had gone the very limit of taxation, and that anything beyond what they then went was disloyal. Then the next day they went half a billion dollars beyond it, and so they reached the same category that they were then criticizing.

Mr. JONES of Washington. That is true; but the papers have said nothing about that. The papers have not called attention to the fact that the majority of the committee have become disloyal and have been seeking to make their own tax bill unpopular to the people of this country, and they have not been, unless those of us who have been trying to increase it are disloyal.

Mr. GERRY. Mr. President——

The PRESIDING OFFICER (Mr. BECKHAM in the chair). Does the Senator from Washington yield to the Senator from Rhode Island?

Mr. JONES of Washington. I yield.

Mr. GERRY. The Senator from California has just remarked that the committee increased in their amendment the amount of revenue half a billion dollars. I know the Senator does not mean to be unfair. Does he realize that $435,000,000 of that revenue will be raised by taxing other corporations than were intended in the bill?

Mr. JOHNSON of California. Is the statement denied that they increased substantially the tax bill by half a billion dollars?

Mr. GERRY. No.

Mr. JOHNSON of California. Then that is the statement that I made, and it is not gainsaid. I do not understand what the Senator means when he makes the suggestion that he knows I do not wish to be unfair. Of course I do not, and of course the Senator does not.

Mr. GERRY. Probably I misunderstood the Senator.

Mr. JOHNSON of California. I said they had increased the revenues by half a billion dollars, substantially, after they had said to the Senate that in the original bill, without the half billion dollars, they had gone the limit of taxation.

Mr. GERRY. If I misunderstood the Senator, I am very glad to be corrected. As I understood the Senator, I understood him to say that that amount had been raised by increasing the amount of the levy.

Mr. JOHNSON of California. It has been raised by increased taxation.

Mr. GERRY. Then I misunderstood the Senator. But what I wanted to make clear was that the $435,000,000 of that half billion has been raised by the amendment in regard to the 10 per cent allowance. In other words, it came from persons, copartnerships, and corporations that were not taxed under the original proposal of the committee.

Mr. VARDAMAN. May I ask the Senator why they were not taxed? The chairman of the committee said that the committee had gone as far as they could afford to go, and that to go any further would make the war unpopular. Then the chairman came in with the proposition to increase the tax. Was it the purpose of the committee by this last amendment to make the war unpopular, or have they found something to tax about which they knew nothing before? Regardless of the purpose of the committee I am glad of the change of front. The country will approve it, as the Senate has already approved it.

Mr. GERRY. If the Senator from Washington will allow me, I will be glad to answer that question. The original theory on which the committee brought in the bill was to tax war profits, and then, with an additional demand for revenue by the different departments, it was decided advisable to raise more money, and they did that by making the bill an excess-profits bill instead of a war-profits bill. That is really the distinction. I thank the Senator from Washington.

Mr. JONES of Washington. Mr. President, I want the majority of the committee to understand that I am not charging them with disloyalty. I want them to understand that I am not charging them with attempting to make their bill unpopular. Not at all. I know they are not disloyal. I do not think they have been trying to make their bill unpopular. But I do say that if they are justified in their charge against those of us who have been seeking to increase the taxes to be raised under the bill as being disloyal or seeking to make the war unpopular, then they have actually done that very thing and are convicted out of their own mouths. But I know they are not disloyal; I know they are not unpatriotic, and I join in the encomiums which have been passed on the committee for their painstaking and earnest work in connection with the preparation of this bill. I know it is a hard bill to prepare. I know they had serious problems to meet. All I am objecting to is that because somebody on this floor dares to have a different opinion from them as to what ought to be done they are to be held up before the country as disloyal and unpatriotic.

While it is a little out of the line of what I rose to say, I want to refer to a suggestion that has been made time and time again on this floor, that they have increased or permitted an increase in this bill because of the belated estimates coming down from the department.

Mr. President, you can hardly use parliamentary language in view of the facts with reference to a suggestion of that sort. This bill was reported on the 6th day of August. What are the facts? On page 95 of the minority report there is a letter from the Secretary of the Treasury addressed to the chairman of the committee, dated July 27, nearly two weeks before this report was submitted, in which the Secretary of the Treasury sends down an estimate of over $5,000,000,000, and while the majority report says that the estimated expenditures for the fiscal year 1918 were $5,693,958,000 on the 6th day of August, in this letter of the 27th of July the Secretary of the Treasury says that the estimated expenditures for the fiscal year 1918 are $10,735,-807,000.

Oh, no, Mr. President, they can not lay this proposition on the department. These estimates were here, they were before the committee, and if there is any criticism to make of the committee it is that they did not take these increased estimates into account in framing their bill before they reported it to us.

Mr. LODGE. Mr. President——

Mr. JONES of Washington. I yield to the Senator.

Mr. LODGE. On the 2d of July, if the Senator will permit me just a moment, we received the estimate of the department of $5,653,000,000 and on that basis the bill as originally reported was framed. Then in 20 days, a little sooner than the Senator states, we were informed of the additional five billion and a half. We took up that question and we decided that it was impossible to take care of those new estimates until we knew what was to be appropriated. We had some idea of what the appropriations would be, but all we could do then, we decided, was to cover what had been appropriated. That raised the bill to $2,000,000,000. Then came out later the statement of the House which the Senator undoubtedly saw, by which it appeared that they intended to introduce the bond bill, which they now have, and not bring in any additional revenue bill at this session. Therefore the only opportunity to increase the tax at all was the opportunity which we have taken to raise in round numbers $500,000,000. The Senator is quite right about our having all that knowledge, of course.

Mr. JONES of Washington. The appropriations to which the Senator refers have not been made.

Mr. LODGE. We know what they are, or will know.

Mr. JONES of Washington. We knew that just as well before the bill came in.

Mr. LODGE. Certainly; but we did not know as early as the 27th of July.

Mr. JONES of Washington. As a matter of course, the letter of the Secretary of the Treasury is dated the 27th of July, and my recollection is, as the Senator suggests, that until probably a month before that we knew that we were going to have to meet these tremendous sums.

Mr. LODGE. We had the information from the Secretary of the Treasury on the 23d of July that five and a half billion more would be required.

Mr. JONES of Washington. That was four days before the 27th?

Mr. LODGE. Yes.

Mr. LA FOLLETTE. Mr. President, it may also be stated, for additional information that the committee had, that the committee seriously considered taking these estimates into account, and went to the extent of summoning before the committee the heads of the different bureaus of the War Department and taking their testimony as to how much of the $5,000,000,000 would be absolutely required to be expended within the fiscal year, and, under the most rigid sifting and cross-examination, it was not possible to reduce by any appreciable amount the more than $5,000,000,000 of additional estimates as the sum which would be absolutely expended during the present fiscal year. After having gone into all that trouble to ascertain that fact, the committee backed away from that proposition and returned to the estimates that had been earlier made, and framed the bill upon that basis for its final report on the 6th of August.

Mr. JONES of Washington. Mr. President, the record on the back of this bill shows that it was reported to the Senate on July 3 with amendments. That is one day after these estimates upon which the committee claims to have based the bill came down, July 2. Then the bill was recommitted to the Committee on Finance July 7, or four days afterwards, and the RECORD shows clearly why that was done. Then these estimates came down July 27. The Senator from Massachusetts says they knew about this on July 23. Then the bill, after being kept in committee for two weeks, was reported August 6 with amendments. All the knowledge that we now have the committee had before this bill was reported. Everyone knows and no one better than the Senator from Massachusetts that Congress will provide for any estimate submitted for carrying on this war.

Oh, Mr. President, there is no one in the Senate who does not understand the situation. We all know why this amendment was brought in increasing the excess-war-profits taxes, as they claim, $400,000,000 and enlarging the scope of the provision to take in other than war profits. We do it without question and without investigation. If anyone dares to question the wisdom of an estimate he is haled before the public as disloyal. That amendment and that system was brought in to prevent the Senate from adopting higher war excess-profits rates. That is why it was brought in. I am glad of this increase, though it is not as much as I would like. I am glad that those of us who have been trying to get higher rates in this bill were able to influence the Finance Committee to bring in a provision that would raise more money. I am willing to say that we had nothing to do with it so far as that is concerned. I am willing to say that they brought it in because they thought it ought to be brought in. I am willing to say that they brought it in because they thought after more careful deliberation over these excess estimates that they ought to raise at least $500,000,000 of the $5,000,000,000 additional by taxation, although as a matter of fact I know that they brought it in under the pressure of the sentiment in the Senate, and that through this plan alone has the Senate been led to defeat a larger appropriation of the war excess profits.

Mr. President, I did not intend to say anything about these matters, but it is well enough to have these facts brought in. While we are on this question about the accuracy of all these things I wish to refer to a matter that I intended to refer to yesterday, but I was not able to get recognition to do it. It illustrates to some extent the way this bill has been discussed. Day before yesterday afternoon the Senator from New Hampshire [Mr. HOLLIS] offered an amendment levying a flat 50 per cent rate. The learned and able Senator from Utah [Mr. SMOOT], who knows all about these things and about the statistics, and so forth, at once arose and declared emphatically that the 50 per cent flat rate proposed by the Senator from New Hampshire would not raise as much from the large corporations as the 60 per cent bracket proposed by the committee. Now, this is what he said. It attracted my attention. He said:

Mr. SMOOT. Mr. President, just a word in explanation of this amendment. All day yesterday we were told that the Bethlehem Steel Co., the United States Steel Co., and the Du Pont Powder Co. should be forced to pay a greater percentage of excess war profits than the committee substitute provided for.

Mr. President, this amendment means that all three of these companies will pay but 50 per cent of their excess war profits instead of a graduated tax from 12 per cent to 60 per cent, as the committee substitute provides. All that these companies and companies like them are relieved of by the decrease from the average rate of the committee substitute to 50 per cent will fall upon the small corporations, who make from 15 per cent increase profits up.

He went further than saying that these companies would be relieved of their burden, and he charged that the effect of this amendment would be to place what they are relieved from upon the smaller companies. I have not any doubt that that had great weight with Senators who were here. Many of us accept the statement of the Senator from Utah upon matters of that kind without question. We regard his statements as absolute verity. I think they generally are correct, too. There is no man on this floor that has the general or detailed information that the Senator from Utah has. Yet it struck me as strange when I heard that, and I said:

I should like to ask the Senator from Utah a question. I understand the Senator contends that 50 per cent proposed by the Senator from

New Hampshire would make the companies that pay 50 per cent under the Senate committee bill pay less than the Senate committee amendment. That is the Senator's contention?
Mr. SMOOT. Yes; I think the average is a little less.

Then I expressed some doubt with reference to that, but my expression of a doubt, of course, as against the infallibility of the Senator from Utah with reference to figures and statistics would not go very far with the Senate. So when we met yesterday I thought that we would probably get some information that might have weight with the Senate, and I requested that the expert be asked to determine just what the percentage would be under this 60 per cent bracket, and the chairman of the committee kindly asked the expert to do it. He furnished it and it is printed in the RECORD. It shows that the average rate under the committee plan with the 60 per cent bracket would be 46.9 per cent instead of over 50 per cent. In other words, the amendment of the Senator from New Hampshire did take more from these companies than the amendment of the committee, and it did not relieve these companies and put additional burdens upon the smaller companies.

Mr. WADSWORTH. Will the Senator yield?

Mr. JONES of Washington. I yield.

Mr. WADSWORTH. Does the Senator contend that the amendment suggested by the Senator from New Hampshire did not place additional burdens upon the smaller companies?

Mr. JONES of Washington. Certainly not.

Mr. WADSWORTH. Will the Senator yield for another question?

Mr. JONES of Washington. Certainly.

Mr. WADSWORTH. As I remember it, some of the lower brackets of the bill as now printed assessed a profits tax of 12 per cent and 20 per cent and 25 per cent. Perhaps I have the gradations wrong and inaccurate. But the amendment of the Senator from New Hampshire would take 50 per cent from every concern, great or small. So would not that increase the burden on the small concerns?

Mr. JONES of Washington. I have not contended anything to the contrary.

Mr. WADSWORTH. If the Senator will pardon me, he has just said that the amendment suggested by the Senator from New Hampshire did not increase the burden upon the small concerns.

Mr. JONES of Washington. No, Mr. President; the Senator misunderstood me if he understood me to say anything of that kind. I said that the amendment of the Senator from New Hampshire did not relieve the large companies and place what they were relieved from upon the small companies. That is what I said, at least that is what I meant to say, because that was all I was talking about, and that is what I was refuting with reference to the statement of the Senator from Utah. I was not discussing the merits of the amendment of the Senator from New Hampshire, but I was simply showing where the Senator from Utah was wrong, and that it did not impose a less burden upon these large companies and transfer some of their burden to smaller companies. I think the context will show clearly what I meant.

Mr. WADSWORTH. The Senator showed a little too much, if he will pardon me.

Mr. JONES of Washington. No; I did not. I simply showed that the Senator from Utah was wrong and that what he said would not happen. The amendment of the Senator from New Hampshire did impose greater burdens on small companies, but it did not place less upon these larger companies or transfer any of their burdens to the small companies, as charged by the Senator from Utah. I know the Senator from Utah made the statement in the utmost good faith. I know that statements made in discussing this bill are made in the utmost good faith, a great deal like the statement of the Senator from Utah with reference to the amendment of the Senator from New Hampshire. I am not criticizing anybody. I am simply calling attention to some facts here that I think it will be very interesting to know hereafter, when we come to consider the record with reference to this legislation and the arguments that have been made and the positions taken to sustain it.

Mr. President, I expected to be through before this time, but I will resume. There is another suggestion of the Senator from North Carolina. It is immaterial, it does not amount to much, but I want to refer to it. I thought I had the RECORD right here marked, but I have not. However, the Senator from North Carolina said that the majority of this committee were Senators of long membership in this body, Senators who have frequently been returned here by their constituents, and therefore great weight should be given to their conclusions.

I know that we ought to give great weight to the conclusions of Senators who have been in this body for many years. I know that experience and training that comes with long service are invaluable and should be given great weight and are entitled to much consideration. I wish to say that the Senator from North Carolina has paid a very high compliment to the minority members of the Finance Committee. I simply want to put into the RECORD the facts with reference to the service of the able Senators of the majority of the committee, and when I do that it is not in any disparaging sense at all.

The Senator from North Carolina seems to think the fact that Senators have been long Members of this body and often elected here should give their opinions much weight. True enough. These are the facts as to the majority Members: The Senator from North Carolina has been a Member of this body for 16 years. The honorable Senator from Missouri [Mr. STONE] has been a Member of this body for 14 years. The able Senator from Mississippi [Mr. WILLIAMS] has been a Member of this body for six years. The Senator from Georgia [Mr. SMITH] has been an able Member of this body for six years. The Senator from Kentucky [Mr. JAMES], a leader of his party and a very learned Senator, has been here for four years. The Senator from New Jersey [Mr. HUGHES], and there is no abler Senator on the floor, no more industrious Senator on the floor, has been here for four years. The Senator from New Mexico [Mr. JONES], a most able man, a man who served with great distinction as Assistant Secretary of the Interior, a man who has commanded the respect of every Member on this floor since his entrance into this body, a member of the Finance Committee, has been a Member of this body for six months. The Senator from Rhode Island [Mr. GERRY], now presiding over this body, a gentleman whom we all respect and love, of splendid ability, of great business capacity, has been a Member of this body for six months. The Senator from Colorado [Mr. THOMAS], a gentleman whom we all respect, and honor and admire, a man of great ability, has been a Member of this body for six years, and he disagrees with his majority. The Senator from Oklahoma [Mr. GORE], brilliant, able, powerful in debate, has been a Member of the Senate for 10 years, and he disagrees with his colleagues of the majority.

Mr. President, I put that in the RECORD for what it is worth in connection with the statement of the Senator from North Carolina in support of his bill that length of service ought to command the confidence of the Senate, as it does.

Now, Mr. President, there is another suggestion I want to make. It has been stated by some of the Senators time and again that they "want to win the war." One great Senator weekly, if not daily, gets upon this floor and apparently lectures us when we do not happen to agree with him or support some measure that he is supporting, and he says, "I want to win the war." "I want to win the war." "I want to win the war." And so do I; and if the Senator repeats it once I repeat it a dozen times, if that is necessary.

Ah, Mr. President, we all want to win the war, and the suggestion or intimation upon the floor or anywhere else that there is any Senator here who does not want to win the war is more unpatriotic than any other suggestions made. In my judgment there is more harm being done to-day in this country by suggestions of that character upon this floor and by baseless, untruthful statements in the public press charging men with being unpatriotic simply because they do not happen to agree with the opinion or judgment of somebody else as to what is wise and what is best to do in this great crisis than by anything else.

Oh, Mr. President, instead of trying to make it appear that there are some of our citizens who are acting unpatriotically, we ought to show to the world that, although we may have our differences of opinion, there is no difference in our loyalty; no difference in our patriotism; no difference in our devotion to our country and to our country's cause. I do not believe that any Senator makes such suggestions as that on the floor really intending them as he makes them; but we ought to be very careful not to make such suggestions; not to give any cause or any ground for anyone outside to conclude that this representative or that representative is disloyal because he happens to favor a proposition a little bit different from that advocated by the majority. We ought to let the world know that whatever our differences of opinion may be, whatever our differences of judgment may be, we are all striving for the same end—a glorious termination of this war, with a lasting, permanent peace, with American rights and American privileges recognized everywhere and by every nation beneath the shining sun.

Mr. President, the majority of the committee say we must have credit. So we must. Every one of us believes in upholding and making strong the credit of the United States. How do they propose to maintain the credit of this country? By issuing bonds instead of paying cash; by allowing vast profits to be turned into bonds instead of into the Treasury of the United States to pay the obligations of our country, to supply our Armies and our Navy with arms and munitions and those things that are necessary to win battles; by making debts instead of paying cash; by making the people feel that we hold wealth more sacred than we do life. We do not intend to make them feel that way, but, Mr. President, we are doing it. We are making the people feel that way, whether we intend to do so or not. We ought to strive in every way possible to eradicate an opinion or belief of that kind. The majority would maintain our credit by dividing our people instead of unifying them; they would sustain our credit by permitting those who coin profits from war out of the blood and suffering of the boys at the front and the heart throbs of the loved ones at home to escape bearing the great burden of taxation; and they plan to fasten upon the boys who fight at the front the financial burdens of this Government when they come home. Mr. President, it is probable that we can not pay cash fully as we go, but, in my judgment, we ought to do it as nearly as we can without destroying our industries and destroying our business.

Mr. President, I marched in the parade on Tuesday, and then I stood by the side of the street and watched the marchers go by. I saw the boys upon whom the strong arm of the Government has been laid; I saw the boys that have been taken from their homes, taken from their business, taken from the opportunities of life, and compelled, if you please, to go into camp and to train to fight the battles of their country. As I saw them march by, in the vigor and the strength of their manhood, I asked myself, "Am I going back to the United States Senate and vote to place upon these boys, or such of them as may come home from the battle fields of Europe, the financial burdens of this Government in view of the sacrifices they will have already borne?" And I said, in my heart of hearts, "So far as I am concerned, I shall go as far as it is possible for me to go to make them feel that while they are fighting at the front I am not placing a burden financially upon them to bear when they come home." I am going to do it. If that is unpatriotic, make the most of it. I do not question the loyalty of those who disagree with me. We simply differ as to the wise and just course to follow.

Mr. President, it has been stated time and again in this debate that we want to permit individuals and corporations to save their profits; for what purpose? To buy bonds. Time and again has that been stated. Is it possible that that is the purpose of permitting these companies to keep the millions and the millions that they are securing from what the committee in its final report termed "war profits"? Surely not. It is said if we take this money for taxes we shall prevent expansion. Well, Mr. President, it has occurred to me that if we take the money to buy bonds we shall also prevent expansion. When you take the money for taxes it goes into the Treasury. When you take it in purchase of a Government bond it goes into the Treasury and not to expanding plants. Oh, but our friends meet that how? They say that when a man buys a bond he can take the bond and get cash for it and go on with his business. I presume that is true; but, Mr. President, what sort of a sacrifice does a man make in buying the bonds of the Government if he can do that? There is no sacrifice in that; not a bit.

Mr. President, I am going to make a personal allusion, not because I am better than anybody else but I think I express the sentiment not only of Senators but I believe I express the sentiment of the people of this country. I had rather take the money that I have paid for liberty bonds and put it into the Treasury of the United States, to be used by it in the discharge of its obligations; I had rather that you would say by law, just as the Senator from Georgia [Mr. SMITH] stated yesterday afternoon—and he expressed the patriotic sentiments not only of a Senator but of the people of this country—"take by an income tax a greater percentage of my income; take all that I feel that I could pay for bonds and put it as a tax into the Treasury of the United States." I do not feel, Mr. President, that I have made any sacrifice in the purchase of the liberty bonds which I have bought. As has been suggested, I can probably take those bonds to bank any day that I want to do so and get every dollar that I paid for them, and use that money for 40 long years for my profit and for my advantage. What sacrifice have I made for my country? None at all.

It has seemed to me that there has been uttered time and again during the discussion of this bill an impeachment of the patriotism of the well-to-do people of this country that has no justification in fact. We have been quibbling and quibbling for days over possible inequalities to men of wealth, to men of means. We have been splitting hairs and dividing tenths and multiplying by one-thousandths in order, if possible, to prevent some injury from coming to somebody who has a big income or who has been making a great profit. Mr. President, I think that is unjust, it is unjust and unfair to them. The capitalists of this country and the well-to-do of this country are patriotic. They are willing to do their part; they are willing to make real, genuine sacrifices in behalf of the country; and, in my judgment, they resent the intimation and the suggestion and the statement, in effect, on this floor that they are not patriotic; that they are not willing to deprive themselves of real comforts; that they are not willing to save and economize in order to give more financial aid to the Government.

Mr. President, one of the leading manufacturers of Seattle came down here a short time ago and expressed to me his views regarding this matter, and, in my judgment, he expressed the views of the great mass of our people. He said to me, "Senator, all that I ask of you is this: Let me have my capital; leave it so that I can use it; let me have of the profits from that capital enough to pay labor good, steady wages and to pay the expenses of my business and keep it going. Then ascertain what my net profits are and take every dollar of them that you want or that you think the country needs. I shall not starve; I shall not suffer. I make a hundred thousand dollars, and if you take $75,000, if you take $90,000 of it, I shall not suffer from cold; I shall not suffer from hunger; I shall not be making any real sacrifice." And he said, "Take it; take all you need of it. I will get along."

Another gentleman from Seattle called me into the Marble Room day before yesterday and showed me, with considerable pride, a receipt for $30,000 income tax paid. He said, "Senator, make it bigger. I am proud of that receipt. I shall be proud if the Government takes more. Take all of my income that you feel you need. It was no sacrifice to me to pay $30,000 in taxes; it will be no sacrifice to pay many thousands more. I want to do something for my country; I want to feel that I am doing something; I want to feel that I am making some real sacrifice; I want to feel that I am getting down on the plane of the boys at the front who are losing all opportunity, wealth, position, and, possibly, life itself. That is what I want to do; that is the position I hope you will put me in, along with the other wealthy men of the country; I can't serve in the trenches, but I want to serve with my means." Ah, Mr. President, that is the spirit of the people of this country, regardless of their position, regardless of their wealth, regardless of their influence or station in life.

But our friends say, "Oh, let posterity bear some of the burden of this war." Mr. President, we must bear the burden of this war; the men of the present will fight its battles and the money of the present must pay its debts and obligations. It is impossible to get around that. We may double the burden in order that posterity may have something to bear; but I want to say to you, Mr. President, that every cannon bought and every gun manufactured must be paid for now; every flying machine must be paid for now; every submarine must be paid for now by our money, the money of the people of the present day and not of the people of the years hereafter.

Why, Mr. President, the money that is raised by bonds is the money of the present and not of posterity. While it is, perhaps, as I have said, not possible to raise all the money necessary without selling bonds, let us not forget that the money that is necessary to prosecute the war must be raised now. As expressing my views, let me insert right here a couple of extracts from a late and well-considered article by Prof. Durand, of the University of Minnesota:

The most basic fact which must be borne in mind in discussing this problem is that, for the people considered as a whole, domestic borrowing postpones no burden to the future. This really follows at once from the fact that only goods produced before or during the war, or men living during the war, can be used in conducting the conflict. We can not shoot a shell to be made in 1930. The future is not here to bear burdens. Of course, borrowing abroad does make it possible to postpone the burden of the home country.

Borrowing at home, so far as a nation as a whole is concerned, is precisely similar to borrowing by an individual from himself. The reason the individual may gain by borrowing is because he borrows from another person. Would John Smith gain anything by writing a note to this effect: "Fifty years from date I and my heirs promise to pay to myself and my heirs $1,000 with interest at 6 per cent"? So far as the Nation as a Nation is concerned, a Government bond issued at home is precisely similar to such a note in its effect.

This idea that the burden of war expenditures can be deferred to future generations is the supreme fallacy of finance. Many a business man, whom we have every reason to consider sincere, insists that he is willing to bear his full and just share of the war burdens, but adds that he can see no fairness in making the present generation bear the entire cost of the war when the future generations are equally to profit by it. The future generations will, to be sure, have their burden from this war. They will have, in all probability, a somewhat depleted heritage of capital. They will presumably have to pay billions in pensions. But the future generations can not repay to the present generation its outlay in the conduct of the war.

Conceive, for example, that the present generation should wholly pass away in 40 years. If war bonds still remained unpaid the next generation would have to bear taxes to pay interest and principal. But it would be paying to itself; it would have inherited the bonds as well as the taxes. What it paid would not be a burden on the people of that generation as such. It would not be repaying the present generation.

The fact that generations gradually merge into one another does not change in the slightest the logic of the matter.

The same argument which applies to the future generations applies as well to the future years of the present generation. Prof. Seligman, among others, is not disposed to favor long-term bonds, but urges short-time bonds in preference to taxes for a large part of the war expenditures. He says it would be easier for the people to pay for the war in 10 years than in 3, assuming that it is over in 3 years. As a matter of fact, for the people considered as a whole it would not be one whit easier. What the people as a whole receive as interest and principal repayment, that they must also pay. They defer no burden by the short-time bonds.

While domestic bond issues postpone no burdens to the future as such, they do make possible a readjustment of the war outlay as between individuals and classes in the community. The really fundamental questions involved in the issue of taxation versus borrowing as a means of war finance are questions of social justice in the distribution of burdens. The war must be paid for now, but there may be a reassessment of expenses among us afterwards. For instance, those who have paid more in the first place may be recouped by those who have paid less. We shall all have bought our chips, but we may still play to see who gets and who loses them.

If we could assure ourselves that the distribution of taxes after the war would be as just as the distribution of taxes during the war, there would be little choice between taxation and borrowing were it not for the fact that, by inflating prices bond issues cause injustice as between individuals and classes, a point which will be discussed later.

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In substance, then, war financing by bond issues is likely, even apart from its effect on incomes through the inflation of prices, to result in an increased inequality in the distribution of wealth and income. This is not a necessary result, for the taxes for debt service might be so levied as to prevent it, as virtually to make each class pay interest on and repay the principal of its own loans to the Government. There would be little likelihood, however, that the taxes after the war would be made sufficiently progressive to bring this about. The great political power of the well-to-do classes would almost certainly enable them, if they sought to do so, to shift part of the burden on the poorer classes, and they would probably seek to do so. The patriotism which during the war itself might induce the rich willingly to pay taxes according to the full measure of their ability is bound to wane considerably when the war is over. There is little enthusiasm about paying for a dead horse.

The tax policy, then, is more likely than the bond policy to mean the ultimate payment of war burdens in the manner which is socially equitable.

We can even afford to risk injury to our industries when so much is at stake. Prof. Durand says:

It has been estimated by the National City Bank that approximately $5,000,000,000 of the annual income of the country is in normal times devoted to new investments. It is a familiar fact that many persons of large income invest annually from half to nine-tenths of their income. Much as we should prefer not to check our industrial progress, we must remember that the very fate of all our past investments—indeed, the fate of the Nation itself—is at stake in the war, and that, purely from the material standpoint, it is good economy to spend what is necessary to save them, even if we temporarily forego industrial expansion. It is probable, in fact, that the largest one source of funds for the conduct o. the war will have to be found in the diversion of that surplus income which ordinarily goes into investment.

I am not going to discuss the philosophy or the effect of issuing bonds, and how the debt is passed on to posterity, or anything of that sort; I merely want to say that I have voted to take 80 per cent of the war profits; I have voted to take 70 per cent of the war profits; I have voted to take 60 per cent of the war profits, not to retard industry, not to punish wealth or capital, not out of enmity to capital, not to paralyze the Government or industry; but I so voted, Mr. President, to make the Nation strong, to unify our people, to work no injustice; I so voted to mobilize all of our industrial strength as well as our manhood.

Mr. President, as I have said, we are in war; men must be taken to fight our battles; money must be taken to pay our obligations and support the men at the front. I voted to conscript our manhood. Why? Because we needed men; because we wanted to make it sure and certain that we would have an army at the earliest possible moment. When I voted to conscript the manhood of the country I resolved at the same time to go as far as I could go in every way that I should deem wise to take the wealth of the country in order to maintain and support the war. I am not going to take money because I voted to take men—not at all—I voted to take men because we needed them, and I shall vote to take money because we need money. We must have men to fight battles, and so we took them. We must have money to support the Government, and so I am in favor of taking it. We can not expect men to come up and voluntarily deposit money in the Treasury of the United States. We did expect that men would come up and volunteer to go to the trenches; and some Senators on this floor very vigorously opposed the conscription of our men, because they thought they ought to be permitted to volunteer. I was strongly inclined to that view, but for many reasons, which I stated at the time, I voted to take our boys.

Mr. LA FOLLETTE. Mr. President——

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

Mr. JONES of Washington. I do.

Mr. LA FOLLETTE. I wish to ask the Senator if it is not rather a sore disappointment to him that Senators on this floor who were very eager to conscript the boys to go to the front and who joined with him in that conscription bill are now on the other side when it comes to conscripting wealth?

Mr. JONES of Washington. It is, Mr. President; but I do not question their loyalty or their patriotism because of the position they take.

Mr. LA FOLLETTE. No.

Mr. JONES of Washington. I think that they were honest and patriotic in their views at that time, and I think they are honest and patriotic now. They simply differ from me as to what is the wise course to take. I hope, however, that they will not point the finger of disloyalty at me because now, when it comes to taking money because we need it, I am willing to take it and am voting to take it and believe that wealth is not objecting to that course, but that it will be glad to contribute its fair share, just as the Senator from Georgia yesterday stated he would be glad to pay 25 per cent or more out of his income into the Treasury of the United States.

Mr. HITCHCOCK. Mr. President——

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

Mr. JONES of Washington. I yield to the Senator.

Mr. HITCHCOCK. The speakers on the minority side of this question whom I have heard all talk as though the majority did not favor conscripting wealth. Does the Senator take the position that the majority does not favor conscripting wealth?

Mr. JONES of Washington. I do not; and I think I have tried to make it plain that I do not.

Mr. HITCHCOCK. I thought the Senator was emphasizing the fact that now the majority which was in favor of conscripting men was not in favor of conscripting money.

Mr. JONES of Washington. No, Mr. President; I am emphasizing my position; that is what I am doing.

Mr. HITCHCOCK. The Senator, then, has come to the majority position that when something is needed it should be conscripted.

Mr. JONES of Washington. Yes, sir; that is exactly my position. There is a little difference of course; some of our friends do not seem to think we need so much as I do.

Mr. LA FOLLETTE. They do not think so when it comes to money as strongly as they did when it was a question of taking men.

Mr. JONES of Washington. Some think that we ought to pass our needs on to posterity and not take care of them ourselves. They may be right and I may be wrong, but we need money, and I say we ought to take it as fully and as nearly as possible in accordance with our needs.

Mr. HITCHCOCK. Mr. President, has the Senator reflected that the title which was adopted yesterday by the Senate conscripts $4,000,000 a day upon the industries of the United States? Is not that considerable of a conscription of wealth?

Mr. JONES of Washington. I have referred to that. I might just as well say right here—I had intended to speak of it a little further on, but I might just as well say in that connection—that according to the majority report the war profits—not excess profits, not profits of business generally, but what they term pure "war profits"—were over $3,000,000,000 last year, and the majority say that these war profits, these profits over normal profits, these profits that they think they trace back to the war will amount this year to over $3,000,000,000.

Mr. LA FOLLETTE. To over $4,000,000,000.

Mr. JONES of Washington. And it has been stated on this floor by majority Members that they will amount to over $4,000,000,000 for the year 1917. The Senator from Nebraska thinks, with demands upon this Government for $19,000,000,000 for this fiscal year, that it is enough to take $400,000,000 out of over $4,000,000,000 to pay our expenses and to meet our needs. Mr. President, the Senator from Nebraska may be right; and I do not say that he is not in favor of conscripting wealth and profits—he is; he is in favor of taking $400,000,000 out of over $4,000,000,000, while I am in favor of taking $3,000,000,000 out of $4,000,000,000. That is the only difference; I go a little further than he goes.

Mr. HITCHCOCK. Mr. President——

The PRESIDING OFFICER (Mr. GERRY in the chair). Does the Senator from Washington yield further to the Senator from Nebraska?

Mr. JONES of Washington. I yield.

Mr. HITCHCOCK. I think the Senator has not got his figures correct. According to the schedule which the Senate adopted yesterday on the recommendation of the committee the additional burden placed upon the industries of the country amounts to $1,400,000,000 a year, which is about $4,000,000 a day—a tax never before levied upon the industries of any country in the world, a tax not levied upon the industries of any country now at war in Europe, an unheard of tax, a conscription of wealth; and yet the Senator and his associates talk as though we were not conscripting wealth in this bill.

Mr. JONES of Washington. No, Mr. President, I am not talking as though we were not conscripting wealth; we are conscripting wealth; but we are not conscripting it enough. I am not talking about the general profits of the country and I am not mistaken in my figures. The committee says that we have produced in this country, not in the general industries, not out of general profits, but over $4,000,000,000 of pure war profits. How much profit throughout the country derived from general industry is covered by the plan now I do not know; no doubt it is billions more, but of the pure war profits of over $4,000,000,000 the committee proposed as the bill was originally reported, to take $562,000,000.

Then the committee, under pressure and in response to the sentiment here, have devised a plan by which they cover not only war profits, but what may be termed "excess" profits, and through that means they have raised $400,000,000 more; but no man can tell how little of that comes out of the $4,000,000,000 war profits and no man can tell how much of it comes out of that amount.

Oh, Mr. President, to use just one illustration—and I do not take this company because I want to bring out any invidious comparison or anything of that sort, but simply because it illustrates what we are doing—it is said that the United States Steel Corporation will make this year $490,000,000 of war profits. I have no enmity against the steel company; I am glad they are making that enormous profit, if they have not unduly oppressed anybody in order to make it. I am conceding that they have used perfectly legitimate, just, and honorable means in making $490,000,000 of war profits; but how much do you propose to take under this bill? After leaving them their capital, after leaving them their plant, after leaving them what is necessary to run it, after leaving what is necessary to pay good wages and all their expenses, depreciation, and so on, we would then leave them 20 per cent additional to the normal profits. Under our proposal we would have taken how much? Eighty per cent of $490,000,000, which would be in the neighborhood of $350,000,000—perhaps a little more or a little less; I have not figured it out. That would leave them a profit of over $100,000,000 above the normal profit, above what is necessary to run their business as they are running it now. They would have next year all the facilities for making a profit that they have had this year to make $490,000,000. We would leave them $100,000,000 more to add to that, in addition to their normal profits.

What do they take under this bill? One hundred and eighty million, or $184,000,000, leaving to the company over $300,000,000 of war profits, in addition to the normal profits. Now, that may be right. I do not say that it is not, but I believe we ought to take more than that. I believe that the Steel Co. would welcome having us take more of it. I believe that they are patriotic men, just as the men from Seattle are patriotic, and they would not complain, they would not object, if we should take $350,000,000; no, they would not object if we should take $400,000,000 and leave them $90,000,000 in addition to their normal profits.

Mr. WADSWORTH. Mr. President——

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

Mr. JONES of Washington. I do.

Mr. WADSWORTH. Does the Senator happen to know what percentage of income on the invested capital $350,000,000 would represent to the Steel Corporation?

Mr. JONES of Washington. Oh, Mr. President, I do not, and I do not care.

Mr. WADSWORTH. Is not that rather important to the 100,000 stockholders?

Mr. JONES of Washington. No, it is not; when they get the normal profits and the normal dividends returned to them. They ought to make some sacrifices, and they are willing to make some sacrifices. Mr. President, a man or a woman who owns corporate stock in war times, who gets in dividends a greater percentage than he or she ever got in peace times, ought to be satisfied and willing to allow to go to his or her country, under which his or her holdings are protected, the remainder of whatever profit has come from war in order that their country, their flag, may be upheld and maintained.

Mr. WADSWORTH. Mr. President, I agree with the general theory of the utterance just made by the Senator from Washington. In view of the fact that he was pointing to a specific corporation, and naming the amount which would be left to that corporation for distribution among its stockholders, I was merely endeavoring to find out if he could give us specific information as to what would be the actual effect of the proposed tax upon the stockholders.

Mr. JONES of Washington. Mr. President, I am not worrying about that. What I am worrying about is carrying this war to a successful conclusion, bringing our people all together, making every person in it feel that he is a part of his Government; that he is a part of his country; that he is interested in the prosecution of the war, in the victory that we must have if we would preserve our rights and our civilization.

Mr. President, we have been told time and again, through the press and through official sources, that if Germany wins it is an end to our liberty; it is an end to our Government. Mr. President, is it possible that we will, here on the floor of the Senate, measure such possibilities by percentages? I do not think we ought to do it. I may be wrong, but I am patriotically of the opinion that I express.

Mr. President, I have been diverted again, but I just want to call attention to a table. I am not going to have it reinserted; but I want to call attention to it in the hope that it may get to the country even more than it has already. It is the table introduced by the chairman of this committee on page 5969 of the CONGRESSIONAL RECORD. What does it show? This table, Mr. President, was prepared upon the basis of the bill as originally reported, not to meet the situation covered by the amendment now. It was prepared to show the war profits in the country, and it was prepared to show what it was proposed to take of those war profits. It gives 48 companies. What does it say? It says that the war profit of these 48 companies was $659,858,490. It says that these 48 companies have excess profits of over $659,000,000. How much does the committee propose to take of the war profits of these 48 companies? Two hundred and forty million fifty thousand four hundred and sixty-one dollars.

Mr. President, that may be wise. I know that the committee is patriotic. I know that its members are honest and sincere. I know that they believe that that is all they ought to take. I do not think it is. I may be wrong. They may be right. But I want to say, Mr. President, that we should look a little bit further than this Senate Chamber. We should look a little bit further than dollars and cents. We should look a little bit further than percentages. The people of this country, when they see that we only propose to take $240,000,000 out of over $600,000,000 of the purely war profits of 48 companies, will not understand why we do not take more.

I do not threaten anybody; I do not believe in doing that; but these are the facts. We know what the people are thinking. We know what the people are saying. The people are watching us. They are anxious to know what we are going to do in these matters. They know about these great war profits.

Why, Mr. President, I have here a statement from the Pennsylvania Grange News of July, 1917. They give a table corresponding to the table presented by the Senator from North Carolina [Mr. SIMMONS]. They know what these war profits are, and they are going to know what we are going to take out of them. What do they say here? As patriotic citizens—because that is what they are; that is the kind of people this paper represents—they say, as we are taking the men that we need, we should take the money that we need.

My good friend from Illinois [Mr. LEWIS] yesterday made a suggestion that just comes to me. He suggested that we are following the same plan in this bill in conscripting money that we followed in conscripting men. "Why," he said, "we are taking it by gradations." He said: "We conscripted a million men instead of 10,000,000. Why," he said, "if we should come out to-morrow with the statement that we were going to take 10,000,000 of our men, it would create a panic." Well, it would. Then he said: "We are following the same plan in taking money."

Ah, Mr. President, when you conscripted a million men you did not conscript a million parts of a million men. You took all of every man you took. And so, if we were to follow the real plan that we followed in conscripting men, we would conscript every dollar of profits that every corporation makes, if not the corporation itself, and leave others with everything they have.

No, Mr. President, this is a different plan of conscription from the way we conscripted men. We said to every man we conscripted: "All of you, come." Now we propose to say to all of the companies of the country: "Give us a part of your profits." The only difference is as to how great a part; that is all.

Oh, I do not say the country has a wrong idea. If it has a wrong idea, it has pretty good authority for its belief. I have here a statement clipped from the Washington Post of the other day, and there have been a great many like this coming from official sources. Listen:

Vrooman attacks "profiteers."

Who is Vrooman? Why, he is Assistant Secretary of Agriculture. He is a man of authority. He is a man of responsibility. He is a man with knowledge. What does he say to the people of this country?

Charges that certain business men of the United States are robbing and practically undernourishing the people of the Nation and that they should be ashamed to call themselves American citizens were made by Carl Vrooman, Assistant Secretary of Agriculture, in an address at the Emery School last night. Mr. Vrooman advocated cooperative buying to avoid high prices, and declared that the country is being bled white from coast to coast by the food grafters and "profiteers."

I do not vouch for that. The Senator from New York asks if I believe it. I know this, and the Senator from New York knows this—that Washington City is filled, and its hotels are crowded with men—representatives of companies—seeking contracts for Government supplies and Government needs, and it is in the air that they are getting bargains that are unconscionable. What I do believe is this, however: That the great mass of the business men of the country, the great mass of those who are called the capitalists of the country, are not doing what Mr. Vrooman says; that they are anxious and willing to help their Government; they are anxious and willing for us to put them all upon the same plane; and they will be willing to contribute of their means and even of their capital, if necessary, to furnish whatever is needed to defray the expenses of this Government.

Mr. President, we have had a whole lot of straw men put up in this Senate Chamber during this discussion. The chaff and straw of these men that have been knocked down and torn up has been scattered all over the Chamber, and one of those that has been put up is that we want to destroy business. We do not want to destroy business any more than the majority. We do not believe a business will be destroyed where all its capital is left unimpaired, where its normal profit is left to it, and where it is left, in addition, 20 per cent of its war profits. The men who run business will redouble their efforts; they will economize as never before; they will improve their methods, make their plants more efficient, and increase their business and profits and be far better prepared to enter the contest of wits and commercial rivalry when the war is over. They will not sulk; they will not close their plants; they will not forsake their Government; but they will make the most of necessity and show the enemy that this is not a people whose God is the dollar, and that they are not in this war for profit.

Another straw man is that we want to array class against class. We do not. I want to avoid that very thing. I do not believe in trying to stir up class against class. I do not believe that anyone on this floor wants to do it. We are not trying to take these profits because they belong to rich men. We are simply trying to take them because we need them, and we are going to get them where they are, just as we are taking our men because we need them, and we are going to get them where they are. That is all. That is the basis of it. In my judgment, our failure to take more of the profits of the war to defray its expenses will do more to create class feeling than anything we can say or do. I hope I am wrong.

Mr. President, I just want to call attention now to a few facts showing how the people are looking at our actions. I have here a statement from a very important paper of the city of New York. This is the Evening Mail of August 22, and it has an editorial in it headed "One million dollars per day." I ask leave to put that editorial in the RECORD without reading it.

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

The matter referred to is as follows:

$1,000,000 PER DAY.

The Senate Finance Committee reports that the war profits of the Steel Corporation for 1916 were $207,945,953. This sum represents not the total net income available for stockholders but merely the excess profits above those of the three years preceding the war earned by the corporation.

If the earnings of the Steel Corporation during 1917 were to be the same as during 1916, and if the Senate committee's proposed excess-profits tax were applied to these earnings, the result would be that the Government would take $77,000,000 of these excess profits and leave $131,000,000 of them for the Steel Corporation's stockholders. Remember this whole $208,000,000 was made by the war. It never existed before. If it is not taxed now, it can never be taxed, because there will be no war profits when the war is over.

Of course during this coming year the Steel Corporation will earn a far larger net than $208,000,000. The prospects are that it will earn in the neighborhood of $475,000,000 excess profits. Of this, under the proposed tax schedule, approximately $175,000,000 would go to the Government and approximately $300,000,000 would be left to the United States Steel Corporation.

It is a goodly sum, $300,000,000. It is $1,000,000 for every workday in the year. The United States Steel Corporation is to be allowed to earn and distribute $1,000,000 per day more than it was earning before the war. Its stockholders are to sit back and grow rich at the time when the manhood of the country is to offer the last full measure of sacrifice for America. At least, that is what the Senate Finance Committee proposes. The Congress which accepts such a proposal and enacts it into law will go down in history as a set of traitors to the people of the land.

This is the Congress which voted for 100 per cent conscription. Every man who qualified was to be taken, up to the limits of men desired. It was not 20 per cent or 60 per cent or 80 per cent of the man that was required; the whole man was taken; all of him was called upon. The evidence of corporate fitness for the Government's finance service is the possession of an excess income, the possession of war profits. In the name of justice shall we stop before we conscript these profits up to the limit of our financial need?

It is estimated that the excess profits for the year 1916 were approximately $3,000,000,000. Suppose—which is impossible—that excess profits for 1917 are only $3,000,000,000, how much does the Senate Finance Committee propose to conscript of these vast sums? It proposes to take $562,000,000, less than 20 per cent of the total. In what sort of a land do we live when our highest legislative body proposes to conscript 100 per cent of life and 20 per cent of war profits? Whom is the Senate representing when it brings in a tax bill with only $562,000,000 levied upon war profits and then turns to the poor man and taxes his tea, coffee, sugar, cocoa, postage stamps, passenger fares, and medicines?

Why, if we levied on excess profits the 80 per cent rate which is levied in Great Britain, we should take from the Steel Corporation alone $400,000,000 and leave it $100,000,000. Its stockholders would still receive for the year 1916 $100,000,000 more than they received in the three years previous to the war. One hundred million dollars is 20 per cent on the Steel Corporation's outstanding common stock. Is that not still a rich revenue to earn from war?

The Evening Mail believes in the corporation. It wants the corporation fostered, aided, purified of the corporate grossness and selfishness which now are the ailments of socialism. But the Evening Mail is also for the individual, the common man. You can not take all he has in the world, all the hopes of those that are dear to him; you can not take these things and throw them 100 per cent into the red line of battle, and then take only 20 per cent of the purely war wealth which the corporations are amassing. You can not ask the people to fight this war and then bear its financial burdens in the future, by assuming the payment of interest and principal on loans held by the rich slackers who had to be bribed to finance their country's need.

Watch your Senator and see whether he votes for the iniquitous bill which the majority of the Senate Finance Committee has brought in. See if he votes for letting the Steel Corporation retain $1,000,000 extra war profits for every working day of the year. See if he believes that you and I should be drafted for the coming service, but that the rich man should be bribed to do his share.

Better still, write your Senator before he registers his vote. If you are a New Yorker, your Senators are WADSWORTH and CALDER; if you live in New Jersey, your Senators are FRELINGHUYSEN and HUGHES; if you are in Connecticut, your Senators are BRANDEGEE and MCLEAN. Those Senators are now going to stand up and be counted. Let them know that you are personally making up the count.

Mr. JONES of Washington. I want to call attention to one statement now, however, so that if anybody wants to cut it out he can do it. I do not believe it is true myself, but it simply shows how the suggestions and intimations on this floor lead to extravagant statements outside. After discussing the amount that we raise and that we ought to raise, it says:

At least that is what the Senate Finance Committee proposes. The Congress which accepts such a proposal and enacts it into law will go down in history as a set of traitors to the people of the land.

I do not think that is true; but, Mr. President, that is a mild statement compared with many of the statements made by other papers in the city of New York. They do not hesitate day after day to say that this Senator or that Senator is unpatriotic, that he is a traitor to his country. They have not as much ground for making those statements as this paper has for making that statement, and it has none.

Mr. KENYON. Mr. President——

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

Mr. JONES of Washington. I yield to the Senator.

Mr. KENYON. I should like to ask the Senator if this editorial was published before the committee amendment was proposed or afterwards?

Mr. JONES of Washington. It is dated August 22. I can not say offhand.

Mr. NORRIS. It was before.

Mr. JONES of Washington. It was before, I think; and it was in view of the debate that was being had on the floor here in favor of taking 60, 70, or 80 per cent of these war profits.

Mr. President, I have here an editorial from a paper in the Northwest that shows somewhat what the sentiment is among the people of the country. Whether it is justified or not, it is the sentiment of many, and in my judgment this Senate can do no more for its country in any way than by using all reasonable means to refute these statements by action that will show that they have no basis. This editorial says:

WHY DO WORKINGMEN JOIN THE I. W. W.?

The Pacific Northwest is to-day up in arms against the I. W. W. It has been repeatedly pointed out by this paper that there is a wide divergence of opinion as to the ideas and principles of the I. W. W.

While they are regarded as criminals and anarchists by certain people, others maintain that they are an extremely radical but perfectly legitimate labor organization. This paper holds no brief for radicalism; however it must be said in all fairness that it is not surprising to see radicalism thrive under present conditions; it would be surprising, indeed, if it did not thrive.

A careful and dispassionate survey of the facts, cold, cruel, undeniable, and generally known facts will plainly show why radicalism is sweeping the country, why we have I. W. W., and why trouble is brewing everywhere. Following is a list of the war profits that have been pocketed by a number of corporations in recent years: American Zinc, Lead & Smelting Co., 1,500 per cent; Du Pont Powder Co., 1,400 per cent; Bethlehem Steel Co., 1,300 per cent; Anaconda Copper Co., 400 per cent; Armour & Co., 350 per cent; United States Steel Corporation, 350 per cent; American Beet Sugar Co., 250 per cent; American Hide & Leather Co., 250 per cent.

Mr. President, my recollection, from the figures given in the minority and the majority reports, is that these figures are about right. The people have the facts. Take them altogether and they are as familiar with them as any Senator on this floor.

This list is, of course, incomplete and could be continued ad libitum. A profit of 100 per cent is regarded as enormous in normal times, but the reports of a good many corporations show that their profits have been many times larger.

Mr. BRADY. Mr. President, from what paper is the Senator reading?

Mr. JONES of Washington. I do not know. In clipping it the name was clipped off of it; but I know it is a paper from my State. It came from out there. I do not know what the paper is. The profits of Armour & Co. are given here as 350 per cent. That may be wrong; I do not know; but I know that many of these figures are just about right, according to the facts.

Mr. BRADY. Regardless of the paper, they are good facts.

Mr. JONES of Washington. Yes. The name of the paper would not add to or take from them.

Now, let us look at the reverse side of the picture. Wages have gone up considerably, but the average raise in wages since the outbreak of the war is only 18 per cent, while the prices of necessaries of life have gone up 85 per cent. It may be said that those profits are abnormal and will be reduced considerably as soon as the war is over. It may also be said that the present prices are abnormal and will not last. But these considerations afford scant comfort to the people with small incomes, and they constitute just about 90 per cent of our population.

The workingmen are well informed about the condition; they know that a number of corporations have been permitted to make profits that are out of all proportion; they read it in their papers and they naturally believe that they do not receive their proper share out of this golden blessing. Moreover, owing to the greatly reduced buying power of money the remuneration for their work is considerably smaller than in normal times. All this is perfectly clear, and it is bound to make malcontents and revolutionaries out of people who are otherwise conservative and not in the least radically inclined. So far the Government has failed to investigate the I. W. W. movement, but if it ever does it will probably find that the overwhelming majority of the members are not ardent supporters of the cause and perhaps do not even approve of the principles and methods of the organization. They have simply joined the I. W. W. to voice their protest against existing conditions, and in order to do so they joined the most radical organization they could find. No, indeed; it is not surprising that we have I. W. W., and they surely have come to stay unless economic conditions in this country are radically changed.

Mr. President, I am not vouching for the facts set out here. I am simply presenting this to show to the Senate, to emphasize what no doubt Senators know, how the people of the country are looking at this situation. They are not splitting hairs over percentages. They are not interested in the minute figures presented by the Senator from Utah [Mr. SMOOT]. They are interested in life, in happiness, in prosperity, in comfort, in fair treatment by their Government, in the success of their Nation in this war, and in an early peace.

I will insert here another article, without reading—an editorial from one of the influential papers of Seattle, which reflects the views of many of our plain people. Its language, I grant you, is extravagant, but many of our people are thinking these things. It is worth much to show them in this hour of trial that there is no basis for their belief.

[From the Seattle Star.]

SOAKING THE PLAIN PEOPLE.

Soak the plain people! It's the good old game of Congress, and it's in full swing right now.

While the plain people are at the height of patriotic fervor, registering for their country's service, registering to give their lives, if need and chance so will, Congress whangs them over the head with an unequal, unjust tax bludgeon.

The war-revenue bill as it stands, almost ready for passage, puts the burden on the poor.

There is little sign of conscription of wealth in this bill.

Such things as enormous incomes seem to have escaped the notice of the merry gentlemen.

No increase in inheritance taxes is provided.

Jewelry is overlooked.

But they got right after the little incomes—taxing them down as low as $2,000 for married men and $1,000 for single men. Millions are to be raised by stamp taxes on things that we must have to live, but the rich users of those things will pay no more than the poor users of the same things.

This must not be. There must be no such abuses as this while America's people stand ready for the supreme sacrifice in the interest of democracy.

If the plain people are to give their lives, the rich must give their cash, whether they are willing or not.

Congress has got to understand that.

Stiff inheritance taxes; good, strong taxes on incomes under $100,000 and 100 per cent taxation on incomes over that; and a proper percentage of all war profits—that is asking less than enough.

Compared to the tax that the poor must pay, even under the lightest levy, that would be letting the rich down easy.

Congress knows this, yet Congress goes blindly ahead, winking at great wealth and digging into the wages of the poor for all in sight.

This is not the way to fight a great war. All the people must pay their share. The poor are doomed to pay theirs. The rich must pay theirs also if this country is to be successful.

There's not a dollar of all the wealth in the country that has not been made by labor expended. It can all be replaced by more labor. And there's not a life that when once destroyed is not gone forever.

Because this is so we will not have wealth sneaking to protection behind the backs of bonehead Congressmen; we will not have wealth finding safety in the cloak rooms of Congressmen who have got so far away from the real people that they can no longer hear the wants of the people.

It is time that the dodo birds in Washington quit hatching conspiracies against the plain people.

Wealth must come out and fight as well as the poor. Democracy must rule in all things.

Mr. President, I have here a statement from a very responsible source, from a man for whom I have a great deal of admiration, although I do not agree with him in all things. I differ with him very radically sometimes; but he is a man of very great power, very great influence, and a man who, in my judgment, has as much individual power and control over men in this country as almost any other man in it. I have here a statement from Samuel Gompers, published in the Washington Post of the other morning.

Gompers urges peace-time profits and tax upon war's necessities—Labor head declares such a step would unify Nation behind Government's efforts—Opposes mortgaging future to pay for conflict.

Those are the headlines. Now, this is the article:

[By Samuel Gompers, president of the American Federation of Labor.]

There never was a war that afforded less justification for war profits than that in which our country is now engaged. The fundamental purpose of this war is to establish inviolability of human rights. In my opinion the rate of taxation upon war profits should be brought down to nearly peace profits.

For this war our Republic has felt justified in enforcing compulsory military service at the constant hazard of health, body, and life; to require the full man power in production and transportation.

That corporations, companies, and even individuals should have the opportunity to coin the flesh and blood of their countrymen into war profits is abhorrent to justice and humanity and in conflict with the very ideals for which our people and their allies are contending.

I want you to listen to this, Senators. It expresses my view, whether it does yours or not. It expresses my opinion as to what would result from the action that I think we ought to take, and it states the dangers of the action, in my judgment, that I am afraid the Senate will take:

WOULD WIPE OUT PROFITS.

No single determination would do more to unify the Nation behind the Government's efforts in this war and to establish a feeling of equity and security than to tax war profits that would virtually wipe out of existence profits resulting from the war.

It has long been charged that there are industries and financial interests which have even endeavored to provoke war, that they might profit thereby.

Mr. President, I do not believe that charge. I do not think there are financial interests in this country that desired to provoke this war; but I know that there are many people in this country who honestly think so, and, so far as I am concerned, I do not want, and I know that no other Senator on this floor wants, to lend color or basis to that contention.

Even now, despite the fact that America has joined in this world struggle for most exalted, fundamental principles and ideals, the false charge has been leveled against us that this is a war for profits.

By preventing profits from our present war's necessities, nothing would tend so much to enroll the spirit, conscience, and activity of our people in one great homogeneous task to win the war for justice, freedom, and democracy the world over.

ADVISES PEACE-PROFIT LEVEL.

In recognition of the unusual conditions attending war production, in my opinion the rate of taxation upon war profits should be brought down to nearly normal peace profits, and surely the history of industry of the United States demonstrates the fact that those profits are not niggardly to enterprise and wealth.

It is my judgment that it would be extremely unwise for our Government to raise all the revenue of this war for democracy and humanity through borrowing and mortgaging the future. Under the borrowing principle safe loans are made to the Government, for which full compensation is guaranteed.

Interest on loans, and often loans themselves, must be repaid by taxation levied upon the people and which, of course, fall more heavily upon the poor than upon the wealthy.

By taxation on war profits, incomes, and inheritance, our country can in a large part meet the expenses of the war as we proceed with that great enterprise.

Mr. President, as I have already said, it has been intimated that some of us who have been in favor of raising higher taxes than some think we ought to raise are disloyal and unpatriotic.

The papers of this morning all quote the speech of a man whom no one will charge with being unpatriotic or disloyal in the slightest degree. This man has a greater political following in this country than any other single man. He represents strong, earnest, virile Americanism to the American people as no other American. He is the very embodiment of the soul of patriotism. Theodore Roosevelt is quoted as saying that Congress should take excess war profits now up "to the limit of England." Will anyone charge him with disloyalty or with endeavoring to make the war unpopular? The Senator from Utah said we are above England. He has said that many times. From that percentage proposition of yesterday I am afraid the Senator may be mistaken. I know he is not intentionally mistaken. He thinks that he is right. There are too many different elements in the situation for any man to try to determine the action of the two countries in percentages, but as I have said time and again, Mr. President, I am not measuring this by percentages. We are a greater country than England ever was or ever will be. We can and ought to do what England never has done and never can do in the way of raising money and financing war. We may learn something from England's experience, but because she has done or not done this or that is no conclusive determination for our action. When we were conscripting men we did not follow her course. We did not delay because she had delayed. Nor should we delay in taking war profits because she delayed. My friend from Utah cites Canada as not taking much of wealth. Neither did she conscript men, but we did not follow her example in that. Neither should her fiscal action determine ours.

Mr. President, it has been suggested on this floor time and again that we are raising more money by this bill than any nation on earth has ever raised by a taxation bill before. That does not appeal to me. There has never been a nation from the dawn of time that has been confronted by such an annual budget as this Nation is confronted with now. Twenty-five billions spent and obligated by England in three years! According to the Senator from Utah, this Nation will be obligated to from nineteen to twenty-one billion the first year of the war, and his figures are likely too low.

Mr. President, the very necessities of the time, the very conditions that confront us, make this a period unlike anything in the world's history, and make it necessary for us to do and take differently from what any nation has ever been called to do and take in the past.

Two billion five hundred million dollars by this bill! Yet the needs of the Nation are $19,000,000,000! Mr. President, if we were to raise $4,000,000,000 of taxes by this bill there would be billions upon billions for the men who may want to buy bonds, for the men who may want to invest their money without making any sacrifice, to pass on to posterity in a double burden, to overturn our fiscal policies and bring panic and disaster to our industries and people when peace comes and brings a further concentration of wealth in the hands and under the control of the few.

I say, Mr. President, that in my judgment it is our duty to take of these profits while they are here. Nobody is trying to fool the people here; but do not think that the people will accept the argument that we should leave these profits now for a future tax bill. That tax bill may come when the profits of 1917 have gone the way of the profits of 1916. It will doubtless do so unless we take them by this bill.

Why is it that the committee have stricken out some of the provisions of the House bill relating to collecting from the profits and income of 1916? Why is it that they have refused to accede to the proposition that would reach back into 1916? They have not accepted that because they did not think that was fair and right and just. The men who have made those profits have distributed and have used them in their business. I agree with the wisdom of the committee in that, but I do not want to be confronted by a proposition of that kind with reference to the 1917 profits when the next tax bill comes here, as it will come next winter. I do not want to have it said then we can not tax this $3,000,000,000 of profits because they have been distributed, and it would be retroactive, unjust, and unfair.

Mr. President, the people know that if those profits are not taken to defray the expenses of the Government now they never will be taken. We will have another tax bill; it will come in before long; it will be here at the next session, and we shall have to raise a lot of money. The profits will have gone. We will have to take a greater percentage then of the profits of 1918 than we would have to take if we would take more out of the profits that we know we have.

The Senator from Illinois [Mr. Lewis] said we are likely to have peace in two months. If that is so, then the war profits would not come next year, and these profits will be gone, and the burden upon business will be greater and more oppressive in time of peace than it ought to be.

The majority say, "We will have another bill next winter; wait for that. We will have to tax then." We know we will have to do it. We know about what we will have to raise. Why not do it now? Why keep business unsettled? Let it know as soon as possible what it has to meet. It can then get active and do its work. You can not "manaña" successfully in war.

Senators talk about England. I have a statement here from the chief justice of England. His advice ought to be good to our friends of the majority. This is in the Washington Post of August 26. I like to take articles out of that paper, because the majority seem to put a great deal of reliance in it:

England sets example for America in drastic conscription of wealth—sound finance requires cost of war be met and burden not left for posterity, says Lord Chief Justice Reading.

Without reading this article, I ask that it may be put in the Record.

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

The article referred to is as follows:

London, *August 25, 1917.*

"Don't leave the burden of the war to posterity," was the advice to America to-day of Lord Chief Justice Reading in an interview.

England is now conscripting wealth to a degree not approached by any other nation, and still further increased taxes on incomes must soon be made.

Government figures to-day showed that revenues of the current year are estimated on a basis of $2,000,000,000 from incomes and excess-profits tax, against less than $700,000,000 from customs, excise, estate, stamp, and all other miscelleaneous taxes combined.

"The point has arrived when little measures will not suffice," the chief justice said. "Sweeping action is necessary. It is not a question of raising $5,000,000 here and $10,000,000 there, it is a question of raising billions."

In view of the debate now in progress in the American Senate over conscription of wealth and taxation for the war, Lord Reading was asked to outline for the American people how England is meeting the problem.

"Sound finance," he declared, "required that we pay for the war as far as possible out of war-time taxation. Britain, recognizing this, is now unprecedently conscripting wealth. And very soon she must greatly increase taxes on incomes.

"While the income tax has been increased from a shilling and three pence on a pound (approximately 31 cents out of $4.87) and in many cases of the largest incomes through a supertax to 8s. 6d. ($2.12), the limit has by no means been reached. (The rate specified here is slightly less than 50 per cent.)

WISDOM OF METHOD PROVED.

"England has proved the wisdom of this method I have outlined. She is able to face an extension of that principle as far as necessary and possible.

"The history of the United States, like that of England, has shown the fallacy of attempting to leave the burden of the war for posterity to pay. Germany on the other hand, practically disregarding a fair and democratic method, is raising only an infinitesimal part of her war expenses from incomes and war profits. In the future Germany will also suffer the consequences of this policy. Unfortunately, it is true, France and Russia are also pursuing it, but there is reason to believe that the United States plans to adopt the wiser and safer course."

Mr. JONES of Washington. Mr. President, I have taken much more time than I intended. I have referred to many more matters than I intended to refer to. These were brought out by interruptions.

I want to say, Mr. President, and when I say it I do not reflect upon the motives of anyone else, my sole purpose is to prosecute this war with the utmost vigor and power and energy, to prosecute it with all the resources of men and money that are necessary to bring it to a successful conclusion. I think we ought to act upon the theory that this is going to be a long war, and we ought to prepare for it on that basis. By doing so we are more apt to bring it to a successful conclusion within the time indicated by the Senator from Illinois.

Mr. President, we need men. We have taken them. We need money. Let us take it. We need to show to the people of this country that the Senate of the United States recognizes the sentiment throughout the country; that it proposes in levying taxes not only to encourage business but to encourage the efficiency of business; that it proposes to show to the people of the country that the Nation is theirs, that the fight is theirs, that they are going to be treated fairly and justly; and that every man and woman is expected to bear his or her burden and make his or her sacrifices in behalf of liberty and the preservation of our country, its rights, its institutions, and its proper place among the nations of the earth.

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

The PRESIDING OFFICER. The Senator from Nebraska 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	Fletcher	Hollis	Kenyon
Brandegee	France	James	King
Colt	Frelinghuysen	Johnson, Cal.	Kirby
Culberson	Gerry	Johnson, S. Dak.	Knox
Curtis	Hale	Jones, N. Mex.	La Follette
Fall	Harding	Jones, Wash.	Lewis
Fernald	Hitchcock	Kellogg	Lodge

McCumber	Overman	Sheppard	Thompson
McKellar	Page	Simmons	Trammell
McNary	Penrose	Smith, Md.	Vardaman
Martin	Phelan	Smith, Mich.	Wadsworth
Myers	Pittman	Smith, S. C.	Warren
Nelson	Poindexter	Smoot	Watson
New	Ransdell	Sterling	Weeks
Newlands	Reed	Sutherland	Williams
Norris	Shafroth	Swanson	Wolcott

The PRESIDING OFFICER. Sixty-four Senators have answered to their names. There is a quorum present. The question is on the amendment of the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. WADSWORTH. I understand it is not the purpose of the Senator from Wisconsin or perhaps of the Senator from North Carolina to press this amendment to a vote this evening, so that I can defer any remarks I wish to make.

Mr. SIMMONS. If the Senator is ready to speak this afternoon, I think this will be a very good time to make his speech.

Mr. WADSWORTH. It is quite immaterial to me when I speak.

Mr. LA FOLLETTE. It is a good time. We shall be glad to hear the Senator.

Mr. WADSWORTH. I fear I shall seem to those Senators who have listened to this debate to be somewhat unorthodox in that I shall not refer in any extended manner to some of the claims for credit that have been made upon the floor. It strikes me that we should endeavor to direct our attention to what the Senate is doing rather than to determine which Senator is doing it.

I have the greatest respect for the Committee on Finance, and I take this occasion to express my admiration for the work which it has done. At the same time I do not believe there is any member of that committee who would claim infallibility, nor will any member of the committee contend that there is much importance attached to the question as to where the credit shall lie for raising some of the rates in the bill since the committee made its report. The country, sir, is not concerned with the distribution of credit on the floor of the Senate as between the majority and the minority of the committee nearly as much as it is concerned as to what the outcome shall be. So with the permission of my colleagues I will not endeavor to throw any light upon that moot question which has been so often referred to.

Mr. President, I have listened to many of the addresses with very deep interest. The Senator from Washington [Mr. JONES] has made an exceedingly interesting address to-day, and I was particularly impressed with that portion of it in which he declared, at the beginning, his belief that this war was to be a long war, that it might not end within a year, and might go even further. I agree with him in the analysis of the military situation. It must be apparent to every person who endeavors to measure the forces that are at play in Europe and, in fact, over the world, that the contest is not drawing to an early close. The comparative disorganization of Russia, without any question, unless some other unlooked-for event takes place, may be said, I think, safely, to have added one year's time to the duration of the war. It is for the very reason, sir, that I am convinced we are in for a struggle which will last through a considerable period of time—and no man may prophesy accurately just what its duration will be—that I think it incumbent upon the Congress of the United States to build in its taxation measures a fiscal system which will withstand any strain which may be imposed upon it as the months and perhaps the years go by. If I could believe that the war would end within one year and that this, as a result, would be the only extraordinary tax bill to be presented to Congress, I would the more willingly follow the suggestions of the Senator from Washington [Mr. JONES] and the suggestions of those who have contended, as he has contended to-day, that we should greatly increase the rates of taxation.

Mr. President, it would be difficult to fix a limit to the amount of money which can be raised by taxation in the United States during one year; and if it would suffice to raise all we could in the year 1918—to actually conscript wealth in order to win the war within that period—and if it were possible to do it, I would not contend against the utter and entire conscription of wealth. But, Mr. President, we must exercise some caution, some prudence; we must direct our examination toward the future and attempt, if we can, to calculate the weight of the burdens which may come to us in the year 1919, in the year 1920, perhaps, and even, sir, the burdens which may come to this country after the war is over; for, to put it mildly, we shall be confronted with some exceedingly interesting problems at the conclusion of this great war. So I say that, while I would be willing to assess the most drastic and well-nigh confiscatory tax if I felt absolutely certain that this burden would have to be carried for only one year, by the same course of reasoning, Mr. President, I am opposed to assessing at this time overdrastic or nearly confiscatory taxes, because I am confident that we will have to carry these burdens for more than one year.

A good many efforts have been made during this debate to compare our condition with the condition of some of our allies, and to draw conclusions therefrom. That is a rather dangerous process, and some of the conclusions reached by that process can be very much in error. It has been said that we should do what England has done—not what England did at the beginning of the war, but what England is doing now. I shall not stop to compare the rates fixed in this tax bill as now written with the rates of taxation fixed in England at the beginning of the war, or the second year of her participation, or during this present year, but I shall endeavor to point out to the Senate that the industries and the commercial structures of England are on a very different basis than are the industries and the commercial structures of the United States.

England, sir, is an old country; her industries and her commerce have been long established. English bankers and merchants and manufacturers have been extending their operations all over the world since the close of the Napoleonic wars, at which time, if I remember history correctly, the great industrial and commercial expansion of England, coincident with the establishment of the modern factory system, commenced. It can truthfully be said that England's commerce and industries and banking have reached a degree of standardization that has not been reached in the United States; and I think the explanation is comparatively simple and must be conceded by any person who would compare the conditions of the two countries.

We are still expanding internally. Industrially speaking and commercially speaking we are still a new country; and I venture to say that it will be two or three or perhaps four generations before we shall reach that stage of standardization in our industries and business which is now occupied by the industries and business of England. It is, therefore, much easier, Mr. President, for an English statesman to measure the effect of taxation upon English industry. The cost of production within the borders of England of any article is practically uniform; the wage scales within the borders of England in a given industry are practically uniform; the charges for freight transportation in England are much less important in their relation to the cost of the finished product than are the transportation charges in the United States. England being a small, compact country, it is not nearly so difficult for the British Government to measure the effect of, we will say, a war-profits tax upon the industries of England, because their degree of standardization is so far advanced that it is reasonably known in advance just what burdens they can bear.

When the war broke out industry in England was not in a process of marked expansion; it was moving along settled lines, well-established channels; and a statistician or economist could calculate exactly what burdens the industries of England could withstand from year to year. So it may seem upon first thought that they moved more boldly than we have with respect to the rates recited in the respective tax laws. They appear to have taxed their industries at a little higher rate; but, Mr. President, our industries have been going through a remarkable evolution during the last three years, all the more remarkable because when compared to their condition during the three prewar years, which were subnormal, their prosperity appears comparatively large. Our three prewar years were abnormal years, just as our three years of the war have been abnormal years; and it is very difficult to take those two periods and compare them with the two like periods in Great Britain or even in France and say to the industries of America, "We will do to you exactly what England and France did to their industries."

It is perfectly true that some of the manufacturing industries of the United States have been tremendously prosperous during the last three years; it is perfectly true that some very large fortunes have been accumulated, although there are not nearly as many of them as some sections of the press would have the public believe. I think no one will contend that those fortunes and those industries should escape their just burden of taxation; but while we are attempting to measure the burden which they can carry—and they are the conspicuous few—we must take into consideration the burden which the average business institution can carry. When we come to the average business institution we do not find any such remarkable condition of affairs.

Much has been said upon the floor about the effect of this proposed tax law upon the United States Steel Corporation, upon the Bethlehem Steel Corporation, and upon the Du Pont Powder Co. I have been tempted to believe that there are some Senators here who think that our tax laws should be so framed as to suit and meet the conditions of those three companies without much regard to the great number of other organizations in the United States. So often have they been cited as examples, horrible or otherwise, that I have been tempted on more than one occasion to suggest that a separate tax bill be drawn applicable to them alone, and then we might get down to a discussion of a tax bill applicable to the ordinary industries of the United States.

There have been some rather remarkable comments made upon finance and economy in the discussion of the affairs of some of these great corporations. The Senator from Washington to-day stated very plainly on two or three occasions that he had no concern for percentages; that the people of the United States, the patriotic people of the United States, had no concern for percentages; but I think one is entitled to inquire how we are to measure any burden of taxation except by the percentage system? When a question is asked a Senator who is explaining his theory of taxation and that question includes an inquiry as to what percentage the net profits of a corporation bear to its invested capital and the reply is made that that is of no importance and of no concern to a Senator or to the public, I wonder how the industries of the United States would thrive under that kind of financial management, for before we do anything else in managing a business or writing a tax bill we must resort to percentages to find out where we are.

I fear also, Mr. President, that the impression has been created, or has been sought to be created, that the two or three great corporations that have been so often named and about which I know very, very little, are owned by one, two, three, or four men, respectively. One of the purposes of my question addressed to the Senator from Washington with respect to the United States Steel Corporation was to ascertain, if possible, what effect his theory of taxation would have upon the stockholders of the United States Steel Co., of whom, I believe there are 100,000, the great majority of whom, I understand, are comparatively poor people, many of them being mechanics working in the steel mills. But that apparently, according to the Senator from Washington, is not an important question; it is of no concern to the Senate or to the public.

Mr. President, it has been suggested that it would be a judicious and proper exercise of the taxing power so to fix the taxes upon war profits or excess profits, whichever we shall call them, as to leave no dividends to the stockholders. That was the clear intimation made in the argument this afternoon. May I suggest that we can do that for just one year, but after one year's attempt at any such taxation as that the United States would be prostrate and we would be defeated in this war? I think it well, sir, to straighten out a few of these ideas, if I may presume to do so or to attempt to do so, because, having been inserted in the RECORD, it goes out to the country that it is wise and proper to disregard the stockholders of corporations, who are American citizens and dependent by the thousands upon some dividends, at least, to maintain themselves.

We can not eat our cake and have it. As I said at the beginning, we can raise almost any amount of money the first year, but if we make it impossible for people to continue in business upon an expanding scale by taking away from them too much of their surplus or all of their surplus, at the end of one year the business of the United States will be stagnant.

There are only two directions in which business can move—forward or backward. When I used the term "stagnant," sir, I used an inaccurate expression, for a business that is stagnant is in effect going backward. No business stands still. It is either going forward or it is going backward, and the thing which should concern us more than anything else in writing a tax law, particularly in the first year of a war when to a large extent our tax measures must be experimental, is that we shall guarantee the continued expansion and forward movement of our industries. Mr. President, we can not have a forward movement, we can not have expansion of industry if the Government takes all the surplus profit. Instead, we are bound to have industrial collapse; and there is no more effective method of bringing our Nation to ultimate military defeat than by causing an industrial collapse through the imposition of taxes which will drain the country of its surplus of financial resources.

What are the functions of large profits? What are the functions of large incomes? I have heard it stated here that the large profits that have been heaped up by corporations during the last three years—and without any doubt there have been some very large profits—have been heaped up, and, to quote the language of the Senator from Idaho [Mr. BORAH] "have been stored away"; painting the picture to the public that these millions or billions, as the case may be—I do not count myself accurate in statistics—earned by our business concerns during the last three years have gone into the pockets of a few people and have been spent, if spent at all, solely upon luxuries; stored away, presumably, if the picture is carried out with due regard to the artistic necessities, to purchase automobiles, to build palaces, to maintain yachts. But, Mr. President, I venture to say that the vast majority of the so-called war profits have been reinvested in expanded plants; and thank Heaven, sir, that has been done, for had it not been done it would have proved impossible for us to equip our Army and our Navy for the war that we embarked upon last April.

Mr. HARDING. Mr. President——

Mr. WADSWORTH. I yield to the Senator from Ohio.

Mr. HARDING. Is the Senator from New York aware that one great concern in this country, whose name he has given in his very interesting remarks, received an order from a department of the Government requiring it to make practically a twenty-million-dollar extension, under the admonition from the governmental head that if these extensions were not made the Government itself would be impelled to take charge of the plant and operate it?

Mr. WADSWORTH. Mr. President, I have heard of that case. I have no personal or direct knowledge of it; but I believe the statement of the Senator from Ohio to be true that the particular corporation to which he refers invested $20,000,000 to expand its plant in order to meet governmental needs. Rather than calling it something reprehensible to have accumulated profits during this war, and rather than to try to arouse the prejudices and the passions of the people of the United States against concerns that have made these profits, I am glad that they have made them, in order that that corporation could marshal $20,000,000 to invest to meet the needs of the Government.

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

Mr. WADSWORTH. I yield again.

Mr. HARDING. I should like the Senator to put in the record of his very interesting speech the fact that the expansions were made to furnish the Government its needs at prices fixed by the Government.

Mr. WADSWORTH. My recollection of the incident is that the price is to be fixed by the Government at a later time.

Mr. WEEKS. Mr. President——

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

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

Mr. WEEKS. May I suggest to the Senator from New York that in all probability, if this company did invest $20,000,000 in additions to its plant at this time, when business conditions return to normal it will have to charge off about $10,000,000 in order to get back to the normal standard and to the costs which would have resulted in normal times?

Mr. WADSWORTH. Mr. President, the Senator from Massachusetts is entirely right, and I am inclined to believe that he has understated the matter. Upon the invitation of the Government, literally dozens and scores of these much-abused business concerns have used these so-called war profits, which the Senator from Idaho has depicted as being stored away in the pockets of the few, and are using them to-day in the service of the country to meet the needs of the Government by expanding their plants to construct field artillery, heavy artillery, shrapnel shells, and supplies of every kind and description for the Army and the Navy. We are fortunate, Mr. President, that that is the state of affairs under which we commenced this war.

Now, sir, we do not know how long this war is going to go on. This tax bill, if I remember correctly—and if not the Senator from North Carolina can correct me—is to take $1,200,000,000 of war profits in 1918 from this class of concerns; and it is not a confined class. It is a very large and widely extended class of concerns. It would be surprising, I believe—and I wish I had the figures here—it would be surprising, I believe, if the Senate could know how widely scattered are the industries which are called upon to support this Government in the operations of the war. We are to take $1,200,000,000 from them, which in all frankness I say is a pretty round sum. Of course it is possible to take more. We could take $3,000,000,000 from them if we waited until the end of 1918 and sprung it on them quickly. We could take three and a half billions from them; but where would we be in 1919? There would be no more expansion. You can not expect any man or any company, great or small, to build an addition to his plant on air. He can not do it by borrowing money if the tax rates are so high as to frighten away the banker. He can only do it by using his surplus, accumulated out of a prosperous year's business.

It strikes me, Mr. President—and it is with some hesitation that I again refer to this war-profits tax, because we have settled it; but the Senator from Washington [Mr. JONES] has constantly referred to it in his speech this afternoon—it strikes me that the committee has done the prudent thing, has done the wise thing. As the Senator from Washington says, this may not be our last tax bill. I am inclined to think it will not. It may be that we shall have to raise rates; it may be that we shall have to develop new forms of taxation if the burdens of the war become heavier and if it goes on for two or three or four years. But I venture to say that if some of the theories proposed upon this floor in the matter of taxation were written into this bill, and we did have in effect actual conscription of all the surplus profits, it would be our last tax bill.

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

Mr. WADSWORTH. I yield to the Senator from Utah.

Mr. SMOOT. Right in that connection I desire to say to the Senator there has been a persistent effort among certain Senators to create the impression throughout the country that we were not taking the percentage of profits that we ought to. I want to call the Senator's attention to the fact that many Senators in this debate have said that 50 per cent is the highest rate in any one bracket that will be collected from incomes. That is not so.

Mr. WADSWORTH. Sixty-three per cent.

Mr. SMOOT. Sixty-seven per cent. The present law imposes a tax of 17 per cent upon incomes over and above $2,000,000. Now, take the case of an individual whose percentage of the profits of a corporation earning 10 per cent per annum would be $1,000,000. Under the existing law and the pending bill we impose an excess-profits tax of 52$\frac{9}{10}$ per cent. On the $1,000,000 there would be collected $529,000. Deducted from the million dollars leaves $471,000. Then deduct the income tax on that amount, being 38$\frac{1}{10}$ per cent, amounts to $179,168.40, leaving for the individual, out of the $1,000,000, $291,831.60, providing he had no other income from any source. If his income was larger, the percentage of tax would be greater.

Mr. WADSWORTH. Mr. President, let me say, by way of comment on the figures presented by the Senator from Utah, that that would certainly seem to be at least an approach to the conscription of wealth.

Mr. HARDING. Mr. President, before the Senator from New York gets away from this very interesting phase of finance and industrial operations I should like to have him refer to the fact that the stocks and bonds of industrial institutions and financial institutions in the United States have very naturally been given their valuation from the activities and profits incident to the last three years. Naturally, therefore, these bonds are in bank as collateral to loans on values adjusted for three years of activity during the European war. Has the Senator contemplated the effect on financial problems of greatly reducing the value of these collaterals by excessive demands upon these concerns?

Mr. WADSWORTH. Mr. President, if you impair the collateral, the bank of course will ask for more collateral or call the loan, and then you have severe financial disturbance.

I think the same observations may be made with respect to personal incomes that may be made with respect to the profits of business concerns, partnerships, or corporations. It is perfectly true, sir, that any man can live, as the Senator from Nebraska [Mr. NORRIS] said this afternoon, on $15,000 a year It is perfectly true, he might just as well have said, that he could live on $10,000 or $5,000 a year. I have never felt any anguish over the sufferings of the rich during a war or at any other time. There is no means, whether by taxing or otherwise, by which we could starve the rich if we wanted to. They can always manage to survive by living on their capital. But there is a very important element other than the fixing of a standard at which any man may live and support his family and send his children to school, and that is the function to be performed by the surplus of that man's income.

The picture painted by the Senator from Nebraska would lead people to believe that the 121 persons—I think that is the number—who enjoy incomes in the United States of over $1,000,000 spend all that money for their personal luxuries, and that every man who happens to enjoy an income in excess of his actual living necessities spends it on idle luxuries. Mr. President, I venture to say that those who are fortunate enough to have these tremendous incomes spend a comparatively small proportion of them upon their living expenses. I venture to say, further, that the great proportion of the income goes back into productive activity in the form of new investments which build new concerns, employ more men, and develop resources all over the country. That is what has been going on in the United States ever since the Civil War—expansion, development. All of it comes, or nearly all of it comes, from making use of the surplus or the savings, whichever you choose to call it, out of the incomes of the people.

I think the best definition of capital that I have ever heard is that it is the organized savings of the people. Now, you are not helping the country, you are not helping the industries, you are not helping the war when you prevent people from saving; and I even apply that principle to the very rich. Do not think for a moment that I believe that the rates fixed in this bill are too high. I think the very rich man should pay 50 per cent on the top bracket; but the money even of the multimillionaire which he does not need and which he does not use for his own living expenses when reinvested and set to work in the form of organized capital and joined in with all the savings of all the other people in the country who save anything, is of more use to the United States for a two-year war or a three-year war or a four-year war than if it were all taken away from them and put in the Treasury in the year 1918.

Mr. LODGE. Mr. President——

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

Mr. LODGE. Is it not also true that for the surplus or the savings of which the Senator is speaking we must look principally for taking the loans?

Mr. WADSWORTH. Absolutely.

Mr. LODGE. The Senator can state better than I the effect on our credit.

Mr. WADSWORTH. Mr. President, the existence of a generous surplus, unendangered, unthreatened by any law, is the one essential for the carrying on of a great modern war, where industrial organizations and industrial activities are so important. We can not be sure that we shall come to a successful conclusion in this tremendous effort by so arranging things that we shall make just enough money to live on, becaue if we make any miscalculation in that we shall fall down into utter destruction. We have got to make a generous calculation of the surplus that we shall leave in the hands of industry, that it may be reinvested; that it may expand and take up any slack that may occur in our commercial or industrial activities from time to time. There must be a generous margin of safety. And when the Senator from Washington [Mr. JONES] says that if he had his way he would take, out of the $490,000,000 of estimated profits of the United States Steel Corporation for 1918, all but $90,000,000 and leave only that $90,000,000 of net profits for that corporation, he would wreck the Steel Corporation.

Our whole shipbuilding program would be destroyed. The company could not live beyond the year 1918. Ninety million dollars would not enable it to pay even a dividend worthy of the name to their stockholders, let alone having any surplus to meet the strain of the years to come. If we adhere to any such principle, if we adopt any such theory of taxation, we shall lose this war instead of winning it.

Mr. President, the Senator from Massachusetts has said something about our credit. Of course it is dependent upon the industrial and agricultural and commercial prosperity of the country. I would not presume to attempt to address the Senate on that tremendously difficult and important topic, except most briefly.

Mr. President, it may be said that credit depends upon two things. When a man goes to a bank to borrow money the cashier wants to know two things about him: First, his character, and one of our greatest financiers said he placed more importance upon the character of his prospective borrower than upon his assets; and, second, the comparative prosperity of the business in which he desires to put the proceeds of his loan.

We will assume, Mr. President, that American industry enjoys a good character. The next thing the lender wants to know is about the prosperity of the industry in which he is going to invest the money, not this year alone, but what will be its condition next year when he will have to pay interest, and the year after that when he will have to pay interest, and the year after that when, perhaps, according to the terms of the loan, the lender may want all his principal back.

The credit of the Nation is on the same basis as the credit of an individual, and if we shall so fix our tax laws as to lead the lenders of the country into the belief that our industries will not be prosperous a year from now or two years from now, and will not be permitted to accumulate and use a generous surplus the credit of the country will be hurt. We will not be able to float bonds with that readiness and facility that would otherwise be the case.

Now, it is apparent to every man who stops to think that we can not pay for this war as we go, at least we could not do it except we confined it to one year which is, I imagine, conceded to be impossible. We must borrow money. The Government must borrow money on the credit and faith of the United States, and the thing that underlies a Government bond is the potential prosperity of the industries and the agriculture of the country. The Government can not cramp and stagnate industries with one hand through the taxing power and expect to borrow all the money it wants with the other hand. You can not extract blood from a stone.

For one, sir, I believe that the committee, in spite of the criticisms that have been fanned into a flame against it, in spite of the idea that is sought to be spread abroad that the so-called swollen fortunes and swollen corporation profits are not taxed enough—I believe that the Committee on Finance has been endowed with a true vision in this matter and has looked beyond the year 1918 and endeavored to estimate and analyze what will be our condition in 1919 and has refused to take any chance which if ill taken would bring disaster to us in this war.

We can tell better when 1919 comes whether this bill taxes industries and profits and fortunes sufficiently. My humble judgment is that it goes just about far enough, just about what those industries and fortunes will bear in the first year of a war. At the very best, with due respect to the members of the Committee on Finance, it is largely experimental. Neither they nor I nor any other Senator can tell exactly what the effect is going to be, but I do believe most sincerely, Mr. President, that it is wiser for us to proceed a little slowly, so that we shall not make it impossible for us to proceed with lightning and irresistible speed in that day and year when America shall strike the decisive blow.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. LA FOLLETTE. I offer an amendment to the pending bill, which I ask may lie on the table and be printed.

The PRESIDING OFFICER. The amendment will lie on the table and be printed.

RECESS.

Mr. SIMMONS. Mr. President, many Senators have left the Chamber with the understanding that it would hardly be possible to secure a vote this afternoon. I move that the Senate take a recess until 11 o'clock to-morrow morning.

The motion was agreed to; and (at 5 o'clock and 5 minutes p. m., Thursday, September 6, 1917) the Senate took a recess until to-morrow, Friday, September 7, 1917, at 11 o'clock a. m.

HOUSE OF REPRESENTATIVES.

THURSDAY, *September 6, 1917.*

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

We bless Thee, O God our heavenly Father, for the ever abiding faith which in spite of the doubts, uncertainties, sorrows, and disappointments, binds us to Thee, which is ever moving us onward, upward to the better life, and promises the final consummation of all our longings, hopes, and aspirations.

Increase our faith and hold us close to Thee until we all come unto the measure of the stature of the fullness of Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

WITHDRAWAL OF PAPERS.

By unanimous consent, leave was granted to Mr. WOOD of Indiana to withdraw from the files of the House, without leaving copies, papers in the case of John Toliver (H. R. 19997, Sixty-fourth Congress), no adverse report having been made thereon.

ADDITIONAL BONDS.

Mr. KITCHIN. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 5901) to authorize an additional issue of bonds to meet expenditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend additional credit to foreign Governments, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 5901, with Mr. JOHNSON of Kentucky in the chair.

Mr. STAFFORD. Mr. Chairman, I move to strike out the last word of section 6. I wish to inquire of the chairman of the committee whether the Secretary of the Treasury gave information to the committee as to what interest these war-saving certificates would bear. I believe he stated 4 per cent?

Mr. KITCHIN. Four per cent.

Mr. STAFFORD. Mr. Chairman, I question very much, no matter how large a force nor how long that force may be employed, whether we will be able to raise by this method any amount approaching $2,000,000,000, as is estimated by the Secretary of the Treasury. It is a commendable idea to enlist the support and try to get the savings of the poorer classes, those employed at small wages, invested in war-saving certificates; but the history of the savings-fund stamp certificates issued by the postal savings banks does not warrant us in believing that there will be anywhere near $2,000,000,000 raised by this method in aid of the war.

Mr. KITCHIN. The gentleman understands that the postal savings fund draws only 2 per cent.

Mr. STAFFORD. I am aware of that, but I am further aware of the fact that the postal savings bank generally has been patronized largely only by certain of the foreign, the alien classes, in this country, who have been acquainted with that system of banking in their home countries. At the end of July, 1917, there was on deposit $136,000,000 in the postal savings banks of the country. Of that total $28,000,000 was deposited in the city of New York, $9,000,000 in the city of Brooklyn, and $6,500,000 in the city of Chicago. Those funds came largely from the foreign element in those cities. They were acquainted with the postal savings bank system in their home countries abroad. It is true that the depositors have to a limited extent used the postal saving stamp certificates in their deposits. When the postal savings bank bill was passed it was expected that in the course of a few years the total deposits would far exceed the amount they have now reached of $136,000,000.

In my investigation I was curious to ascertain whether during the period of our floating the liberty loan the deposits in postal savings banks had been lessened, and the head of the bureau informs me that during the month of June there was a material reduction in the average amount of postal savings bank deposits, aggregating only in that month $500,000, and that in July the postal savings bank deposits returned to the normal of about $4,000,000.

Mr. BORLAND. Was there any substantial withdrawal of deposits on hand?

Mr. STAFFORD. I did not make the direct inquiry, but I believe from the general information furnished me that there were no considerable withdrawals. In fact, as the gentleman knows and as the committee knows, the postal savings bank depositors under the law have two periods in the year at which to withdraw their funds to obtain postal savings bonds drawing $2\frac{1}{2}$ per cent, namely, January 1 and July 1. They are privileged to deposit during the year at interest $1,000 and an additional $1,000 without interest, but they can take out bonds for the amount of their deposits on July 1 and January 1. Although they had the privilege of withdrawing their funds from the postal savings banks and investing them in liberty bonds, nevertheless on July 1 these postal-savings depositors withdrew $700,000 of their deposits and invested them not in the liberty bonds paying $3\frac{1}{2}$ per cent interest, but in the postal-savings bonds paying $2\frac{1}{2}$ per cent, showing clearly that these foreigners who were domiciled in this country are not sufficiently acquainted with the existing current of affairs to invest in the higher-priced securities, but that they follow the trend of their native countries and invest in the lower-priced securities of the postal savings bank, bonds drawing $2\frac{1}{2}$ per cent. With only $136,000,000 as the total deposits in the postal savings banks, I question very much, especially in these times of high prices when the cost of living is so high, when flour costs so much and prices for food are maintained at a high level, that the laboring and artisan classes generally will be able to the extent of $2,000,000,000 in the course of any number of years to invest in these war-saving certificates bearing a rate of interest even of 4 per cent.

I do not wish to stand here in the attitude of a prophet, but I think the Government would be very fortunate, indeed, if it can secure as high as $500,000,000 instead of $2,000,000,000, no matter how energetic the postal officials and the Treasury officials may be in trying to have these certificates invested in by the laboring and working classes of the country.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HOWARD. Mr. Chairman, I wish to offer an amendment to page 9, line 5, which I will hand to the clerk.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment offered by Mr. HOWARD: Page 9, line 5, after the word "prices," insert the words "not less than four." In line 6, after the word "war-savings," insert the word "coupon." In lines 7 and 8 strike out the following: "On which interest to maturity may be discounted in advance at such rate or rates and computed in such manner as he may prescribe," and insert in lieu thereof the following: "bearing interest at the rate of 4 per cent per annum and issued for any desired amount from $1 to $1,000 in even dollars," so that the line will read, beginning line 5, "at such price or prices not less than four and upon such terms and conditions as he may determine war-saving coupon certificates of the United States bearing interest at the rate of 4 per cent per annum and issued for any desired amount from $1 to $1,000 in even dollars." In line 19 strike out after "$2,000,000,000" all the language in the section.

Mr. HOWARD. Mr. Chairman, as an amendment to the pending bill I have asked that section 6 be changed so as to read as follows:

SEC. 6. That in addition to the bonds authorized by section 1 of this act and the certificates of indebtedness authorized by section 5 of this act the Secretary of the Treasury is authorized to borrow from time to time, on the credit of the United States, for the purposes of this act and to meet public expenditures authorized by law, such sum or sums as in his judgment may be necessary and to issue therefor, at such price or prices, not less than par, and upon such terms and conditions as he may determine, war-savings coupon certificates of the United States bearing interest at the rate of 4 per cent per annum and issued for any desired amount from $1 to $1,000 in even dollars. Such war-savings certificates shall be in such form or forms and subject to such terms and conditions, and may have such provisions for payment thereof before maturity, as the Secretary of the Treasury may prescribe. Each war-saving certificate so issued shall be payable at such time, not exceeding five years from the date of its issue, and may be redeemable before maturity, upon such terms and conditions as the Secretary of the Treasury may prescribe. The sum of such war-savings certificates outstanding shall not at any one time exceed in the aggregate $2,000,000,000.

The plan of the Treasury Department as to these war-savings certificates was outlined before the Committee on Ways and Means by the Secretary of the Treasury as follows:

This plan contemplates the issue of a war-savings-certificate book, each page of which will represent $5, and any man who wants to invest—I will use round figures to illustrate—$4 and have it bear interest, can take it to his post office and buy a $4 stamp, which would be put in the book and canceled, and then he would have an investment with the Government which would accumulate interest at the rate of 4 per cent per annum for five years, and at the end of five years he would cash his certificate in at $5. He can then continue that accumulation until he gets $100, and then he can convert that, if he wants to, into a $100 bond. This method of war savings has been tried in Great Britain with very great success. They found that by bringing to the man of the smallest means the opportunity of making a saving in a simple manner they could not only add very much to the list of investors, but that they also had a very large resource upon which they could draw for the purposes of the war, and, in addition to that, they could encourage thrift and saving to a degree not heretofore thought of. The plan is to enable the smallest investor here to become interested in the bonds of his Government. Now, you may ask why we do not issue $5 certificates and pay interest on them every six months. That would mean that if we had millions of investors, as we probably should have and would have on this basis, the Treasury would be required each six months to pay 10 cents in interest on a $5 bond, which would manifestly be an impossible thing from an administrative standpoint.

It is better, therefore, to sell these certificates with the interest accumulated, so that it accumulates each year and is worth $5 at the end of the five years. Provision is also made in the bill that none of these certificates shall be held by any single investor beyond $1,000 in amount, so that they may be confined to men of small means; and it also provides that the Government will cash in the certificates at a lower rate of interest at any time upon demand of the holder, so that the man of small means, who buys a $5 certificate and finds himself under such pressure that he has to realize on it, can always go to the Government and get his money. In that event he would get a smaller rate of interest than 4 per cent; probably 2 per cent. It is necessary to give the man of small means this opportunity to cash in his certificate, because otherwise he might hesitate to come in. The British Government found that only one-tenth of 1 per cent of the amount of war-savings certificates they sold were offered for redemption, and I think we would have a like experience in this country if we should issue these certificates.

I am most strongly convinced, Mr. Chairman, that the idea of offering to sell Government obligations at a discount is a mistake, and will seriously impair the Government credit. Whatever may be the reason for selling a $5 five-year obligation of the Government at, say, $4.10—or at a price which, with 4 per cent per annum thereon, would amount to $5 at the maturity of the obligation—yet the effect of so doing in my judgment will be disastrous and will offer no compensating advantages. The class of people who will buy these war-savings certificates, and whose aid in financing the war is to be thereby secured, are not familiar with bonds or with the principles of finance. They do not know the distinction between discount and interest. They will doubtless question the ultimate value of an obligation which is offered to them at a discount. If it is explained to them that the 4 per cent interest is included in the face of the obligation, they will figure that 4 per cent on $5 is 20 cents, and that five times 20 cents is $1. Consequently they will argue that the $5 certificate should be sold to them for $4 instead of at, say, $4.10, which would really make the certificates bear more than 4 per cent.

I understand that the Treasury Department hopes to educate the people to an understanding of these nice distinctions; but the task is hopeless, so far as I can judge. The proposition is to sell $2,000,000,000 of these war-savings certificates, practically on a $5 basis. This means the sale of 400,000,000 of these $5 certificates, or an average of four such certificates to each man, woman, and child in the United States. It means educating the entire population in this matter within a few months. It can not be done.

Moreover, in practice my understanding is that the Treasury Department proposes to sell not $5 certificates but to sell stamps of varying denominations. These stamps are to be purchased and pasted in a book. When the amount of $4.10—or thereabouts—is so secured, the holder becomes entitled to receive for such $4.10 the sum of $5 at the end of five years from that date. He receives no interest during the period of accumulation.

Nor does he receive a certificate when he has accumulated the $4.10. In order to receive the actual certificate he must keep up this accumulating process until he has purchased stamps enough to entitle him to a certificate for $100. When this needed amount (about $82) is so accumulated in stamps he surrenders his book of stamps and receives a $100 certificate, payable in five years; and the interest on the various sums of $4.10 that he has accumulated from the time each $4.10 is purchased until the $100 certificate is delivered, is, I presume, to be adjusted in some way that I do not understand.

To complicate the matter still further, it is provided that not more than $100 of such certificates can be sold to any one person at one time, and that no person can hold more than $1,000 of them at one time. This means that an individual account must be kept with each person, in order to see that he does not violate the law. If every purchaser bought the maximum amount of $1,000 it would require 2,000,000 people to absorb two billions of certificates, and 2,000,000 individual accounts would have to be kept. The cost would be prohibitive, and there is no object in it. The Government needs the money, and I can see no reason for limiting the amount which its citizens are willing to lend it.

I could bring out many other reasons against the proposed plan were my time not limited. To me it seems impracticable, costly, unnecessary, and undesirable. I believe the reasons stated are sufficient to maintain this view, and consequently I will devote the remainder of my time to suggesting and advocating an alternative method, which can be used under the section as I have amended it.

From letters, discussions, and arguments which have been brought to my attention, I have been most strongly impressed with the necessity of creating a nation-wide market for Government securities, and I shall quote liberally from these in the argument I shall present in this connection.

It is submitted that the following statements can not be successfully controverted:

First. The people of the United States are to-day in better financial condition than ever before in their history. They are abundantly able to purchase any amount of Government bonds that may be offered—up to thirty or forty billions, if needed.

Second. They are unreservedly behind the administration in its efforts to speedily prosecute this war to a successful conclusion, and are willing to make any sacrifices necessary to that end.

Third. They absolutely believe in the principles of this Government, and are convinced that it has entered this war only to preserve the liberties of mankind, and to make possible the continuance of democratic institutions.

Fourth. They recognize that the Government of the United States is financially the strongest in the world, and that its obligations or bonds are the best investment that can be secured.

Fifth. They are willing and anxious to help the Government in any way that they can, and are constantly seeking guidance as to the most effective method of doing this.

Sixth. Taken as a whole, the 100,000,000 of American people constitute to-day the greatest potential market for Government securities that the world has ever seen. That potential market must be made actual to be effective.

Seventh. The wide distribution of Government securities among the masses of the people insures stability in the market value of Government bonds. It encourages and increases patriotism by giving to every citizen a financial stake in the Government; and by emphasizing to each citizen the fact that it is his Government, looking to and dependent on him; and needing his financial assistance, whether that assistance be measured in dollars or in millions.

Eighth. The creation of a country-wide market for Government bonds will be greatly fostered by a patriotic sentiment that each citizen should own a bond, and that the person who fails to help his Government financially is a "slacker."

But, on the other hand, the following statements are equally true:

First. The American people have never been educated in the direct purchase from the Government of its securities. Probably not one man in a thousand has ever seen a Government bond. Probably not even that percentage has ever owned one. Every citizen has been and is ambitious to own them. But Government bonds have heretofore been taken by the banks and by wealthy corporations and individuals. To the ordinary citizen they have been surrounded with mystery and have seemed unattainable. If he has ever thought of buying one, he has not known how to go about purchasing it.

Second. While the liberty-loan bonds have been offered in denominations as low as $50, yet there are many millions of our citizens who have not as much as $50 to invest. While many banks have arranged to allow purchasers to pay for their bonds in small weekly or monthly installments, there are many millions of our people who do not in these troublous times care to make promises for future payments.

Third. The man of small means; the wage earner, who has a small weekly surplus; the women and children, are accustomed to paying cash for their purchases. They want to see the goods before they pay the money. When they pay, they want the goods delivered. If satisfied with the goods, they will buy more of them next week, or whenever they have surplus funds.

Fourth. It is difficult to make the citizen of small means appreciate that his financial support may be vital to the Government. He can not understand that his few dollars may mean the success or failure of a transaction involving billions. He has never appreciated that these loans must be absorbed by the repeated investments of the small amounts available to the wage earners out of their weekly earnings.

Fifth. No effective public sentiment against the citizen who fails to help his country financially can ever be created while the minimum contribution which he can make is $50. The glory of our country is that it is no disgrace to be poor. No man can or should feel humiliation because he can not provide a minimum of $50. Such a sentiment can and should be created only when bonds are available at accessible points in any desired denomination from $1 up. Then not only every man, but every member of every family, can fairly be expected to help according to their means.

Mr. Chairman, the financing of a war for the preservation of democracy should be upon all the people and should be conducted in the most democratic manner. With universal service, rich and poor alike must render military aid. Likewise, rich and poor alike should render financial service, according to their abilities. To each should be offered for sale an exactly similar bond, differing only in amount. These bonds should be offered in any desired denominations at convenient and accessible points, namely, post offices, banks, express offices, and so forth. The man with $1 or $3 or $10,000 should alike be able to see the goods which he is expected to purchase, and to receive them immediately when paid for. The same facilities should be offered to all, as is now the case at the post offices, where the purchaser of a 1-cent post card receives the same treatment as the purchaser of $10,000 worth of stamps. The $1 loaned by the poor newsboy should be received in the same spirit as the five million loaned by the great corporation. To each should be given a coupon or registered bond, as desired, similar in appearance and differing fundamentally only in amount.

We can not have a really popular loan until bonds are offered at convenient points in any desired denominations to all the people, and until thereby it can be impressed on every man, woman, and child in the country that the Government needs their continued help and has provided for securing it by furnishing equal facilities to all alike by offering its bonds in any desired denominations from $1 up.

While it may be claimed that the sale of a $50 bond by the banks on a $1 weekly installment payment encourages thrift, yet this argument fails in the last analysis. If a $50 bond sold on the installment plan encourages thrift, a $100 bond sold on the same plan will encourage it more, and a $1,000 bond still more. Then why sell bonds smaller than $1,000? But the trouble is to get your customer to buy at all. The sale of war bonds can not wait until the American people are educated in thrift; it can not be made contingent on the idea of having our citizenry convinced of the wisdom of pledging their future earnings to the purchase of unfamiliar goods or securities. First let them buy the goods in small quantities and become familiar with their quality. This in itself will educate them as to their value and encourage them to further investment.

When a new and meritorious article is put on the market, frequently the manufacturer offers sample packages to the public, costing a nominal sum, or even gives away these packages, so that they may test the value of his wares, recognizing that a knowledge of this value and familiarity with its merits will create and build up a large retail trade. His problem is to familiarize the people with his goods and their merits, to start them buying. In this way he creates the demand that ultimately builds up the large and successful business.

The same principles must apply to the retailing of Government bonds. They must be sold not only to the thrifty but to the improvident; not only to people familiar with savings-bank methods but to people who never heard of a savings bank. Their sale can not wait on the education of the people in habits of thrift. They must be used as a means of so educating them. There is no valid reason why the man with $1 should be asked to deal with the Government indirectly. Under the $1-per-week installment plan he must deal through a bank, which he may mistrust. Until he completes his installment he has only the receipt of the bank as evidence of his payments. Why should not the Government directly give him its receipt for the amount paid in the shape of its $1 or $3 or $7 bond and be educating him in and familiarizing him with Government securities during the installment period?

Three things are essential to successful retail salesmanship: The goods offered must be of satisfactory quality; they must be offered at convenient and accessible points, where the prospective purchaser can see and examine them; and they must be offered in form and size of package to meet the wishes and the financial ability of the customer. These requirements are as essential in selling bonds as in selling groceries or dry goods.

And it must be remembered that in offering its bonds directly to the general public the Government has become a retailer; it has eliminated the middleman or wholesaler, and it must observe the principles which apply to all retail selling.

The dry-goods house which offered ladies' suits costing $50 but nothing cheaper would have a very limited trade, even though it offered to sell these suits on installments. In order to do a volume of business they must offer suits at varying prices to meet the requirements of all the community which they serve.

This is the day of small things. One of the greatest businesses in this country is the moving-picture business, where 5 and 10 cents is charged for admission and where the returns are based on the volume of business done.

The street car business, with its hundreds of millions of invested capital, is based on a 5-cent fare.

The Post Office, with its hundreds of millions of income, is largely based on the 2-cent stamp.

The same principle, I should judge, must apply to Government financing. In order that the full financial power of the Nation may be developed, Government bonds must be in denominations to suit the requirements of all the people, and must be offered for sale at points where all the people can buy them.

I understand that the Boy Scouts are required to earn and deposit in bank $1 as a condition of becoming a second-class Scout. The organization could readily require these boys, in place of this, to own a Government bond for $1. This would emphasize the patriotic purposes of the organization and help the boys to appreciate that they were aiding their country. Likewise, with men and women of small means.

Mr. Chairman, the new tax bill will fall very heavily on men of large means who ordinarily buy securities of this class. The investment funds held by people of large means consist in the income from money already invested. They do not keep on hand enormous amounts of uninvested capital. The Government is taxing this income very heavily. The demands for additional capital by railroads and industrial corporations to furnish facilities needed for war requirements will result in large inducements in the way of interest and dividend returns, which will tend very largely to absorb the investment capital held by people of large means. They will say, and with some show of justice, that they have already invested largely in the liberty bonds, and that they are contributing largely to the cost of the war through the enormous tax on their income. They will maintain that, under these circumstances, there can be no criticism of their investing the remainder of their surplus income in industrial enterprises. And such investment by them in industrial enterprises will be absolutely essential to enable these industrial enterprises to expand and enlarge their activities so as to meet the war requirements of the Government. As a result, I do not believe that the men with large incomes can be counted on to absorb the great future bond issues which the Government must put out.

On the other hand, the wage earner will be in a better position than he ever has been. The expenditure of these enormous sums borrowed by the Government will necessarily increase wages and give every man a job. These wage earners, taken as a whole, can contribute millions upon millions weekly to the help of the Government, provided the Government offers its securities in amounts suited to their purse and provided these securities are sold at convenient places. To do this, of course, the Government must impress on the wage earner and small investor that their cooperation is essential, that the Government is dependent and must be dependent upon their assistance, and that it is their patriotic duty to invest, and to continue to invest, from week to week their surplus earnings in Government bonds.

In my humble opinion the wisest thing that the Treasury Department could do would be to establish a bureau to handle the flotation of Government securities during this war. That bureau should immediately adopt some method by which coupon bonds could be sold at post offices, banks, express offices, and other local points, including large manufacturing plants and railroads, in any denomination from $1 up, to the masses of the people. That bureau should, through the newspapers and through all means of legitimate publicity, impress upon the people that each one of them must help, and that no contribution is too small to be received. It should impress upon the people the need of the country for financial backing and the fact that this is a Government of the people, by the people, and for the people, and unless all the people support it according to their means it can not succeed. The quicker the Government realizes the necessity of putting itself in touch with this inexhaustible market composed of all the people, and of dealing directly with the people, and of impressing upon the people that they must all support the Government, the better off it will be. Unless they do this there is going to be great difficulty in floating Government loans, with a consequent unfortunate effect upon the war. I am very firmly of the opinion that unless they do this and do it quickly Government bonds will go to a discount and sell below par, or else a much higher rate of interest will have to be paid, because the man receiving a large income and paying a large part of that income in taxes to the Government is not going to invest the balance of his surplus income in Government bonds as a matter of sentiment or patriotism. If the Goverment depends on him for additional help after he has already subscribed to large blocks of bonds and after he has paid about half of his surplus income in taxes, then the Government must offer him a security, paying a rate as high as the interest or dividend returns upon the railroad and industrial bonds and stocks that will unquestionably be offered to meet the enormous war requirements of the situation.

I am convinced that the wisest thing that could be done would be the establishment of such a bureau as suggested in the Treasury Department, and the adoption of some method for the sale of bonds in any denomination from $1 up at convenient points, and for a campaign of publicity as indicated. The people have got to be convinced of the seriousness of the situation and of the necessity of universal help. Moreover, such a plan would enormously increase patriotic feeling and help the Government indirectly about as much as it would directly.

I understand that in England one person in every six owns a Government bond. If the ratio of ownership were the same in this country, there would be about 17,000,000 holders of Government bonds. With a denomination as low as $1, I can not help but think that probably forty or fifty million people in this country would ultimately purchase and trade in Government securities, creating the broadest market and the most stable market that has ever been built up in human history.

It is very possible that a bond of small denomination would be used to some extent as a currency. It would not be a legal tender or debt, because the legal-tender qualification would not be given to it. The bonds (even for $1) with coupons attached could be made payable, both as to principal and interest, to the purchaser, if desired, thereby restricting their negotiability and making necessary the indorsement by the purchaser of the bond and each coupon in order to accomplish a transfer. Or the bonds could be made payable to the purchaser and the coupons made payable to bearer, or both bonds and coupons could be made payable to bearer.

While it might be true that the bonds of small denominations might become a circulating medium and be used as currency to a certain extent, is not this rather an advantage than a disadvantage, and what is the objection to it? The bonds and coupons are obligations of the Government, payable at fixed times and not before. It is immaterial to the Government whether they are held by Smith, Jones, or Brown, so far as their payment is concerned. On the other hand, if Smith, who purchased a bond, knows that he can at any time dispose of his bond either for cash or for groceries or clothing or for any other necessaries, and that he will not have to get a broker to sell it for him, will not Smith be more disposed to put his surplus earnings into a security which is cashable at any time, and which he can dispose of at the corner grocery or cigar store whenever desired?

Regarding the details involved in paying a large number of small coupons, I do not think that this is a fair objection. In the first place, the simplest method ever devised for paying interest is through the coupon bond, where there is a separate slip of paper or coupon for each interest payment. These coupons would be Government checks for a specific amount, payable on a specific date at the United States Treasury. In actual practice the coupons would be cashed by local stores, turned into the local banks, tabulated and arranged by them, forwarded by them to the Federal reserve banks with machine-made lists of the same, and credited by the Federal reserve banks as cash, being then forwarded by the Federal reserve banks to the Treasury for payment. In other words, under this arrangement the work of cashing these coupons would be carried on almost entirely by the banks, who would gladly do the work in order to get the money on deposit, and the direct burden of labor on the Treasury would probably be smaller than is necessary where the Treasury issues bonds in large denominations only and issues its checks direct for the payment of interest.

I appreciate, however, that at first glance there would appear to be an enormous cost and an enormous amount of detail work involved in the engraving of separate forms of coupon bonds for each denomination from $1 up. I happen to know, however, that this apparent difficulty has been met and overcome. A party whom I have met has worked out a form of coupon bond by which with only one form a bond can be issued in any amount from $1 up with coupons attached. The value and due date of these coupons are mechanically indicated at the time of issue of the bonds so as to correctly accord with the face of the bonds. This device has been fully explained to the Treasury Department, and, while it has been patented, the owner has offered its use to the Government free of cost for the sale of these war-savings certificates.

Believing that the plan outlined in the bill is impracticable and that a better plan is available, I have offered the amendment in the belief that it will simplify and aid this financing of Government requirements and will hasten the time when all Government issues of bonds will be offered to the people directly in any desired denominations and at accessible points—the time when the Government will deal directly with its citizens in all its financial matters.

Mr. HULL of Tennessee. Mr. Chairman, the section of the bill which my friend from Georgia attacks is not a new method of financing by any means. This provision was taken evidently from the English and Canadian provisions, the advantage of which has been thoroughly tested and tried out in a highly successful manner during the present war.

The theory on which it seems to have been based is the policy of utilizing, not this one method of short-term financing, but several similar methods, in connection with long-term loans. The English policy, which has worked so admirably, has embraced, along with this war-saving certificate plan, three or four other short-term plans. They have the war-expenditure certificates; they also have the exchequer bonds and the treasury notes or the treasury bill in addition. They have, in other words, about five different kinds of issues of a short-term character, the purpose of which is to drain into the treasury every day in the year the accumulations and savings and profits of the public.

That policy enables the treasury to supply itself with funds at every stage of the war. If we should rely upon long-term bonds alone we would have to issue them constantly. Under the present method of financing in England they have had only three long-term loans. They have had them at distant intervals. They have resulted in not only securing new money, but in absorbing excessive and other portions of this short-term paper that has been issued for the purpose of accumulating in the treasury the profits and earnings of the people as they accrue. As I remember, they have been able to derive some $500,000,000 so far under the war-saving certificate plan, and I think that in view of the fact that England has financed more little wars and more big wars than any other country on the planet, and inasmuch as she has tried out this and these other short-term methods for three years with entire success, we would do well to adopt her example.

Mr. HOWARD. Mr. Chairman, will the gentleman yield?

Mr. HULL of Tennessee. Yes.

Mr. HOWARD. Why did the committee see proper to limit the investment in this particular character of bond to any one individual to a thousand dollars and to limit the investment at any particular time to $100, when these bonds bear identically the same rate of interest as the bonds issued in $10,000 blocks? Why not allow an individual to spend $5,000 if he has it?

Mr. HULL of Tennessee. Mr. Chairman, that brings up a somewhat general discussion to cover the entire question. It has been found that there are different types of people. Some prefer to put their savings in the postal savings banks. Others prefer to deposit them in the private savings banks. Still others prefer to put them in the long-term bonds. It depends upon their condition and the use to which they expect to place their earnings. It depends whether they want to utilize them to-morrow, or next week, or perhaps not until the expiration of some years. It depends entirely upon their conditions and surroundings.

Now, to illustrate: When the last English loan was made the friends of the English postal savings banks were very much alarmed. They thought that a 5½ per cent loan of a long-term character would result in withdrawing all deposits from the postal savings banks, which received only 2½ per cent interest under the law. But quite the contrary was the case, although there were considerable withdrawals. When the $5,000,000,000 loan was floated, paying 5½ per cent interest, only $90,000,000 was withdrawn from the English postal savings banks, and on the occasion of the previous 4½ per cent loan only $120,000,000 was withdrawn from the savings banks. This only illustrates the fact that there are different classes of people in this country whose purposes would incline them to adopt one or another or still a different kind of these temporary certificates or temporary loan agencies that are proposed in this measure.

Mr. GREEN of Iowa. Mr. Chairman, as the gentleman from Tennessee [Mr. HULL] has well said, the system that has been proposed in section 6 has already been tried out and tested. My friend, the gentleman from Georgia [Mr. HOWARD], is always interesting, invariably entertaining, and often instructive; but I think he can hardly have studied this paragraph with sufficient care, or even his own proposition.

Let us understand, in the first place, the object of this section 6. It is to encourage and stimulate thrift amongst the classes that have not heretofore practiced it. These countries that have been in war, notably England and Canada, have found as the war progressed that there were certain industries highly stimulated by the war, in which high wages were paid, far above anything that had ever been paid before, and that the working classes who received these wages were inclined in many instances not to use their money for useful purposes. For instance, the sales of jewelry, especially cheap jewelry, largely rose in England; the sales of cheap silks greatly increased, and it became evident that if possible the waste in this form ought to be stopped. So this system was established for the purpose in England and Canada of encouraging this sort of thrift and stimulating the investment of savings among the people Committees were organized, something on the line of committees organized to stimulate the sales of liberty bonds. Working people were encouraged to invest. They were getting higher wages than they had been receiving before, and there was a possibility of their saving, and by personal appeal they were asked to put their money in this class of bonds. These efforts were highly successful.

But I think, as the gentleman from Wisconsin [Mr. STAFFORD] said—and I agree with the gentleman from Georgia [Mr. HOWARD] there also—that unless some effort is made to stimulate the interest of our working people and to market this class of bonds there never will be any $2,000,000,000 of them sold, and I do not know that the Secretary of the Treasury ever contemplated that there would be that amount. But it was desired that a limit should be placed upon this class of bonds. To me the reason why a limit is placed in the latter part of this section upon the amount that may be purchased at any one time, and on the amount that any person may hold, is because special privileges are, or at least may be, given to the holders of these certificates. The House will notice, of course, that there is no specific rate prescribed upon these bonds.

It is expected that they will be marketed at about 4 per cent, but the privilege of discount is given, which would slightly raise the rate of interest. In fact, it is intended that some slight inducements should be given, in order to make it an object to the working people to invest their money in these bonds, and if possible largely increase their savings. No account will be required to be kept. That is one thing that is fully provided for. The discretion of the Secretary of the Treasury is such that he can prescribe this stamp system of noting and keeping track of the amounts that have been paid in on these bonds, so that it will not be necessary to keep any account. These bonds can be marketed through the postmasters in that way. Stamps can be affixed to a card. No record whatever is necessary.

My friend fears that some people might violate the provision with reference to the total amount which they could possess, and he says it will be necessary to keep some record to avoid that. Possibly that is true, but I have no fear that anybody, for the sake of the slight advantage that there would be in these bonds over other bonds—it is very slight indeed—would ever violate this provision forbidding him to hold over $1,000 in amount.

So that on the whole this provision has been very carefully worked out, as it seemed to the committee, and it met with the unanimous approval of all of its members. I think that the amendment offered by the gentleman from Georgia [Mr. HOWARD] should be rejected.

Mr. MOORE of Pennsylvania. Will my colleague yield before he takes his seat?

The CHAIRMAN. The time of the gentleman has expired. The gentleman from Pennsylvania [Mr. MOORE] is recognized.

Mr. MOORE of Pennsylvania. Mr. Chairman, I desire to say that of all the matters brought to the attention of the Ways and Means Committee by the Secretary of the Treasury, none received his more cordial indorsement than this war savings proposition.

There are two questions about this paragraph to which I had expected to call attention, but I will leave them for discussion by the chairman of the committee, if he cares to enter into the discussion. One is that this is a new departure, in that the interest is practically paid in advance. The certificates are discounted, and not paid in full until maturity. Hence what would appear to be an available $2,000,000,000 for expenditures for war purposes will necessarily be cut down to the principal minus the interest virtually paid in advance. In this particular case, if the certificates should be taken out in full, and should run to maturity for the full period of five years, there would be available for expenditure not $2,000,000,000, but $1,600,000,000.

The other point to which I desire to call attention, and which I think the chairman of the committee ought to explain, affects deposits in savings funds throughout the country and in other institutions that are intended to encourage thrift. This second proposition is that while the matter of the fixing of the rate of interest is left to the discretion of the Secretary of the Treasury, in this instance it appears, as his plans work out, that he would probably pay in the end more than 4 per cent interest. I think he conceded that he would be obliged to pay a fraction more than 4 per cent. That may have its effect upon savings funds elsewhere, and it may also affect the sale of the other bonds; because if these war-savings bonds are to be sold at more than 4 per cent, it may be that some persons who would otherwise invest in the regular bonds would seek these bonds to the prejudice of the others.

Mr. CLARK of Missouri. Mr. Chairman, I ask unanimous consent to proceed for not more than 30 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri [Mr. CLARK]?

There was no objection.

Mr. KITCHIN. Will the gentleman allow me just a minute before he begins?

Mr. CLARK of Missouri. Certainly.

Mr. KITCHIN. Mr. Chairman, I want to say with respect to this provision, in reply to the suggestion of the gentleman from Wisconsin [Mr. STAFFORD], that it is not expected that we will get $2,000,000,000 or $1,500,000,000 in one year from the war-saving certificates plan. If we get $1,500,000,000 or $2,000,000,000 during the existence of the war it will be money well and easily procured. I think we will get at least $500,000,000 within the next 10 or 12 months. We can issue the certificates any time during the war—the last year of the war, the last months of the war, but their maturity is not to extend over five years from the date of issue and there shall never be outstanding at any one time more than $2,000,000,000.

The reason and wisdom of this provision has been so well stated by the gentleman from Iowa [Mr. GREEN] and the gentleman from Tennessee [Mr. HULL] and by the suggestions in the remarks of the gentleman from Illinois [Mr. MADDEN] that I will not further discuss them.

I wish, however, to refer briefly to the plan suggested by the gentleman from Georgia [Mr. HOWARD], since he is pretty confident that if he had an hour he would convince 99 out of every 100 Members of this House, and I think he was sincere in that belief.

Mr. HOWARD. That is, provided everybody was listening.

Mr. KITCHIN. In his 10 minutes talk he may have convinced, perhaps, a proportionate percentage of the Members here that his plan is plausible, feasible, and sound. The best thing about his plan is the foundation for the picture that he drew of the farmer coming to town and going to the post office and putting up his hard-earned dollar and getting a dollar bond of the United States Government, carrying it back home and showing it to his wife and children and saying, "Old lady and children, I am a bondholder, I am the owner of a bond of the United States of America." He says that millions of the American people are unable to buy more than a dollar's worth of bonds.

Well, suppose we should reduce the denomination of the bonds down to $1 and make them coupon bonds, as his amendment provides, and put on each $1 bond running for five years 10 coupons of 2 cents each, the interest payable semiannually. Just imagine this old man going to the post office and buying his $1 bond, carrying it back home and showing it to his wife and children. Then, when six months have rolled around and coupon-clipping time has arrived, he calls them all around the fireside and they get out the scissors and he clips off of that $1 bond a 2-cent interest coupon, puts it in an envelope, puts a 2-cent stamp on it, and sends it to the Treasury, and then anxiously waiting for the United States to send him back a Treasury warrant or check for 2 cents interest. [Laughter.] Then, at the end of another six months the family gather around, his wife gets out the scissors and he clips another coupon for 2 cents interest, puts it in an envelope and places a 2-cent stamp on it, and sends it to the United States Treasury and gets back another 2-cent check. What emotions of pride, what a bond-holding, coupon-clipping sensation would fill his heart! [Laughter.] I want to say to my friend from Georgia, on behalf of these millions of poor folks who, he says, will take his dollar-coupon bonds, that the only thing they would get out of their investment would be the pride, emotion, and sensation. [Laughter.]

Mr. HOWARD. The gentleman from North Carolina has a most vivid imagination and sometimes draws upon it at great length. The gentleman from Georgia made no such preposterous proposition.

Mr. KITCHIN. It is in the gentleman's own amendment. Did he not strenuously contend for a dollar bond and did he not picture the old fellow going home with his dollar bond and exhibiting it to his family?

Mr. HOWARD. I said these bonds ought to be sold in multiples of a dollar and exchanged for a larger bond when they had accumulated a certain amount.

Mr. KITCHIN. Is it possible that I misunderstood the genman? The gentleman was in favor of providing bonds of one dollar up to a thousand. Here is his amendment. It provides for coupon bonds of denominations of $1 up to $1,000. Under his provision you would have to have a hundred thousand clerks, and how many million pages of bookkeeping would you have to have to keep track of these little bonds to the number of millions? How many million warrants and checks would have to be drawn for each 2 cents semiannual interest, and so forth?

Mr. HOWARD. How many million stamps will they have to have under this provision of the bill?

Mr. KITCHIN. It would take 1,000,000,000 American people each buying one of these dollar bonds in order to raise a billion dollars revenue for the Government. I really do not believe that the plan of the gentleman is feasible. [Laughter.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The question was taken, and the amendment was rejected.

Mr. CLARK of Missouri. Mr. Chairman, I am not going to make a speech, but I am going to make some remarks. I begin with two or three which I hope the gentlemen in the Press Gallery will see to it are printed in every newspaper in the United States. A great many people, newspapers and others, have been jumping on Congress from time to time with more or less vigor for not expediting the business of this colossal war in which we are now engaged. I have a right to speak for the House of Representatives. [Applause.]

I undertake to say that no House of Representatives in the same length of time has transacted as much business as this House has transacted and of the most vital importance. [Applause.] It has done it with great expedition, and I am not certain but that it has acted sometimes with too much expedition.

They criticize the House for taking two whole days to pass a $7,000,000,000 bond bill, the vastest sum ever raised that way by any legislative body in the entire history of the human race. They pounded us because we did not do it in one day! I am not going to say a word about the other branch of Congress, but I do say that this House has done its duty and its whole duty, and has done it with great rapidity. [Applause.] The truth is that there has been no trace of politics in it. [Applause.] I am glad to say that the Republicans have acted just as faithfully and promptly as we have. [Applause.] A man sitting up in the gallery during this session of Congress, who did not know the Members, could not have told to save his soul whether this is a Democratic House or a Republican House, except that I preside over it. [Applause.] And I am not certain that he could have told then because it took three of the five independents to make me Speaker. [Applause.] As a matter of fact I got four of them, in addition to all the Democrats. I think I owe it to the House to say these things I have said. Surely others should be just enough to repeat them by telling the truth. If they want to pound anybody, let them pound the people that ought to be pounded and let us alone. [Applause.]

This has been a very illuminating debate on this bill. There has been no rhetoric or skyscraping oratory, but I sat here all day yesterday and listened to the debate, and it was exceedingly illuminating.

I am going to clear up two or three misapprehensions that some gentlemen entertain. The gentleman from Pennsylvania [Mr. MOORE], who is a very active, energetic, and able man, expressed the fear yesterday that these foreign nations would repudiate these loans we are making when some new government came in. There is not a particle of danger of that, not a bit in the world. No great nation in the history of mankind ever repudiated its public debt so far as outsiders are concerned.

I will give you a sample. From 1789 until 1871 the French Government underwent these various changes. In 1789 they had a Bourbon king; they chopped his head off and established a committee of public safety. They got tired of that and drove them out, or put the snuffers on them, and established a directory.

It was so feeble that Napoleon came in and established a consulate first and then the Empire. Then the Bourbons came back and held on until 1830, after Napoleon was sent to St. Helena. In 1830 Louis Philippe was made King of the French—not of France, but of the French. He held on for 18 years until they ran him out in 1848 and established a second Republic that lasted three years. Then Louis Napoleon became Emperor and was Emperor for 18 years. Then for a very short time they had a government by the Commune, and in a short time they established the third French Republic, which seems to be founded on a rock. [Applause.]

France went through all these changes, and yet they never repudiated a single dollar of the public debt of France created by any of these varieties of government. [Applause.] I ought to state frankly that during the French Revolution they issued so many assignats that they went down almost to zero. They were held by the French people and not at large by the world. They took them up and issued new assignats and cut down the volume by two-thirds, basing the new ones on land securities, land which they took away from the Catholic Church during the Revolution. There is no doubt in the world that even if the Czar should be restored to-morrow, out of respect for the opinion of mankind—for that is what does it—he would recognize these debts made by Kerensky and the rest of the revolutionists.

I desire to clear up these outside matters first. The other day I said in interrogating my friend from Michigan [Mr. FORDNEY] that since this Government was founded there have been but two years when we did not have a national debt. As a matter of fact, during those two years we did have a national debt of $7,000, because they never could find the people who held the bonds. We started in with a national debt, which was created by the Revolutionary War. It was increased by Hamilton's assumption act, which assumed the revolutionary debts of the various States. Mr. Speaker CANNON intervened to make it appear I was mistaken about what I was talking about, which I was not. These two years were in John Tyler's administration. Mr. Speaker CANNON said truly that a surplus was accumulated in Andrew Jackson's administration. That is the truth, but at the same time a national debt was running. Certain bonds had not matured and were outstanding, and you can not send out for a man who has a national bond that is due five years from now and say to him that he has to take the money for the bond at this time. You can not do that. While they had a surplus, they also had a national debt.

Mr. CANNON. How much?

Mr. CLARK of Missouri. The lowest that I could ever find it got to was $7,000, in Tyler's day. The surplus was accumulated in Jackson's day. Here is what they undertook to do, and it is one of the most ridiculous things that was ever done since the world began, bar none. They passed a law to deposit with the States the surplus that the United States Government had above what was necessary for the running expenses of the Government and what was necessary to pay the interest upon the bonds that were not due. That law provided for a deposit of the surplus in four payments. Col. Benton fought the thing tooth and nail, and he said he was awfully sorry that they ever persuaded Gen. Jackson to sign the bill. A panic came along in 1837. This deposit bill was passed in Jackson's day. Col. Benton says:

> The deposit with the States had only reached its second installment—

They just parceled it out per capita—

> when the deposit banks, unable to stand a continued quarterly drain of near ten millions to the quarter, gave up the effort and closed their doors. The first installment had been delivered the 1st of January, in specie or its equivalent; the second in April, also in valid money; the third one, demandable on the 1st of June, was accepted by the

States in depreciated paper; and they were very willing to receive the fourth installment in the same way. It had cost the States nothing, was not likely to be called back by the Federal Government, and was all clear gains to those who took it as a deposit and held it as a donation. But the Federal Treasury needed it also: and likewise needed ten millions more of that amount which had already been "deposited" with the States; and which "deposit" was made and accepted under a statute which required it to be paid back whenever the wants of the Treasury required it. That want had now come, and the event showed the delusion and the cheat of the bill under which a distribution had been made in the name of a deposit. The idea of restitution entered no one's head; neither of the Government to demand it, nor of the States to render back. What had been delivered was gone. That was a clear case, and that reclamation or rendition even of the smallest part or at the most remote period was not dreamed of.

I desire to be absolutely fair about this debt business. In the statistical abstract the statement is made that from 1840 to 1850 the interest upon the public debt amounted to $174,598. The reason for that was that by the time they got through paying off the old debt we got into a war with Mexico and created another debt, and that is where most of the $174,598 went. During one year in Tyler's administration the per capita tax for the national debt went down to 1 cent, and that is how near they came to wiping it out.

Yesterday I interrogated my friend from Michigan [Mr. FORDNEY], who is a hard-working, industrious, intelligent, capable statesman. By way of a question, I asserted that if we issued too many bonds and did not pay enough of this war debt as it goes along the United States bonds would go below par, and I am certain of that as I am of the fact that I am standing here. Surely no right-thinking man wants to see our national obligations hawked around below par. Our credit is higher to-day than that of any other nation on earth, and we desire to keep it so. And let it never be forgotten that no matter how much our bonds go below par we must finally pay them at their face value. I am in favor of a sort of fifty-fifty arrangement. I would not absolutely say fifty-fifty, but somewhere in that neighborhood—50 per cent of taxes and 50 per cent of bonds. I am opposed to loading this war debt onto succeeding generations. [Applause.] This generation entered into this war and this generation ought to pay its war debts. [Applause.] I do not want my children and my grandchildren and my great grandchildren, and yours and everyone's else, to be loaded up with paying a debt that we created by this war with Germany. They will have their own wars to fight and their own war debts to pay.

Mr. MADDEN. Mr. Chairman, will the gentleman yield?

Mr. CLARK of Missouri. Certainly.

Mr. MADDEN. Does the gentleman think that with the vast expense incurred in the conduct of the war, vaster than has ever been incurred in any activity in all the history of the world, it would be possible to maintain the commercial equilibrium of the United States if 50 per cent of the expenses that we are incurring were collected in direct taxation?

Mr. CLARK of Missouri. I have no sort of doubt about it.

Mr. MADDEN. There would not be any business left inside of 30 days.

Mr. CLARK of Missouri. Why?

Mr. MADDEN. Because you would take away all of the accumulations of every business activity.

Mr. CLARK of Missouri. Let us see about that. The wealth of this country is estimated at $200,000,000,000.

Mr. MADDEN. That is in railroad ties and other nonliquid property, which you can not quickly convert into money.

Mr. CLARK of Missouri. It does not make any difference what it is in. The wealth of this country is estimated conservatively at $200,000,000,000, and the highest tax that has been proposed by anyone would not be outrageous. I do not want to burden the people of this generation with an amount of tax that would be cruel or unreasonable or that would stop the business of the country. I want to be absolutely just and fair to everybody. Nobody with brains in his head desires to injure, cripple, or destroy any legitimate business in this country; but surely it is not cruel or outrageous to conscript great wealth at the same time we are conscripting our young men.

Mr. GARNER. Mr. Chairman, will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. GARNER. The gentleman would not propose, however, to take 50 per cent taxes for the purpose of taking care of the bonds issued for the money that we are to loan to foreign countries?

Mr. CLARK of Missouri. I would count that out, and that is the reason I asked the gentleman from North Carolina [Mr. KITCHIN] for information yesterday—and I believe the gentleman from Texas [Mr. GARNER] answered the question—as to whether in issuing these bonds there is a difference made between the bonds we are issuing for money that we are to spend ourselves for ourselves and the bonds issued for money that we are to loan these foreign countries. The foreign countries to whom we issue bonds are to pay the interest on the bonds loaned to them.

Mr. MADDEN. Will the Speaker allow me to ask another question?

Mr. CLARK of Missouri. Yes.

Mr. MADDEN. I suppose the Speaker will admit that it would not be possible to collect a very great proportion of the $200,000,000,000 this country is worth in cash at any collection day, and I presume the Speaker would also be willing to admit that the wealth of the country is the genius of the country and the labor of the country, and the liquid assets of the country are the result of the toil of the people of the country and not the wealth of the country?

Mr. CLARK of Missouri. Of course all wealth is created by labor; that is axiomatic. Nobody proposes to take all the $200,000,000 on any collection day, but it is proposed to take enough to prevent bonds going below par, for at last we must pay them at par.

Mr. GARNER. May I call the Speaker's attention to the fact that the revenue bill we passed here was based upon that idea of 50-50, and at that time it was estimated to cost $3,800,000,000? Since that time it has gone up to something over $9,000,000,000 for necessary expenses of this Government alone.

Mr. CLARK of Missouri. Two billion dollars a year on a valuation of $200,000,000,000 is not excessive, surely. Three billion dollars a year would not be, but the men of this generation who are not going into the Army ought to be willing to pay their full part of the expenses. [Applause.] If the young men of this country are willing to risk their lives on the battle field, then our people who would stay at home, like us and everybody else, ought to be willing to contribute their dollars. [Applause.]

I am in favor of paying as much of this as we can possibly do without what appears to be extortion and cruelty; but when these young men come back from the war—those of them who do come back—they should not be compelled to pay the war debt themselves. [Applause.] I do not believe it is fair. I think men ought to be willing to risk a dollar as easily as another man his life. [Applause.]

Mr. MADDEN. The Speaker must admit that a great many of the men who go to the front to fight the battles are paying taxes also. It is not merely the poor men, but every man is going to the front who is called, rich or poor.

Mr. CLARK of Missouri. I have heard that a great many are trying to get out or keep out of the war.

Mr. KNUTSON. When the war resolution was up, if I remember rightly, the gentleman from Illinois stated upon the floor of this House that he would probably be called upon to pay as much taxes as any man, and that he would do it without a whimper.

Mr. MADDEN. So I will.

Mr. CLARK of Missouri. I have no doubt the gentleman will contribute his part.

Mr. FORDNEY. I want to say to the Speaker, he knows as well as I do that under existing laws and the proposed new revenue bill now before the Senate, if it is enacted into law as it is now prepared, it will tax the people within the next 12 months $4,000,000,000 of direct taxes. Does the Speaker know of any great country in the world, of any important people in the world, in a long and expensive war, that ever paid 50 per cent in direct taxes and borrowed only one-half from loans?

Mr. CLARK of Missouri. I do not know; I have not investigated that.

Mr. FORDNEY. If so, I would like to know it.

Mr. CLARK of Missouri. I will tell the gentleman what I do know—that the British Government is taking 80 per cent excess profits during this war; and if that is a good thing for them, and we seem to be copying them a good deal, why can not we do it here?

Mr. LONGWORTH. May I suggest to the Speaker that England financed more than four-fifths of her war expenses by bond issues?

Mr. CLARK of Missouri. That is all right. I would not object to financing four-fifths of this war by direct taxation, if we can get it.

Mr. LONGWORTH. No; it is just the reverse. England is financing more than four-fifths of all her war expenses by bonds and less than one-fifth by taxes.

Mr. CLARK of Missouri. I will tell you what I am willing to do. I am willing to bet the best hat Stetson can make that not a single one of those English bonds will ever sell for par while the world lasts.

Mr. LONGWORTH. Nevertheless England is financing the war in that way.

Mr. CLARK of Missouri. They financed the Napoleonic war, too——

Mr. FORDNEY. But the English bonds are now being sold to us at par.

Mr. CLARK of Missouri. I know, sold to us at par. [Applause.] They are not being sold to anybody else at par. [Applause.] Now, I want to state a curious fact and it is of exceeding interest. Gentlemen of this House will all agree that one of the greatest men who ever lived in the world was Napoleon. He carried on all of his wars with all of Europe and never left the French nation any considerable war debt. He paid as he went, and of course some of it he stole from other nations [laughter], but that was a very inconsiderable portion of it. Well, now, nobody, of course, supposes that Congress is going to pull back for an instant on voting all the money and all the men that are necessary to carry this war to a successful and I hope a speedy conclusion. [Applause.] That can not be stated too often. Here is my suggestion. If we issue more bonds than we ought to issue in proportion to the taxes levied, the speculators and the money gamblers are just as certain to put them below par as the sun is to rise to-morrow morning. [Applause.] No good, patriotic American wants to see that come to pass, for it can not be stated too often that at last we must pay all these bonds at par.

The other day my friend from Michigan [Mr. FORDNEY] said that the Government had never sold a bond below par. I want to read him a few figures.

Some of the great banks in New York send out literature, and some of it is very valuable, too. The National Bank of Commerce issued this pamphlet which I hold in my hand, and if I was going to make a speech sure enough I would take these sentences from the Secretary of the Treasury as a text. He says:

The greatest immediate service the American people can render in this war for universal liberty throughout the world is to furnish the means for its vigorous prosecution. This bond issue—

That is, the first one—

is the first step. I earnestly bespeak the cooperation of every citizen throughout the length and breadth of our land in this service of patriotism.

That is signed by the Secretary of the Treasury at Washington, D. C., May 2, 1917.

There was never a truer statement made. The response that the American people made to that appeal was magnificent. They not only took all those bonds but oversubscribed them very largely.

Here is what happened during the Civil War, and substantially the same thing happened in the War of 1812 and to a certain extent in the War of the Revolution and to a small extent in the Mexican War. Secretary Chase undertook, with great misgivings, as he himself said, to finance the Civil War by the issue of bonds. The first thing he did was to raise the customs duties, the tariff, sufficient to get money enough to pay the ordinary expenses of the Government—the internal-revenue system had not been put into effect then—the interest on the bond issue, and to set aside $5,000,000 a year for the sinking fund. Of course, that sinking fund was insignificant and ridiculous. The bonds commenced going down. Here is the history of it. It is rather dry, but I do not know anything of more intense interest.

For the quarter ending March 31, 1862, the gross amount of bonds issued was $60,947,202.67. That was the amount of bonds issued. Here is what they got out of them, namely $59,527,132.84. The percentage of money which the Government got for that issue of bonds was 97.67 of the face value of the bonds.

For the quarter ending June 30, 1862, they issued $209,049,-203.81 and received for it in gold—all these are in gold here—$200,230,763.59. That is, they sold $9,000,000 below par. The rate that the Government received on that issue was 95.78.

For the quarter ending September 30, 1862, they issued $68,-934,420.36, and realized $59,000,000, a loss of about $9,000,000, namely, $59,648,953.94; the percentage that the Government got was 86.54.

Mr. HASTINGS. At what rate was the interest on those bonds?

Mr. CLARK of Missouri. Some of them bore 7 per cent, and I think one bore 7½ per cent, and then some of them bore 6. None of them ever got below 5 per cent during the war, and I am not certain that they got down to that. If I had time, I could give all the figures about it.

For the quarter ending December 31, 1862, the Government sold $131,631,479.40 and realized $101,250,933.95, a loss of $30,-000,000 on that issue, and the per cent that the Government realized was 76.92.

For the batch of bonds issued March 31, 1863, $178,569,759.25, they realized only $115,195,351.69, the rate being 64.51 per cent. I take it that the Union armies had gained some victories about that time or they would not have gone up 3 per cent. It was according to who was winning and who was losing. If they had sold bonds when Jubal Early was out here at Silver Spring, they would not have brought 25 cents on the dollar.

Mr. QUIN. Will the gentleman yield right there?

Mr. CLARK of Missouri. Yes.

Mr. QUIN. Is it not true that they could not sell these bonds at all until Robert J. Walker went to London about the second year of the war?

Mr. CLARK of Missouri. They used every kind of means in the world. They sent Walker to Europe, and the gentleman from Michigan [Mr. FORDNEY] said Jay Cooke took hold of it. He seemed to be a great financial genius. I repeat, that if they had undertaken to negotiate bonds when Jubal Early was out here at Silver Spring, the gamblers in New York would have bought those bonds down at as low as 25 cents on the dollar, when anybody who had any sense knew that Early's invasion of the Capital was not very dangerous. Nevertheless, it would have served the purposes of the speculators and gamblers.

The bonds issued for the quarter ending June 30, 1863, amounted to $216,460,067.49. For those bonds they received only $145,829,147.47, and the rate was 67.37.

The bond issue for the quarter ending September 30, 1863, was $118,267,491.75, and for them they realized $89,000,000 as against $118,000,000. The amount was $89,800,506.48, the rate being 75.93.

Now, you will observe the difference. The other rate was 67.37, and then they went up to 75.93 because of the Battle of Gettysburg and because Grant at that time captured Vicksburg. The batch of bonds issued December 31, 1863, amounted to $150,-450,843.85.

Mr. COOPER of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. CLARK of Missouri. Let me finish this one sentence. They sold for $100,862.245.72 and dropped back to the percentage of 67.40.

Mr. COOPER of Wisconsin. Mr. Chairman, I would like to ask the Speaker a question. I notice that in reading those figures it appears the Speaker has said that the amount of bonds offered or sold ran up to so many millions and so many odd dollars and cents. Now the bonds are in dollars. The bonds did not on the face contain any cents.

Mr. CLARK of Missouri. I know, but they bid on them any way they pleased.

Mr. COOPER of Wisconsin. That would be the amount that the Government would receive, not the amount of the bonds offered in cents. The aggregate would be in even dollars.

Mr. CLARK of Missouri. That is not the way these Treasury officials keep the books.

Mr. COOPER of Wisconsin. It may have been the bonds and accumulated interest.

Mr. CLARK of Missouri. Probably it was. These figures that I am reading are Treasury figures, taken from the books of the Treasury. I am going to make a whole job of it if they do not call time on me. The thing that evidently caused the drop back from 67 to 65 was that they did not use up Lee as completely as they thought they had, and he went on fighting, and that made these people uneasy again.

Now, the batch of bonds that was issued in the quarter ending March 31, 1864—$191,922,104.42—realized $120,220.006.20, and dropped to 62.64. There were more Confederate victories somewhere.

On the batch of bonds issued for the quarter ending June 30, 1864—$235,371,791.92—the Treasury realized only $122,581,-629.23, the rate realized being 52.08 per cent. The reason for that was the way that Lee's army was fighting in the Wilderness, and people commenced coming to the conclusion that they never could put down the Confederacy.

On the batch of bonds issued in the quarter ending September 30, 1864—one hundred and forty-seven billion—no, millions; I am so much in the habit of thinking in billions that I made the slip—on this batch of $147,735,822.22 they realized $61,295,-592.72, the rate of percentage realized being 41.49.

On the batch of bonds issued December 31, 1864—$179,908,-674.29—they realized $80,365,204.80, and the rate of 44.67. That is the percentage.

On March 31, 1865, when the war was practically over, they issued $175,313,376.72, and out of that one hundred and seventy-five million and odd dollars they realized $88,094,971.80, at the percentage of 50.25. Of course everybody that had any sense knew that the war was about over. The cause of the Union was going up.

In the batch issued June 30, 1865, they issued $361,905.625.74, and realized out of the three hundred and sixty-one million and odd dollars $253,406,319.14, and the percentage was 70.2. That was because the war was over.

On the batch issued September 30, 1865—$138,765,727.22—they realized $97,038,873.04, the percentage of realization being 69.93.

Now here is a summary of all that.

Mr. GILLETT. Mr. Chairman, may I ask the Speaker a question?

Mr. CLARK of Missouri. Yes.

Mr. GILLETT. Were all these bonds payable in gold? That is, did they all get the gold?

Mr. CLARK of Missouri. Yes. That is what they got. As a matter of fact, I was not able to find it since the bill came up, but I have read it somewhere in a reliable authority that one day during the Civil War bonds went down to 40 cents on the dollar.

Mr. HUSTED. Mr. Chairman, will the gentleman yield for a question?

Mr. CLARK of Missouri. Yes.

Mr. HUSTED. Does not the Speaker think that the financial situation during the Civil War period was so entirely different from the present financial situation that these figures are not strictly applicable to and significant of our condition? At that time the country was split in two, and the bonds were payable in gold. We were on a paper-money basis and did not have the gold to pay the men. The situation was different.

Mr. CLARK of Missouri. I think the gentleman's remarks are entirely pertinent.

Mr. McKENZIE. Mr. Chairman, will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. McKENZIE. The purchasers of those bonds could pay for them in greenbacks, a depreciated currency?

Mr. CLARK of Missouri. That is exactly what they did do.

Mr. McKENZIE. And when the war was over they got 100 per cent on the bonds?

Mr. CLARK of Missouri. Yes. They got 100 per cent on the bonds that brought 40 or anything else. Now, to answer the gentleman from New York [Mr. HUSTED] first, I have not the slightest idea that, no difference how many bonds we issue in this war, they will ever depreciate like those Civil War bonds; but that they will depreciate, if you issue too many of them, is as certain as the day of judgment is to come. In 1861 the taxable wealth of the United States was only $16,000,000,000. That was all. Think of that! Now the taxable wealth of the United States, as I said before, is over $200,000,000,000. During the Civil War 11 of the States were out, and it was not dead certain we would ever get them back, and of course nobody who had any sense believed that the Republic of the United States was going to be destroyed. What men feared was that it would be split in two—that there would be two republics instead of one.

Now, here is the summary: It is easy to remember. It takes it up by years. For the year ending December 31, 1862, the bonds issued amounted to $460,562,306.28. Out of that year they realized $420,657,784.32, and the percentage was 89.

I will put the whole table in the RECORD.

Table showing Treasury receipts from public obligations of all sorts for each quarter during the war, and the gold value of such receipts, estimated on the average price of gold for each quarter.

Summary.	Gross receipts from debt created.	Gold value of gross receipts.	Percentage realized.
For the quarters ending—			
Mar. 31, 1862	$60,947,202.67	$59,527,132.84	97.67
June 30, 1862	209,049,203.81	200,230,763.59	95.78
Sept. 30, 1862	68,934,420.36	59,648,953.94	86.54
Dec. 31, 1862	131,631,479.40	101,250,933.95	76.92
Mar. 31, 1863	178,569,759.25	115,195,351.69	64.51
June 30, 1863	216,460,067.49	145,829,147.47	67.37
Sept. 30, 1863	118,267,491.75	89,800,506.48	75.93
Dec. 31, 1863	150,450,843.85	100,862,245.72	67.40
Mar. 31, 1864	191,922,104.42	120,220,006.20	62.64
June 30, 1864	235,371,791.92	122,581,629.23	52.08
Sept. 30, 1864	147,735,822.42	61,295,592.72	41.49
Dec. 31, 1864	179,908,674.29	80,355,204.80	44.67
Mar. 31, 1865	175,313,376.72	88,094,971.80	50.25
June 30, 1865	361,905,625.74	253,406,319.14	70.02
Sept. 30, 1865	138,765,727.22	97,038,873.04	69.93
For the years ending—			
Dec. 31 1862	470,562,306.24	420,657,784.32	89.39
Dec. 31, 1863	663,748,162.34	451,687,251.36	68.05
Dec. 31, 1864	754,938,393.05	384,462,432.95	50.93
Sept. 30, 1865	675,984,729.68	438,540,163.98	64.87
For the 45 months of the war	2,565,233,591.31	1,695,347,632.61	66.09

Secretary Chase was compelled to change his method of procedure. He found that the bonds would depreciate. First he issued a great quantity of Treasury notes, or greenbacks. It does not make any difference what you call them; they are all the same. We have $346,000,000 outstanding now of that old greenback debt, except what has been destroyed in one way or another.

He came to the conclusion that he could not raise the tariff any higher for the purpose of increasing the revenue—that he had got it as high as it would stand—so he devised this internal-revenue scheme. They had not had any internal-revenue tax for a long time. They had a civil war away back in John Adams's day about laying an internal-revenue tax, and Gen. Alexander Hamilton went away with his army down into western Pennsylvania to the seat of the trouble. That was then the great whisky district. It has been transferred now to Kentucky and Illinois, and is about to go out altogether. Anyhow, they resisted the internal-revenue tax so much in Pennsylvania that Gen. Hamilton went down there with his troops to put down the rebellion, and, of course, when he got there he found nobody in rebellion, for they had all gone into their holes.

On the 4th of July, 1862, Secretary Chase got this internal-revenue system started that we now have. The chief feature of it was a $2-a-gallon tax on whisky. The only mistake they made was in not putting a tax on the whisky already in existence as well as that which they were going to make thereafter. That was the mistake, too, in the bill that we passed here not long ago. The first year after they got that thing into full operation the Government took in $311,000,000 from the internal-revenue system. That commenced to put our financial affairs on a stable basis.

Now, to sum up everything that I have said here, I am in favor of something in the neighborhood of 50-50——

Mr. GARNER. Will the gentleman yield there?

Mr. CLARK of Missouri. Yes.

Mr. GARNER. I agree with the Speaker that all the taxes possible should be levied at this time to raise revenue to run this war. What I mean by "all the taxes possible" is all that we are able to raise without destroying the tax-producing power of the Government.

Mr. CLARK of Missouri. I think the gentleman is entirely correct. Nobody wants to destroy the tax-producing power of the Government.

Mr. GARNER. Now, in that connection, during the Civil War evidently unlimited power was given to the Secretary of the Treasury with respect to the method which he should employ and the price that he should obtain for the bonds. In this bill and the bill that we passed the last time there are three essential features in which Congress limits the Secretary of the Treasury. First, in the rate of interest. That probably was done in the Civil War; second, you can not sell these bonds for less than par; and third, in this bill, that the bonds are subject to certain taxes. Now, as long as we hold these features in our bill, certainly we will never be put in the position that they were in the Civil War, and we will never have to sacrifice our bonds as they did then.

Mr. CLARK of Missouri. I will answer the gentleman's question first. The provision that the bonds shall not be sold below par is beautiful in theory, but just the very minute that these moneyed men conclude that par is not an exactly safe price, they will refuse to buy the bonds.

Mr. GARNER. Mr. Speaker, this bill provides in the taxing feature so that rich men can not buy these bonds. These bonds must be sold to the masses of the people of this country.

Mr. CLARK of Missouri. Suppose the masses of the people will not buy a 4 per cent bond?

Mr. GARNER. You will have to make such an inducement that they will buy it; but the taxing feature of this bond prohibits a man with an income of over $30,000 a year buying it if he has the nontaxable bonds at 3½ per cent. I would rather have a million dollars' worth of 3½ per cent nontaxable bonds than to have a million dollars' worth of these bonds at 4 per cent, taxable.

Mr. CLARK of Missouri. That may be, but here is the difficulty: The gentleman has stated the law correctly, but if people conclude that this war debt is going to be piled up so high that it is not going to be paid within any reasonable time they will not buy the bonds.

Mr. GARNER. Then we have got to confiscate wealth.

Mr. CLARK of Missouri. You have not got any power on the face of the earth to go into a man's pocket and take a thousand dollars out of it, or any other sum out of it, and make him invest it in bonds. You can levy taxes *ad libitum*, if you choose, but you can not force a man to invest his money in bonds or in any other way.

Mr. STEPHENS of Nebraska. In support of your contention for a half-and-half levy——

Mr. CLARK of Missouri. Somewhere in that neighborhood.

Mr. STEPHENS of Nebraska. Do you believe that if the receipts of the Treasury in 1861 had been what they were in 1864, our money ever would have gone below par?

Mr. CLARK of Missouri. I believe it would not.

Mr. STEPHENS of Nebraska. Gold would never have gone out of circulation, and our bonds would never have been sold below par.

Mr. CLARK of Missouri. That is exactly true. If they had had that $311,000,000 of internal revenue in 1861 the bonds of the Government would never have gone much below par. They might have gone down a little, according to the victories on one side or the other, and the greenbacks would have stayed with the bonds, because they always did.

Mr. FORDNEY. Will the Speaker permit me there?

Mr. CLARK of Missouri. Yes.

Mr. FORDNEY. If we had had then what we have now, adopted by the Republican Party, a gold standard, that has made all money worth 100 cents on the dollar, there would have been less depreciation of our money then.

Mr. CLARK of Missouri. They had a gold standard then.

Mr. FORDNEY. No; they did not.

Mr. CLARK of Missouri. These very estimates were made in gold.

Mr. FORDNEY. I beg to differ. Our greenbacks were not redeemable in gold then.

Mr. CLARK of Missouri. These estimates I have been reading here are gold estimates.

Mr. FORDNEY. They were redeemable in some kind of money but not in gold as they are to-day.

Mr. CLARK of Missouri. They were redeemable in coin.

Mr. FORDNEY. But not in gold coin.

Mr. CLARK of Missouri. I know; but these estimates that I have given here are gold estimates.

Mr. FORDNEY. That is what I am talking about.

Mr. SHERLEY. If the gentleman will permit, greenbacks came into existence as a result of the Civil War finance.

Mr. CLARK of Missouri. The gentleman from Kentucky states it exactly right. Greenbacks came into existence as a necessity of the Civil War finance. I have not the time to talk about it; but Secretary Chase issued the greenbacks, made them legal tender, and then when he got on the Supreme Court bench he said they were not legal tender and very frankly stated that he made a mistake during the Civil War.

Mr. STEPHENS of Nebraska. Will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. STEPHENS of Nebraska. As a matter of fact, silver went out of circulation as well as gold. It was not a question of gold or silver but it was a question of any kind of money.

Mr. LONGWORTH. Will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. LONGWORTH. I desire to ask the gentleman a question, for I have great confidence in his knowledge and information, with regard to the proposition that the war should be financed on a fifty-fifty basis. I think it is evident and I say it subject to correction, that our expenses for this year will be in the neighborhood of $14,000,000,000, exclusive of the $7,000,000,000 to be loaned to the allies. Under these circumstances we would have to raise this year $7,000,000,000 by taxation. In other words, we would have to add more than $5,000,000,000 to the revenue bill that recently passed this House.

Now, I want to premise my question by this assertion, which I think is correct. Even if we did conscript the income above $100,000, and even though we did put a tax of 80 per cent as the Speaker suggested on the war profits, we would still have several million dollars to raise by taxation this year. Now, I want to ask the Speaker how he would suggest that we could get these additional taxes, and whether he would suggest it be done by the imposition of customs duties or consumption taxes, or both.

Mr. CLARK of Missouri. As a rule I am against consumption taxes, and as a rule I am opposed to raising the tariff. [Laughter and applause.] That has been stated often enough so that everybody knows it. But rather than issue an unduly large proportion of bonds and pile them up on my children and my children's children, I would agree to vote with the gentleman from Michigan [Mr. FORDNEY] to increase the tariff if necessary [applause], praying all the time that God would forgive me. [Laughter and applause.]

Mr. KEATING. Will the gentleman submit to a suggestion?

Mr. CLARK of Missouri. Yes.

Mr. KEATING. On this question of the amount of revenue which may be raised, I would like to call the Speaker's attention to the fact that it is estimated that war profits for this year alone will equal at least $4,000,000,000, and an 80 per cent tax on that would net at least $3,200,000,000. That that estimate is not exaggerated is evidenced by the fact that the war profits for the Steel Trust alone this year will amount to $490,000,000, as against an average prior to the war of $63,000,000. So if the Speaker will even take the proposition submitted by the gentleman from Ohio and tax incomes and excess profits we can raise the $7,000,000,000 without oppressing anyone. The income of this country is estimated by the best authorities to be something like $45,000,000,000 a year.

Mr. LONGWORTH. The gentleman's figures do not agree with those submitted by the Finance Committee of the Senate; very far from it.

Mr. KEATING. They do; my figures as to the Steel Trust are taken from the speech of Senator SIMMONS, chairman of the Committee on Finance in the Senate, made the other day.

Mr. LONGWORTH. The proposition which was voted down of putting a tax of 80 per cent on excess profits was not estimated to raise more than $2,000,000,000.

Mr. KEATING. How can that be when the war profits amount to $4,000,000,000?

Mr. CLARK of Missouri. Mr. Chairman, I want to put in a saving clause about raising the tariff. I want to say to the gentleman from Michigan that it would be a temporary raise like Gov. Dingley raised it in the Spanish War.

Mr. FORDNEY. I want to say to the gentleman from Missouri, and was about to say when I was interrupted, that if I were the Good Lord, and the gentleman from Missouri would vote with me on the tariff, I would give him a clear slate. [Laughter and applause.]

Mr. CLARK of Missouri. I have no doubt of it. [Laughter.]

Mr. PARKER of New Jersey. Will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. PARKER of New Jersey. I want to ask the Speaker if it ought not to be stated here that the reason that the greenbacks went down so much below par was that Secretary Chase's first plan was that anyone who had a greenback could buy a 6 per cent gold bond, known as a 5-20 bond, at par, and the people were afraid they were paying too much interest and repealed that provision, and thereupon the greenbacks fell?

Mr. CLARK of Missouri. I suppose that is about correct.

Mr. COOPER of Wisconsin. Mr. Chairman, as to the profits of the Steel Trust during this year, actual and prospective, basing earnings of the last two quarters on the earnings of the first two quarters, I find it stated by a Republican of prominence, and also by a Democrat of great prominence in another body, to which I do not dare refer, in a debate yesterday that the profits of the Steel Trust instead of being $490,000,000—that being the amount upon which the estimate of the Finance Committee of the other distinguished body to which I do not refer was made—will be $570,000,000. The $490,000,000 represents the net profits after making the deduction.

Mr. REAVIS. Mr. Chairman, will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. REAVIS. The gentleman from Missouri stated that the provision of the bill stating that the bonds should not be sold below par was good in theory, but not in practice.

Mr. CLARK of Missouri. Yes.

Mr. REAVIS. I wanted to ask the gentleman this question: If the alternative is given to the wealth of America to either finance this war by buying the bonds at par or submitting to direct taxation, are they not likely to buy the bonds at par?

Mr. CLARK of Missouri. I am rather inclined to think they would buy the bonds at par, but here is what happened up in New York City the other day. It has happened twice since we issued these $3\frac{1}{2}$ per cent bonds. A lot of fellows undertook to pound them down. How many were engaged in the unpatriotic operation I do not know, but one day they got the bonds, the three and a halfs, down to 99.20, and the other day, I think, they got them down to 99.32. There is no question in the world but that it was an effort to discount the $3\frac{1}{2}$ per cent bonds in order to get 4 per cent bonds.

Mr. POU. Mr. Chairman, will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. POU. I desire to ask the gentleman his opinion upon this question. With respect to the issue of bonds provided by this bill there are these conditions. They must not be sold under par, they carry a rate of 4 per cent interest and are subject to a surtax, and according to the gentleman from Texas [Mr. GARNER] the purchasers must be limited to people whose incomes are under $30,000 a year.

Mr. GARNER. Based upon the present surtax proposed in the present revenue bill, a man who has an income of more than $30,000 would prefer a $3\frac{1}{2}$ per cent tax-free bond to the 4 per cent provided in this bill.

Mr. POU. As a practical proposition does the gentleman think the country would absorb such a large issue of bonds at par?

Mr. CLARK of Missouri. I doubt whether it would with all those conditions attached.

Mr. HULL of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. CLARK of Missouri. Yes.

Mr. HULL of Tennessee. The gentleman has called attention to one of the evils that always arises where there are successive issues of bonds during a war. He refers to the hammering down of the price with a view of getting higher rates of interest and getting conversion privileges into higher rates of interest. I have noticed one country adopted an expedient about seven months ago which absolutely prevented all artificial fluctuation through the efforts of individuals or groups of individuals.

Mr. CLARK of Missouri. And I think the chances are that we will do it, if this war goes on long enough.

Mr. HULL of Tennessee. I was about to say that it had not cost them anything, either. They simply provide that a small percentage of the bond issue shall constitute a sinking fund, and that whenever any bondholder becomes dissatisfied with his bond he can have it redeemed at the issue price. There have been very few redemptions and no artificial fluctuations.

Mr. COOPER of Wisconsin. Mr. Chairman, will the gentleman there permit one statement, so that it can be made clear in respect to these profits?

Mr. CLARK of Missouri. Yes.

Mr. COOPER of Wisconsin. The Wall Street Journal of August 2, 1917, in commenting upon the earnings of the Steel Trust this year, deducts from $490,000,000 the amount of taxes, etc. This is the language of the Wall Street Journal of August 2:

> The allowance of $53,918,872 for war income and excess-profits taxes made by United States Steel in the second quarter is much larger than recent Wall Street estimates, but this is due largely to the fact that earnings, not deducting taxes, in the second quarter were at the rate of nearly $578,000,000 annually, and earnings to which the tax is applicable were at the rate of $490,000,000 annually.

It now appears that, after making the deduction, $490,000,000 is the amount of net profits.

Mr. CLARK of Missouri. To sum up these remarks, I desire to state that I am in favor of paying this war debt on a fifty-fifty basis, in bonds and taxes, or something approximating that, as we go. If we issue more bonds, proportionately, than we levy taxes, the bonds are going to depreciate. If the bonds depreciate, the rate of interest in new issues will have to be increased, and if these young men are willing to go and do the fighting the rest of the American people who stay at home ought to be willing to pay this war debt. [Applause.] If I had my way about it, I would make all of these bonds serial. I am in favor of the surtax on the 4 per cents. Whether it would be wise to commence paying them earlier than 10 years from issue I do not undertake to say, but they ought to be made serial bonds, so that the debt will gradually disappear; and I want to repeat it, so that everyone in the country who reads this speech will know it, that Congress is willing to vote every dollar and every man necessary to carry this war to a successful conclusion, as speedily as possible, and that there are no lines of political demarcation in that conclusion. Americans, having put their hands to the plow, will not look back. [Applause.]

Mr. SHERLEY rose.

Mr. KITCHIN. I hope gentlemen who desire to speak will wait until we get through with the consideration of this bill. How many gentlemen will likely desire to make speeches respecting the remarks and suggestions of the Speaker?

Mr. FORDNEY. I do not know of any speeches except under the five-minute rule. I understood in the beginning that the debate on this bill was to be confined to the bill.

Mr. KITCHIN. Yes.

Mr. FORDNEY. Then I do not know of any speeches on this side.

Mr. KITCHIN. I meant confined to the bill.

Mr. SHERLEY. Mr. Chairman, I am in thorough accord with the main proposals just laid down by the Speaker of the House of Representatives. [Applause]. On April 13, 11 days after this Congress had met and 7 after war was declared, I took occasion in connection with the then bond-issue bill to call attention to the history of the financing of the Civil War and the fatal mistake that was made in failing to tax until that war had progressed nearly three years the people of America a sufficient amount, and I warned the Congress and the country that no more fatal mistake could be made than too lightly to tax the people of America, and that that mistake would result not only in lessening the credit of the country in the flotation of bonds, but it would create an equal evil. Nothing so serves to inflate prices, nothing so serves to increase the cost to the Government of getting things done than the issue of large credits by the Government and not accompanying them by heavy taxes. [Applause.] The result is always inflation; the result is always to engender increased individual activities. In a time like this there is no more vicious cry than that of "Business as usual." Business as usual can not be if the Government's business is to be done, because the Government's business is a demand upon the material resources of the country so tremendous that it can only be supplied by curtailing the activities of private business along lines that are not essential to the country. One of the surest ways of curtailing such unnecessary activities is by heavy taxation.

Now, I am not prepared to announce any flat proposals of percentages, but there is no danger of the Congress erring by taxing too heavily. The danger is going to be the other way and one of the things that we must do is to see to it that we do tax, as heavily as they can bear, the profits that grow out of the war [applause] and then the men who applaud that, and I believe in their sincerity, must also have the courage to tax the great mass of the people also [applause], not as heavily, of course, but when you come to income taxes you are going to see the day, and it is not far distant, when the rate of taxation on incomes of $7,500 up to $15,000 or $20,000, is going to be much higher than the rate that is now proposed as to such incomes in either the revenue bill as it passed the House or as now pending in the Senate. You can get a certain amount of money and ought to get it from certain great reservoirs of wealth, the great trusts of America, but in addition to that you have got to tax the average man of this country and you have got to tax him heavily before he is going to realize that we are engaged in a war of anything like the magnitude of the struggle we are engaged in. Now, I do not agree with a good many statements that have been made here as to the cost of the war. I hope when the deficiency appropriation bill comes forward to be able somewhat in detail to state to the House what I think will be the necessary expenditures of the Government, exclusive of its loans to foreign Governments, for a year of the war. I think it is likely to approximate something like $12,000,000,000. I do not think it ought to go to $14,000,000,000, as suggested by the gentleman from Ohio [Mr. LONGWORTH]. We now propose under existing law and the proposed taxation in the pending revenue bill to get something like, I think, $3,000,000,000 in round numbers, in addition to revenues of about one billion for ordinary expenditures. On the assumption of $11,000,000,000 of war expenditures that would represent something like 27 per cent. That ought to be certainly the minimum of the proportion that the taxation bears to bond issue and I believe that it is desirable to increase the percentage considerably above 27 per cent. I am glad that the Speaker should have made his speech to-day. I do not desire to destroy the business of America. I realize that you can not cripple it and at the same time get continued revenues from it——

The CHAIRMAN. The time of the gentleman has expired.

Mr. SHERLEY. Mr. Chairman, I would ask for two minutes more.

Mr. CLARK of Missouri. Mr. Chairman, I ask unanimous consent that the gentleman from Kentucky have 10 minutes in which to finish.

Mr. SHERLEY. I shall not use all of that time. I am very much obliged to the Speaker.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri? [After a pause.] The Chair hears none.

Mr. SHERLEY. I believe that the sound judgment of the best financial thought of America is in favor of sufficient taxation to put a restraining hand upon expansion and inflation in America, and I have no doubt of the patriotism of the people of America and their willingness to bear the burden. There is no more cowardly place on earth than the Congress of the United States, and that is not because of the personnel of the men who make up the Congress, but it is because that here of necessity we hear the protests of many individuals, and hearing individual protests we are apt to consider that those individuals constitute the great mass of the people. I never go back to my constituency or mingle with the body of the people generally without gaining new courage touching their patriotism and their willingness to sacrifice [applause], and if this Congress will simply follow what is not theory, for if anything on earth has been demonstrated over and over again it is the basic principles of finance, both of nations and of individuals, if it simply follows those basic principles, realizing that no nation, no matter what its credit is, can continue to promise to pay without taking the steps necessary to pay and maintain its credit, we will not have any trouble in financing this war. We are dealing in gigantic figures, but the wealth of America is gigantic. The creative power of men to-day measured in dollars is superior to what it was in former periods, particularly during the time of the Civil War. All the bonded indebtedness that has been proposed will not begin to put the strain upon the real resources of America that was placed upon the resources of America at the time of the Civil War. But we must see to it that as we go forward we take those steps that give an earnest of our willingness to pay a large proportion of the expenses out of taxation now and to provide for protection of the interest and early redemption of the principal of the bonds that we issue. It would amount to a monstrous crime, and it would not be really in the interest of the people of to-day if we undertook to shoulder this cost onto succeeding generations. We can not do it successfully, and to attempt to do it would simply mean financial ruin and destruction of the credit of the greatest financial Nation on earth. [Applause.]

Mr. CLARK of Missouri. Mr. Chairman, I ask unanimous consent to extend and revise my remarks.

The CHAIRMAN. Without objection, the leave will be granted.

There was no objection.

The Clerk read as follows:

SEC. 7. That none of the bonds authorized by section 1, nor of the certificates authorized by section 5, or by section 6, of this act, shall bear the circulation privilege. All such bonds and certificates shall be *exempt*, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits or war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations.

Mr. CANNON. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The gentleman from Illinois offers an amendment which the Clerk will report.

The Clerk read as follows:

Page 10, after the word "corporation," line 14, add the words "owning more than $10,000 of the securities mentioned in this section."

Mr. CANNON. Mr. Chairman, I called attention to section 7 when the gentleman from North Carolina [Mr. KITCHIN] was making his remarks a day or two ago, and I gave notice that I would offer an amendment to it.

Now, I want the committee to understand what the proposition is and what the amendment does. In order to do that intelligently, however, I want to state that the $2,000,000,000 of bonds that have been placed upon the market are subject only to taxation known as inheritance tax. They are not subject to any excess-profits taxes, or any war taxes, or any other taxes, either State or National. They went upon the market at 3½ per cent interest. This bill proposes, if it is enacted as it stands, to repeal that law so far as future issues are concerned, under the law of April last, and in lieu thereof to issue bonds provided for in the bill, and additional bonds.

Now, judging from the hearings before the Ways and Means Committee, judging from the speeches that have been made, and from the statements of the Secretary of the Treasury, and what is in the air besides, we are going a long way to prevent any plutocrat, anybody that has a large income, from getting any of these bonds. We want to make it a popular loan. We want people that have a dollar or a half a dollar, or any other sum, from a patriotic standpoint, and at the rate of interest, which we say is 4 per cent, to take these bonds. We want to make it a popular loan, and we want to bar out people who are making large incomes from business or otherwise from having any of these bonds. Well, can we do it? I have no objection if it is possible to do it. Lord bless my soul, if every man at the head of every family, every adult male or female, grown individuals, would come in and take $5, or $10, or $15, or $20, I would be delighted. The only question is whether they will do it under the provisions of this bill. In my judgment they will not, and if you will bear with me a very few minutes I will try to say why.

The latter part of this section of the bill, after exempting from inheritance taxes, has the following:

(b) Graduated additional income taxes, commonly known as surtaxes, and excess-profits or war-profits taxes, now or hereafter imposed by the United States upon the incomes or profits of individuals, partnerships, associations, or corporations.

That means all of them. If this works out we are going to include all the people, patriotic and selfish as well, because the two go together after all is said and done in matters of taxation, and we are going to have them take these bonds. Is it possible under this bill? I do not believe it is. Can you prove it? I have in my hand here a statement from a loan official that there were 4,500,000 subscriptions. Now, then, by those subscribers that took those bonds, the 4,500,000, there were a great many $10 subscriptions. And all over the country there are those $10 certificates. And then, again, people of small means took them. A number of clerks here that can barely live on $900 or $1,000 or $1,200 took a $100 bond.

They have got time on it; they are to pay so much a month. They went to the bank, savings bank or otherwise, and borrowed the money to do it. It will take some time to pay it out. I am glad that they did. And now throughout the length and breadth of the country you have these 4,500,000 people subscribing to this loan.

But they did not subscribe enough. Bonds in amount $10,000 and under yielded $1,291,500,000, and that left unsubscribed $703,500,000. That latter amount was subscribed by people who took more than $10,000 each.

Now, those who took $10,000 and less got those bids accepted in full. Those that subscribed more, however, few in number as compared with those that I have just referred to, got 60 per cent of their subscriptions, and there you are.

Now, what does this do? It subjects these bonds that are issued under this bill—and I call your attention again to it—to future legislation. This legislation renders them subject not only to excess-profits taxes and inheritance taxes, as provided by present law, but you can take every cent of it away from them. Now, 4 per cent is paid by savings banks in the main; the great bulk of them pay that much, and that money is nontaxable. How many of these people, when they come to understand it, are going to draw out the from $800,000,000 to $1,000,000,000 now held by them in savings banks under these conditions, where the savings are nontaxable for any purpose whatever, even from State taxation and all taxation?

How many are going to draw out their money from the savings banks and take the risk of the future in surtaxes? "Oh, well, they will not think about that," it may be said. Look here: If this legislation goes through as proposed, we have got to play fair with the people that take $5 and $10 or $100 or $1,000. You may say that the amount of exemption which I propose here—$10,000—from future legislation by the Federal Government is too high. Maybe it is. I do not know. Let us say it is too high; put it at $5,000. But I do not think $10,000 is too high. Ten times 4 is 40, and you make an annual income of $400. If you reduce it to $5,000, it will be an annual income of $200.

After all, will the bonds show any depreciation if the bill passes as it is now proposed? In my judgment, yes.

Mr. COOPER of Wisconsin. Mr. Chairman, will the gentleman yield for a question?

Mr. CANNON. Yes.

Mr. COOPER of Wisconsin. What does the gentleman, from his long experience, think of the advisability of Congress putting into the law a provision which authorizes States, in their discretion, to levy income taxes against national securities, national bonds—taxation by States?

Mr. CANNON. I understand this does not do that, even as it stands.

Mr. KITCHIN. You are right. States under this can not tax incomes.

Mr. CANNON. Yes; it is free from taxation.

Mr. COOPER of Wisconsin. But it says it shall be imposed by the United States or any State, a graduated additional income tax.

Mr. KITCHIN. Graduated additional income tax, commonly called surtax and excess-profits tax and war-profits tax, imposed by the United States.

Mr. CANNON. It is by the United States. There is no doubt about that, I will say to the gentleman from Wisconsin.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. BURNETT. Mr. Chairman, I ask unanimous consent that the gentleman from Illinois may have 5 or 10 minutes more.

Mr. CANNON. I do not want much more time. If, however, the House will grant me 10 minutes, I will try to make my meaning clear.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. CANNON. I am going to vote for this bill, whether this amendment is adopted or not. It has got to pass the Senate. I want to be sure, if the bill passes the way it is, that this loan is going to succeed. I want to be fair with the people that we enlist in the cause from a patriotic standpoint—100,000,000 people, the wage earner, the farmer, the savings-bank depositor, and all. I want to be fair with them, and when they get these securities I want them to keep them, because that is a constant reminder that the United States must exist and prosper if, from the selfish standpoint as well as the patriotic standpoint, they receive their interest. It is in the utmost good faith that I offer this amendment. Sometimes gentlemen offer amendments to confuse and try to discredit the bill, and all that kind of thing. I have no such intention here.

Mr. MOORE of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. CANNON. Yes.

Mr. MOORE of Pennsylvania. I want to be clear as to the practical effect of the amendment offered by the gentleman.

Mr. CANNON. Yes.

Mr. MOORE of Pennsylvania. As I understand it, it would mean that the holder of $10,000 worth of these bonds would be exempt from taxation?

Mr. CANNON. Yes; the owner of $10,000 or below of these bonds, if this amendment is adopted, will be exempt from all taxation except inheritance taxes. They are already exempt from all State taxation, but I want them to be exempt in the future from all United States taxation except the inheritance tax, and the States may attach an inheritance tax.

Mr. MOORE of Pennsylvania. But freedom from taxation is not to apply to any holder of bonds in excess of $10,000?

Mr. CANNON. Oh, no; only to those below $10,000.

Mr. MOORE of Pennsylvania. I say the exemption is not to apply to any holder in excess of $10,000?

Mr. CANNON. Yes; it is not to apply to any holder in excess of $10,000.

Mr. MOORE of Pennsylvania. Anyone who holds above that has to pay?

Mr. CANNON. Yes; evidently it is intended to make this a popular loan. It is intended by the bill; it is intended by the policy of the administration. I do not object to it, so far as that is concerned. From the hearings of the Secretary of the Treasury and from the speech of the gentleman from North Carolina [Mr. KITCHIN] we are all agreed that we want to make it a popular loan. I want it to go as a popular loan.

Mr. RUSSELL. Mr. Chairman, will the gentleman yield for a question?

Mr. CANNON. Yes.

Mr. RUSSELL. Do I understand that the amendment would not include an exemption of $10,000 for the man who bought $15,000 of the bonds? He would be taxed on the $15,000?

Mr. CANNON. I think the owner of $10,000——

Mr. RUSSELL. Would it not be objectionable on the ground that this would be class legislation if it exempted a man who had $10,000, but did not exempt a man who had more than $10,000?

Mr. CANNON. I am inclined to think that would be the effect of it. I am inclined to think it would be wise.

Mr. RUSSELL. To exempt $10,000 in any man's hands?

Mr. CANNON. Yes.

Mr. RUSSELL. I should think it ought to be.

Mr. CANNON. The fear is that the men who are wealthy by milions and hundreds of millions will put their money in these bonds for the purpose of avoiding taxation, except inheritance taxes, and therefore we want it to be a popular loan.

Mr. RUSSELL. If it was made to apply to a holder of $10,000 alone, and to no one else, would it not discourage the man who might want to buy $15,000 of bonds, who might confine his purchase to $10,000 when he otherwise would take more?

Mr. CANNON. He would be discouraged right now; and the very effect of the bill is to discourage him—to make this a popular loan. Now, I want to change this bill so that a hundred millions of people may subscribe for it, from $10 or $5 up to $10,000, and so that when they do it will be out of the power of the United States, by future legislation, to tax the aggregate of that holding. I will very frankly say, Is there a man here who would withdraw from a savings bank, where his deposit is not subject to taxation and draws 4 per cent or 4½ per cent interest and invest in these bonds? Oh, you may say they would not depreciate. I think many people who subscribe for these bonds would want to pay them out, perhaps, under stress of sickness or emergency—to use them as money—and I apprehend they would depreciate. It is suggested to me that the 7-30 bonds were used as money. Now, that is all I want to say. If the committee thinks we had better make the limit $5,000 instead of $10,000 free from taxation, well and good. I want to help, not to scotch or prohibit, if I can.

We have had much talk, as you know, about general taxation. As I am 80 years old, I could a tale unfold about the Civil War financing, and why it was that our currency, redeemable in dollars, was not redeemed. That was one thing; and, then, the doubt as to whether the Union would be preserved, and so on. I do not care to go into that. It is behind us. Thank God, we are together and will remain together, I trust, for thousands of years. [Applause.] And we are with the world that agrees with us, that we have got to win this war.

Now, the gentleman from Kentucky [Mr. SHERLEY], for whose opinion I have great respect, said that business must be taxed. Well, I agree that it must be taxed; but what is business? The farmer in the field, the laborer in the shop. It is all of us that make business. I do not want business to decrease. I think the gentleman from Kentucky did not mean what he said. He said he wanted business to be less profitable. I want it to be more profitable, because the more profitable it is in the grand aggregate for 100,000,000 people the more easily we can carry the burden. [Applause.]

Mr. MADDEN. Mr. Chairman, I am not quite sure that I understand the proper meaning of the language in section 7, but I shall try to interpret my understanding of it.

Under the language of section 7 of the bill it is proposed that State or inheritance taxes shall apply against the bonds that we are authorizing to be issued. It is proposed that a graduated additional income tax shall be imposed against these bonds; that is, the taxes commonly known as surtaxes and excess-profits or war taxes. Now, I assume that if any individual in the United States should have his whole income derived from the interest on these bonds, and that income was not sufficient to come within the scope of the income against which surtaxes are levied, he would not be compelled to pay any such tax; and I would like to ask the chairman of the Committee on Ways and Means [Mr. KITCHIN] if I am right—if any individual in the United States had an income wholly derived from interest on these bonds proposed to be issued under this law, and that income was not sufficient to come within the scope of the imposition of the surtax, he would not have to pay any taxes, would he?

Mr. KITCHIN. He would not have to pay at all.

Mr. CANNON. He would have to pay if a surtax was levied by subsequent legislation.

Mr. KITCHIN. That is true.

Mr. MADDEN. He would not have to pay it under this bill.

Mr. CANNON. No; he would not have to pay under this bill; but this is not the only revenue bill.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. MADDEN. Let me carry my thought a little further, and then I will yield to the gentleman from Pennsylvania.

Mr. MOORE of Pennsylvania. It is right on this subject. The surtax begins at $5,000, and if that was the amount of interest derived by a holder of bonds he might be the owner of bonds that would be tax free up to the amount of $125,000, if the rate of interest is 4 per cent.

Mr. MADDEN. Yes; certainly, according to my own reasoning.

Mr. MOORE of Pennsylvania. In other words, a man worth $125,000 can go free of taxes if, keeping within the normal tax, the interest he received would realize him as high as $5,000.

Mr. CANNON. Yes; but the amount subject to normal tax may be reduced by future legislation. It may be reduced to $500.

Mr. MADDEN. The thought I want to convey to the House is that under the provisions of this bill a man may be tax free, so far as the surtax is concerned, if all his income is derived from interest on these bonds; but the same man, for example, may have $10,000 income from a coal mine; he may have a $10,000 annual income from a shoe factory; he may have $10,000 from a steel mill; and his aggregate income may reach $50,000. In that case, if his income reaches the point where he is subject to the surtax on his income from other sources the interest received on the bonds he owns will be added to his income and will take on the rate of taxation under this bill that his total income takes. Now, his total income may be such that it will bear a 50 per cent surtax. If it does, then the interest which he receives on these bonds under such circumstances will be only 2 per cent. So while on the face of his investments he has a 4 per cent bond, as a matter of fact he has only a 2 per cent bond. Now, it is not fair to make one man hold a 4 per cent bond which yields him only 2 per cent and to allow another man to hold a bond of the same issue that yields him 4 per cent.

Mr. LONGWORTH. Will the gentleman yield?

Mr. MADDEN. Yes.

Mr. LONGWORTH. The gentleman from Texas [Mr. GARNER], who has carefully gone into the facts and figures on this subject, says that no man with an income of $30,000 a year could afford to buy these 4 per cent bonds, and that it is intended he should not.

Mr. KITCHIN. If you will permit me, I think the gentleman from Texas [Mr. GARNER] is mistaken about the $30,000.

Mr. MADDEN. What does the gentleman from North Carolina say?

Mr. KITCHIN. A man with an income of even $50,000 could afford to invest his money in these bonds, which would yield him about 3.65 per cent. Mr. GARNER overlooked the fact that the normal tax to be deducted would make it that.

Mr. HULL of Tennessee. Will the gentleman allow me?

Mr. KITCHIN. Surely.

Mr. HULL of Tennessee. A 4 per cent bond could bear an income tax as high as 12 per cent and still be better than a 3½ per cent tax-free bond. I think that was what the gentleman from Texas [Mr. GARNER] had in mind.

Mr. MADDEN. Well, my thought was that supposing a man's income in the aggregate, including the interest on his bonds, was such as to take the 15 per cent rate of surtax, then he would only be getting $3.20 on his bond, whereas the man whose income was not sufficiently large to pay the surtax would not be charged with any surtax at all; or, if he had a greater amount, if it was all from bonds, he would not pay it.

Mr. LONGWORTH. The practical proposition is that any man with more than $5,000 income would get less than 4 per cent net on the bond.

Mr. MADDEN. Suppose all the income was from bonds. If he only had $5,000 income, that would not be subject to tax. Let us assume that and then assume that he had $45,000 from other sources.

Mr. LONGWORTH. That would not make any difference.

Mr. MADDEN. Yes; he would be compelled to add the interest on the bonds to the other $45,000, and that $5,000 would be classed in the category of income and would take the $50,000 income-tax rate.

Mr. LONGWORTH. What I meant is that no matter how large the income may be, provided he has an income greater than $5,000, he will not get as much as 4 per cent on the bond.

Mr. MADDEN. I understand, if he only had $3,000 from the bonds——

Mr. LONGWORTH. I am speaking of the total income from all sources. If he has more than $5,000 income he would not get as much as 4 per cent on his bonds.

Mr. MADDEN. Does the gentleman think that because a man has an income from other sources he ought to be compelled to take a less rate of interest on his Government bonds than the man who has no other income?

Mr. LONGWORTH. I am not speaking about the wisdom of the policy.

Mr. MEEKER. Will the gentleman yield?

Mr. MADDEN. Yes.

Mr. MEEKER. Can the gentleman make clear how a 4 per cent Government bond, say to a man who has an income of $25,000 or $50,000, can be classified as being a part of the excess-profits tax?

Mr. MADDEN. It becomes a part of the total income, and if his total income is large enough he may be taxed 50 per cent on the interest that he receives from the Government.

Mr. MEEKER. I see that; but can you classify the 4 per cent on a Government bond as excess profits?

Mr. MADDEN. It would go into the total profits and would be subject to the excess profits, and it might reduce the interest received from the Government from 4 per cent to 2 per cent. The thing that I want to get clearly before the House and the country is that we are not dealing with every purchaser of bonds alike in this bill.

Mr. McKENZIE. Will the gentleman yield?

Mr. MADDEN. Yes.

Mr. McKENZIE. Would my colleague be in favor of segregating that part of a man's income that came from interest on these bonds?

Mr. MADDEN. Yes; I would, on the bonds. I think the interest ought to be segregated, so that all the purchasers of the bonds would be placed on an equality. Otherwise you are not going to sell these bonds.

Mr. MEEKER. Will the gentleman yield again?

Mr. MADDEN. Yes.

Mr. MEEKER. Can not that be worked out by the amendment offered by the gentleman from Illinois [Mr. CANNON] by exempting all bonds up to $10,000, and taxing them above?

Mr. MADDEN. I do not know whether it could or not. I am stating my analysis of the bill so that the Ways and Means Committee may so modify the bill as to treat every bondholder on the basis of exact equality. There is no reason why one American should receive 2 per cent on his investment in Government bonds and another receive 4 per cent on his investment in Government bonds.

Mr. ROSE. Will the gentleman yield?

Mr. MADDEN. Certainly.

Mr. ROSE. I want to make this suggestion: In preparing the account showing the income of an individual, is there anything in the present law to prevent him from setting aside up to $5,000 the amount received as income from these bonds?

Mr. MADDEN. I do not know whether there is or not.

Mr. STERLING of Illinois. Will the gentleman yield?

Mr. MADDEN. Certainly.

Mr. STERLING of Illinois. Would the gentleman distinguish in Government bonds? A man holding a promissory note, if he has a big income, must pay the larger tax; and why should there be any distinction between the income from the promissory note and the Government bond?

Mr. MADDEN. You compel the owner of the bond when he puts it in with the rest of his income to pay the normal tax; it takes the normal tax, it takes the surtax, and it takes the war tax. It is not the income on bonds that you distinguish in that regard.

Mr. KITCHIN. Mr. Chairman, I want to say, if gentlemen will permit me, that I believe that there is a great deal in what the gentleman from Illinois [Mr. CANNON] has said. What we want to do is to make this a popular loan; that is, a loan that will be taken by millions of people with small incomes. By putting a proposition such as he offers in the bill, I believe it will popularize the loan and make everybody, rich or poor or of modest means, buy at least the amount of bonds excepted in his amendment. I will ask him if he will not agree to accept an amendment to his amendment making it $5,000 instead of $10,000?

Mr. CANNON. If that is the judgment of the gentleman, the chairman of the Ways and Means Committee, I am willing to accept it.

Mr. STERLING of Illinois. Let me suggest that it is exempt now up to $5,000.

Mr. KITCHIN. No; if a person has an income of over $5,000, and a part was from $10,000 of these bonds, he would be subject to the supertax on that $400 interest.

Mr. STERLING of Illinois. If a person has an income of $5,000, he does not have to pay any tax under this bill. Any person with an income of $5,000 or less would not pay any tax under this bill except an inheritance tax.

Mr. KITCHIN. That is true with an income of $5,000 or less. Suppose a man has an income of $50,000 and a part of that income of $50,000 is interest upon $10,000 worth of bonds or $5,000 worth of bonds or $50,000 worth of bonds.

Mr. LONGWORTH. In other words, it will make no difference how much income a man has so far as this $5,000 worth of bonds is concerned.

Mr. KITCHIN. Yes. In the language of Mr. CANNON's amendment it will notify everyone, rich and poor, and men of moderate means alike, that they can buy $5,000 worth of these bonds and be scot-free from excess profits or supertax or any tax Congress now or hereafter may levy, except the estate and inheritance tax.

Mr. MADDEN. I think that would cover my objection to it.

Mr. JOHNSON of Washington. Would a man be permitted to buy one for himself, one for his wife, and one for each of his children?

Mr. KITCHIN. He could do that now under the present law.

Mr. JOHNSON of Washington. And be exempt?

Mr. KITCHIN. Yes; if he would give his wife the bond—do not say buy, but suppose I would give my wife $5,000—oh, but that is impossible, a preposterous supposition so far as I am concerned—but suppose the gentleman should give his wife $5,000 in money, he would give it to her.

Mr. JOHNSON of Washington. As a gift.

Mr. KITCHIN. Yes; or suppose the gentleman gives his son $5,000 and he goes and buys bonds. The $5,000 of bonds would still be exempt, but would belong to the gentleman's wife and son. That could be done under the present law, provided the wife and son did not have incomes to exceed $5,000.

Mr. MEEKER. Do I understand the language of the amendment of the gentleman from Illinois is that he shall be the owner of the bond instead of the holder?

Mr. KITCHIN. The owner of the bond.

Mr. LONGWORTH. May I ask the gentleman one question? Would the effect be the same whether a man bought originally $5,000 of bonds or converted his 3½ per cent bonds which he owns now into $5,000 of these bonds?

Mr. KITCHIN. He could do that.

Mr. LONGWORTH. He would be exempt whichever way he did it.

Mr. KITCHIN. Yes; because he would be the owner of the bonds.

Mr. CANNON. Mr. Chairman, I will ask unanimous consent to modify my amendment in accordance with the suggestion of the gentleman from North Carolina.

The CHAIRMAN. Without objection, the "$10,000" in the amendment offered by the gentleman from Illinois will be stricken out and "$5,000" inserted in lieu thereof.

There was no objection.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Illinois.

Mr. HULL of Tennessee. Mr. Chairman, this seems to be a proposition which it is most difficult and almost impossible to settle in an accurate, uniform, and equitable way. Our Federal bonds are in a category by themselves in one or two respects. For example, our State and municipal bonds are supposed to be entirely exempt from taxation, and yet those bonds issued in one State are subject to taxation in the other 47 States of the Union, and the great bulk of them, as a rule, are not held in States where issued. The standard investment—I mean the investment in standard securities, of course—is subject to all kinds of taxation, Federal and local, whereas a Federal bond is not subject to taxation in any State of the Union, but it is only subject to such tax as the Congress might see fit to impose upon it. The difficulty, of course, in reaching an equitable solution of this matter is due to two causes. One relates to the interest rate and the other, of course, to the method of imposing the tax. Of course, if the Federal bonds should bear an interest rate on a level with standard securities, there would be no difficulty about imposing income tax, both normal and super, because the effect would be uniform; but that is not the case. The Federal bond is not subject to State or local taxation, nor to any Federal stamp tax. It is subject to no burden except such as Congress may impose upon it in the way of a tax or in the way of reduced rates of interest or interest advantages to the purchasers. The problem is to reach a basis that will place the large purchaser on or nearer an equality with the small purchaser so far as interest advantages are concerned.

A bond could be issued at 4½ per cent subject to super and normal income tax combined and the little fellow would not be materially interfered with, and a considerable percentage of the larger purchasers could handle that bond as a satisfactory business investment, although those who pay an income tax of 40 or 50 or 60 per cent could not do so when compared with the advantages of standard investment. But that would result in the Government giving away a tremendous interest advantage to the middle class and smaller investors. I notice that during the war some of the other governments undertook to carry the entire income tax on their bond issues. The first issue in England, I believe, was at 3½ per cent, which was equivalent to 3.80 per cent, it having been issued at 95, subject to the entire income tax. That bond soon went to a discount. The next year they issued a large amount at 4½ per cent, subject to the entire income tax. That bond soon went to a discount. In February of this year they were still undertaking to retain in the Government the right to impose the entire income tax on these bonds in the future. The Government did not feel justified in unconditionally surrendering that right at least ultimately to tax them. The Government took something near the interest level in the country at that time. They figured it at 5.33 per cent. Their normal income tax was 25 per cent, or 5 shillings, and they said, "We will compound this normal tax and see what the interest rate would be." Twenty-five per cent normal tax deducted from the 5.33 per cent interest rate left an interest rate of 4 per cent, subject only to the super tax.

They put that bond on the market and they also placed an alternative proposition on the market. They said, "We will put this 5.33 per cent bond at 95 on the market subject to the entire income tax rate, which was 25 per cent normal and 42½ top super." The result was the purchasers practically all took the 5¼ per cent bond subject to the entire income tax in preference to the flat 4 per cent bond subject only to the super tax. Now, it is apparent that any purchaser of bonds would take those 4 per cent bonds in preference to the 3½ per cent free bonds until his aggregate income entailed upon him a tax rate in the aggregate as high as 12 per cent. When it passed 12 per cent the bonds would be worth less to him than a 3½ per cent tax-free bond. Now, of course, the $2,000,000,000 which was floated will gravitate into the hands of the big holders for the reason that the interest advantages to them will increase according to the increased super-income tax rate imposed on them. A man subject to an income tax of 50 per cent would find a 3½ per cent tax-free bond to be worth just double the rate, or 7 per cent, when compared with the returns from a standard investment subject to taxation.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FORDNEY. Mr. Chairman, I move to strike out the last word of the amendment. Mr. Chairman and gentlemen, I must insist we are making a serious mistake to put any tax feature in this bill. By making them subject to taxation we are destroying the value of the bond on the market in the hands of the Government. There is no question about that in my mind. This amendment is a step in the right direction, and I want it added to the bill, at least, with the hope that when the bill goes to the Senate that body will strike out the whole tax feature, for this reason: Make these bonds subject to tax and it is going to force them into the hands of small purchasers only. No man of large income can afford to buy the taxable bonds. He will not do it.

Mr. COOPER of Wisconsin. Will the gentleman permit one question?

Mr. FORDNEY. Yes, sir.

Mr. COOPER of Wisconsin. I noticed in the papers some time ago that a man put $50,000,000 into the 3½ per cent bonds. It has been said here repeatedly during the debate that they would not change from the 3½ per cent to the 4 per cent bond if the 4 per cent bonds are taxed, but if you take the taxes off the 4 per cent bond they will take the 4 per cent bond.

Mr. FORDNEY. I suppose that is true. I have said that myself. I do not believe anybody holding these 3½ per cent bonds, free from taxation, will surrender them and be big enough fool to take the 4 per cent bonds subject to taxation, where, if his income is great, you are going to take 65 per cent of that 4 cents and leave him only 1.4 per cent.

Mr. COOPER of Wisconsin. But suppose he can get a bond that is not taxed at 4 per cent, he will do it.

Mr. FORDNEY. Surely.

Mr. COOPER of Wisconsin. He can do it unless this provision is left in the bill.

Mr. FORDNEY. He certainly will. It makes the bond more attractive if it is exempted from taxes.

Mr. COOPER of Wisconsin. That is not the question. As I understand it, people who have got the 3½ per cent bonds have them with the option reserved to them in the act to have the rate of interest on the 3½ per cent bonds increased to the rate which any subsequent bond might bear. It has been said, however, that they would not make that change if we taxed the 4 per cent bonds, but if you take off the tax we will be paying 4 per cent on the 3½ per cent bonds. That will be a large increase.

Mr. STERLING of Illinois. Will the gentleman yield?

Mr. FORDNEY. Let me answer the gentleman and then I will yield to the gentleman from Illinois. When the 3½ per cent bonds were authorized, in April last, there was a provision put in that law that if any Government bond is sold prior to January 1, 1918, carrying a higher rate of interest than 3½ per cent those bonds could be surrendered which had been authorized by the act of April 1 last and a bond at the higher rate of interest taken for it. There is no provision in the law that the bonds issued in the future would have some taxing feature to them, and I have said, and let me repeat, that before this war is over the Government of the United States must go to the men with large incomes and to the trust companies of this country to dispose of the Government bonds at par, and unless you leave them free from taxation the money will not go into the investment of Government bonds but seek other investments of greater value.

Mr. SHERLEY. Will the gentleman yield?

Mr. FORDNEY. There is no question about that. Let me yield to the gentleman from Illinois and then I will yield to the gentleman from Kentucky.

Mr. STERLING of Illinois. Will not the thing work out this way: The man who has a small income will convert his 3½ per cent bonds into 4 per cent bonds?

Mr. FORDNEY. Yes.

Mr. STERLING of Illinois. He will do that because, having a small income, even though he holds 4 per cent bonds, he will not pay any taxes, and the man of large income will not convert them into the 4 per cent bonds because he will have to pay taxes.

Mr. FORDNEY. Yes; but immediately upon the cessation of hostilities in Europe the small holder of bonds will immediately exchange the bonds for money. He will not carry those bonds for 20 or 30 years, and he must go to the moneyed men to exchange them for money, and the man of large means might collect a large amount of those bonds without subjecting himself to the payment of 65 per cent taxes on large incomes, which will take away from him, as I have said, all but 1.4 per cent on the 4 per cent bonds if he is a man of large means.

Let me go a little further and I will then yield to the gentleman from Kentucky [Mr. SHERLEY]. There is no question but that directly after this war is over the Government of the United States will, at the earliest opportunity authorized by law, redeem all their 4 per cent bonds by the issuance of a 2 or a 2½ per cent bond, which will readily sell after this war is over, and retire those bonds carrying a higher rate of interest. But to dispose of them now and get 100 cents on the dollar with the taxing feature in it, you are not going to do it, except to the small money lender.

Mr. SHERLEY. Now, if the gentleman will permit, is it not true that England offered bonds under three conditions—one tax free, one subject to certain taxes, and one subject to all taxes, and with varying rates of interest—and that the investors took the bonds subject to all the taxes in preference to the others?

Mr. FORDNEY. I am not able to answer the question. I do not deny the correctness of the gentleman's statement, but he must not forget that the system of taxation in Great Britain has no comparison with ours. The Government of Great Britain imposes all the taxes. There are no State, county, and municipal taxes. The taxes imposed by the Government of Great Britain are all the taxes that are paid in Great Britain, whereas we have endless taxes in this country in addition to the taxes paid to the Government of the United States.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GARLAND. Mr. Chairman, I would like to ask the gentleman from North Carolina if under this amendment one has purchased 3½ per cent bonds that are convertible into 4 per cent bonds they would be subject to taxation?

Mr. KITCHIN. I think they would be subject to taxation.

Mr. GARLAND. If the bonds that he purchased, the 3½ per cent and the 4 per cent, amount to over $5,000, then they would be subject?

Mr. KITCHIN. Not at all. There is a $5,000 exemption there. Five thousand dollars of bonds will be exempted from this supertax.

Mr. GARLAND. I do not think you understand me. What I mean is this: Suppose that he had already purchased $3,000 at 3½ per cent, and he buys under this $3,000 more of the 4 per cent bonds. Is the whole of that subject to tax because the two together amount to over $5,000?

Mr. KITCHIN. No; $5,000 of it would be exempted from taxation. Only the interest on $1,000 would be taxed.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MORGAN. Mr. Chairman, I rather sympathize with the amendment offered by the gentleman from Illinois [Mr. CANNON]. As I said yesterday, I think it doubtful whether we ought to issue these bonds bearing 4 per cent interest. Under this section 7 these 4 per cent bonds are to be subject to the graduated additional income tax, or surtax.

Now, as I understand it, there are two objects in that. One is to enable, or, rather, to enforce upon the public generally the purchase of these bonds, and the second is to prevent large sums of money of the very rich people from escaping taxation.

Under the act approved September 8, 1916, which was an act entitled "An act to increase the revenue, and for other purposes," there is a provision which authorizes a normal tax of 2 per cent upon incomes, and another provision which authorizes an additional income tax known as a surtax, or supertax, of 1 per cent upon all incomes exceeding $20,000 per annum. The tax is graduated. It begins with 1 per cent on incomes which exceed $20,000 and do not exceed $40,000 and ranges on up to 13 per cent upon incomes exceeding $2,000,000 annually. Section 4 of the bill provides that certain securities and incomes shall be exempt both from the normal and excess taxes. Among other securities exempted is the "interest upon the obligations of a State or any political subdivision thereof." Now, I am not objecting to exempting the bonds of States, counties, cities, and other municipalities from the income and surtaxes. The point I wish to make is that it is not wise policy for the United States to tax its own bonds and exempt from taxation the bonds of States and political subdivisions thereof. If this is done, it places State, county, and city bonds in a more favorable position than the bonds of the Federal Government. Inevitably it will drive us to the point where a State, county, city, or small town can borrow money cheaper than the United States. My idea is that in the future, as in the past, the bonds of the Federal Government should be sold bearing a lower rate of interest than the bond of any State, municipality, or corporation.

Now, I would like to have the attention of the chairman of the Ways and Means Committee. I have just quoted the provisions of the act of September 8, 1916, and especially of section 4, that exempts from taxation the obligation of a State or any political subdivision thereof. According to official statistics, there are in existence over $4,000,000,000 worth of the bonds of States, counties, cities, and smaller municipalities. These are exempt from both the normal taxes and surtaxes. The men of great wealth in this country can invest in these bonds to the amount of $4,000,000,000 without even paying the normal income tax under existing law. I would like to know what the chairman of the Committee on Ways and Means thinks about the exemption of such bonds from taxation.

Mr. KITCHIN. They are exempt.

Mr. MORGAN. Now, does the gentleman think it a wise policy for the United States to put out its bonds and tax them, and then exempt the $4,000,000,000 of State and municipal bonds entirely from this taxation?

Mr. KITCHIN. But you must remember that these State bonds and other securities you mention are subject to State, county, and municipal taxes, which are largely in excess of the Federal tax.

Mr. MORGAN. They are not subject to tax in their own States.

Mr. KITCHIN. They are subject to tax when they are purchased outside of the State. I want to say to you that in your State and my State, four-fifths of them, and more than that, are purchased outside of the State. Another thing, I doubt if we have a constitutional right to tax the income of State, county, or municipal bonds. I doubt if we can tax a State bond for Federal purposes.

Mr. MORGAN. I do not concede that, although I have not examined the law. It may be the distinguished chairman of the Ways and Means Committee is correct that the Federal Government has no constitutional power to tax State, county, city, or other municipal bonds. But if that be true it only emphasizes my contention that it is unwise for the Federal Government to tax its own bonds, and thus in a manner prohibit men of large wealth from investing therein. Especially is this true when there are $4,000,000,000 of State and municipal bonds which under existing law are exempt from Federal taxes. What can we gain by driving great wealth from investment in Federal bonds when there is in existence another class of bonds—aggregating about $4,000,000,000—in which this great wealth can be invested and hide from taxation? I desire to repeat that even if it were constitutional I am not advocating Federal taxation of State bonds or those of municipalities organized under State laws, but I do wish again to call in question the wisdom of increasing the rate of interest on Government bonds from 3½ per cent, free from taxation, to a Government bond bearing 4 per cent interest subject to taxation.

The CHAIRMAN. The question is on agreeing to the amendment.

Mr. GREEN of Iowa. Mr. Chairman, before we vote on this amendment I want to call the attention of the committee very particularly to the wording of it, because I am satisfied it is not so worded as to carry out the intention of the gentleman from Illinois [Mr. CANNON], who proposed the amendment.

Mr. LONGWORTH. Let it be reported again.

Mr. GREEN of Iowa. If there is no objection, Mr. Chairman, let it be again reported.

The CHAIRMAN. Without objection, the Clerk will report the amendment.

The amendment was again read.

Mr. GREEN of Iowa. Now, Mr. Chairman, the intention of the gentleman from Illinois doubtless was that it was to be subject only to the taxes specified, so far as the excess over $5,000 is concerned; but from the way the amendment is drawn, as soon as a corporation or a copartnership holds over $5,000 it would be subject to the tax, not simply on the excess but on the whole amount, which would not be as is intended. It is rather difficult to draw an amendment that will exactly fit the case.

Mr. CANNON. If the man has $5,000 he is exempt; that is, if he owns it.

Mr. GREEN of Iowa. It provides "subject to the taxes specified." I will read the language of the bill as it will be:

> Upon the income or profits of individuals, partnerships, associations, or corporations owning more than $5,000 of the securities.

And so forth.

Now, the class that is subject to the tax are those that own more than $5,000.

Mr. KITCHIN. That is it.

Mr. CANNON. That is what we intended.

Mr. GREEN of Iowa. Oh, no; that is not what is intended.

Mr. TEMPLE. Would the gentleman object if we should leave this stand and then add: "*Provided*, That any individual, copartnership, association, or corporation may hold $5,000 of these bonds free from tax"?

Mr. CANNON. That would do.

Mr. KITCHIN. I suggest that you put it this way: "*Provided*, That the amount of interest on the amount of such bonds mentioned in this section in excess of $5,000 shall not be exempted."

Mr. HULL of Tennessee. Mr. Chairman, I want to interrupt the gentleman from Iowa just a moment right there in regard to the effect of this amendment. To exempt $10,000 in the hands of each supertaxpayer would amount to $2,500,000 of bonds. A little over 250,000 supertaxpayers, I believe, are shown by the recent returns of the income tax.

Mr. GREEN of Iowa. I will call the attention of the gentleman from Tennessee to the fact that by agreement the amount of exemption has been reduced to $5,000.

Mr. HULL of Tennessee. At $5,000 it would be, at 4 per cent, $1,250,000,000, or $50,000,000 annual interest, which it would not exempt from the income tax, but if the bonds are to be paid off in 15 years it would be $750,000,000 interest exemption.

Mr. GREEN of Iowa. What the gentleman from Tennessee says applies to the merits of the proposition.

Mr. HULL of Tennessee. I was just interjecting a statement of the amount involved.

Mr. GREEN of Iowa. I was suggesting the form of the amendment rather than speaking of the merits of it.

Mr. HULL of Tennessee. I understood that.

Mr. GREEN of Iowa. I am not entirely sure, but I think that we should simply add the words "upon such excess"—the tax imposed by the United States upon the income or profits of corporations owning more than $5,000 of the securities specified above, and upon such excess; but I am not entirely clear about that. I think it would take a little time to get the amendment in proper form. I think it might be well to pass over the matter temporarily.

Mr. MORGAN. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, the request of the gentleman from Oklahoma will be granted.

There was no objection.

Mr. GREEN of Iowa. I think it could be corrected by adding after the words "income or profits" the amount desired. [Cries of "Vote!"] We ought not to vote until the amendment is correctly worded.

Mr. HULL of Tennessee. Mr. Chairman, I suggest to the chairman of the committee that we pass this amendment over informally until it is perfected.

Mr. KITCHIN. I suggest that, too. I ask unanimous consent, Mr. Chairman, that we pass over this amendment and return to it later.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent that this section be passed over temporarily. Is there objection?

There was no objection.

Mr. COOPER of Wisconsin. Mr. Chairman, I call up the amendment which I offered.

The CHAIRMAN. If section 7 goes over for future consideration, the amendment of the gentleman from Wisconsin will go over also.

Mr. COOPER of Wisconsin. I did not understand that the section goes over; only the amendment offered by the gentleman from Illinois [Mr. CANNON].

The CHAIRMAN. When the Chair was interrupted by the gentleman from Wisconsin he was about to announce that section 7 would go over for future consideration. The Clerk will report the amendment offered by the gentleman from Wisconsin [Mr. COOPER].

The Clerk read as follows:

Amendment offered by Mr. COOPER of Wisconsin: Page 10, line 12, strike out the word "or" at the beginning of the line and in lieu thereof insert the word "and."

Mr. KITCHIN. Mr. Chairman, we accept that as a proper amendment.

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. The further consideration of the amendment offered by the gentleman from Illinois [Mr. CANNON] is deferred and may be returned to later on, before the passage of the bill and the motion that the committee finally arise. The Clerk will read.

The Clerk read as follows:

SEC. 10. That in order to pay all necessary expenses, including rent, connected with any operations under this act, a sum not exceeding one-seventh of 1 per cent of the amount of bonds and war-saving certificates and one-tenth of 1 per cent of the amount of certificates of indebtedness herein authorized is hereby appropriated, or as much thereof as may be necessary, out of any money in the Treasury not otherwise appropriated, to be expended as the Secretary of the Treasury may direct: *Provided*, That in addition to the reports now required by law, the Secretary of the Treasury shall, on the first Monday in December, 1918, and annually thereafter, transmit to the Congress a detailed statement of all expenditures under this act.

Mr. JOHNSON of Washington. Mr. Chairman, I have an amendment that I desire to offer.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Washington.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of Washington: Page 12, line 2, after the word "rent," insert "and $2,500,000 for the payment of advertising."

Mr. JOHNSON of Washington. Mr. Chairman, the amendment is proposed to be inserted in the second line of the paragraph, so that it will read, "That in order to pay all necessary expenses, including rent, and $2,500,000 for advertising connected with any operations under this act," and so on——

Mr. MADDEN. Would it be in addition?

Mr. JOHNSON of Washington. It would be taken out of this one-seventh of 1 per cent which the paragraph authorizes.

Mr. MOORE of Pennsylvania. Would not that mean an appropriation in addition?

Mr. JOHNSON of Washington. No; I think not.

Mr. MOORE of Pennsylvania. That is the way it reads.

Mr. JOHNSON of Washington. If the gentleman thinks so, I will undertake to perfect the amendment before a vote is taken.

Mr. MOORE of Pennsylvania. I will say to the gentleman very frankly that an attempt was made in committee to cut down this sum total, and it was cut down a little, to its present aggregate.

Mr. JOHNSON of Washington. Yes.

Mr. MOORE of Pennsylvania. Now, if the gentleman proposes to add $2,500,000 to the sum, it seems to me he will encounter opposition.

Mr. JOHNSON of Washington. I have no desire to add to the sum. At the suggestion just made to me by the gentleman from Illinois [Mr. MADDEN] I will in a moment amend the amendment by making its form so that it can not be misunderstood.

As to the cutting down by the committee of the sum to be paid for the turning over of this bond issue, I understand that the Secretary of the Treasury did not in the hearings express himself as absolutely opposed to the plan for national advertising. He doubted that a general plan could be perfected and feared it might not reach all of the newspapers and advertising mediums, and that the expense would be too heavy. He intimated, however, that he would not agree to an advertising plan out of the sum allotted for the turning over of these bonds when the percentage for expense was placed at a higher figure than now appears in the bill. However, after this bill was reported to the House, with the amount for handling the bonds less than had been named originally, the statement was made that no fixed sum would be spent for advertising.

I want to say very frankly that I believe that to have it understood that nothing would be spent by the Government for advertising in handling this enormous issue of bonds would be a tremendous mistake; and I want to say further that the authorization of $2,500,000 as a portion of this one-seventh would be a trifling sum, while it would add 50 per cent to the efficiency and the business effort to turn over this bond issue quickly and correctly and with the minimum of lost motion. Now, of course, the newspapers will boost, and boost hard, even if they receive not a single penny, but they will do it spasmodically, without system and in a disorganized way. Why not have the advertising done according to system, each advertisement in order, each one in sequence, so that the pulling power of all is of full value? This is the one detail that should not be overlooked. Do not think that the newspapers are not patriotic and that they will not promote this bond sale to the limit; but do not, I beg of you, be parties to the riding of a gift horse to death.

Mr. MOORE of Pennsylvania. Will my colleague yield?

Mr. JOHNSON of Washington. I will be glad to yield.

Mr. MOORE of Pennsylvania. Can the gentleman say how many newspapers there are in the United States?

Mr. JOHNSON of Washington. I can. I have here a sheet of most interesting statistics, but I am using most of my extremely limited time in a general statement. I shall need a little more time than five minutes.

Mr. MOORE of Pennsylvania. I shall ask that the gentleman's time be extended, because this is a very important matter.

Mr. JOHNSON of Washington. I thank the gentleman. I think the question is of the utmost importance to the successful disposition of these bonds.

Mr. MOORE of Pennsylvania. How many newspapers are there in the United States which might seek this advertising?

Mr. JOHNSON of Washington. There are 20,000 newspapers and available publications.

Mr. MOORE of Pennsylvania. Surely there are more than 20,000.

Mr. JOHNSON of Washington. There are, of course, a few that will not expect this advertising. For instance, certain popular monthly magazines go to press fully 60 days ahead of their dated line. It would be hardly practicable to advertise in the monthly magazines for the first campaign. Then, further, there are some strictly technical and class publications which would not expect to seek advertising of this kind. And there are a few college dailies which are not in the general advertising field. But the dailies, the weeklies, the farm papers, and all of the others would come in on a general advertising campaign of great power and force, each to receive its exact share according to its accepted rate card.

Mr. SLOAN. Will the gentleman yield?

Mr. JOHNSON of Washington. Yes.

Mr. SLOAN. Does the gentleman's list of available advertising papers include agricultural papers and trade papers?

Mr. JOHNSON of Washington. Yes; all of them.

Mr. SLOAN. And it is not contemplated that there shall be any distinction as to partisanship?

Mr. JOHNSON of Washington. Absolutely none. That is just what is to be avoided. Gentlemen, everyone knows that, next to money itself, advertising is the thing that makes the wheels go round, and the brightest minds that are known to the advertising business have organized to aid this Government just the same as the automobile manufacturers and others organized, and they have prepared and presented a plan, with which I regret to say I am only partially familiar, but enough so to give you a fair outline.

By this plan, for $2,500,000 they will place real advertising to the amount of from two to four pages of newspaper size in the 1,773 daily papers of the United States with a circulation of more than 24,000,000 copies daily; and in 14,000 country weeklies with a weekly circulation of 14,541,000 copies; and in several hundred foreign-language papers and in——

Mr. SLOAN. I should like to ask the gentleman right there if it is not understood that in the presentation of this plan, if the advertising is fairly distributed to the best advertising mediums—that is, the newspapers—there will be large additional notice given, editorial and otherwise?

Mr. JOHNSON of Washington. Certainly. Now, for $2,500,000 you can not only advertise in all of the weeklies, all of the dailies, nearly all of the foreign-language papers and all of the farm papers and even the religious papers, but also in all of the street cars and with all of the billboard organizations, which cover every city. If all that is not worth considering, nothing is. I do not think the House should overlook this. The plan has been carefully prepared. Further, this is not a staggering sum or even a large sum.

Mr. MOORE of Pennsylvania. Has the gentleman examined the situation sufficiently to be able to say how much might be apportioned amongst these 20,000 newspapers?

Mr. JOHNSON of Washington. Yes; $1,500,000 of this sum will go to the daily and weekly newspapers, including the cost of matrices.

Mr. MOORE of Pennsylvania. How would the gentleman apportion the appropriation—in accordance with the circulation of the newspapers?

Mr. JOHNSON of Washington. Yes; in part. It is proposed to utilize the advertising machinery of the great agencies, which machinery is already set up and is just as necessary to the newspaper business generally and the periodical business as railroads are necessary to business operations.

Mr. MOORE of Pennsylvania. I concede all that.

Mr. JOHNSON of Washington. We will use that machinery.

Mr. MOORE of Pennsylvania. I concede all that, but how would the selection be made in order to be fair to the entire newspaper fraternity?

Mr. JOHNSON of Washington. It will be made by placing from two to four pages in every publication at its actual advertising rates.

Mr. MOORE of Pennsylvania. At their ordinary advertising rates?

Mr. JOHNSON of Washington. At their ordinary advertising rates.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. MOORE of Pennsylvania. I ask unanimous consent that the gentleman's time be extended five minutes.

The CHAIRMAN. The gentleman from Pennsylvania asks unanimous consent that the time of the gentleman from Washington be extended five minutes. Is there objection.

There was no objection.

Mr. JOHNSON of Washington. Now, then, Mr. Chairman, the railroads of the United States advertised in all the newspapers of the country last year at an expense of $249,000. That is not a great sum when you consider the number of railroads and the amount of advertising for a year and the business that resulted.

Mr. KEATING. Did I understand the gentleman to say that the expenses were $249,000,000?

Mr. JOHNSON of Washington. If I said millions, I meant thousands—$249,000.

Mr. GORDON. Does the gentleman think that the railroads increased their business enough to warrant the spending of that amount?

Mr. JOHNSON of Washington. I know they did.

Mr. GORDON. How does the gentleman know it?

Mr. JOHNSON of Washington. They carried advertising for passenger trade and they thought it profitable, and it was profitable.

Mr. GORDON. The railroad carries everybody that comes, and if a man does not want to go he does not go.

Mr. JOHNSON of Washington. If the gentleman from Ohio is sitting in Cleveland on a hot July day and reads an alluring advertisement of an excursion rate on an electrified railroad across the Rockies and the Cascades to the Pacific Northwest, where it is cool and comfortable, he may become possessed of an idea to take the trip.

Mr. CANNON. Will the gentleman allow me?

Mr. JOHNSON of Washington. Yes.

Mr. CANNON. The railroads do not even publish the time tables in most of the counties in the United States.

Mr. JOHNSON of Washington. If they do not, they go on the theory that the time table carries an element of news which the newspaper might carry on its own account.

Mr. CANNON. But they do not publish them.

Mr. JOHNSON of Washington. The papers of this town publish the time tables, do they not?

Mr. CANNON. I do not think so. They do not publish them in Danville or in any place in my district.

Mr. JOHNSON of Washington. Well, that is neither here nor there. I desire to discuss the reaching of the little newspapers with a systematic series of bond-selling advertisements.

Mr. CANNON. If the gentleman will allow me, I do not know about these advertisements; are you going to reach all the country papers?

Mr. JOHNSON of Washington. Every last one of them.

Mr. CANNON. I think there are more than 20,000.

Mr. JOHNSON of Washington. Oh, no. The number now existing has been carefully computed.

Mr. CANNON. The gentleman says two to four pages—some papers do not have four pages.

Mr. JOHNSON of Washington. If a paper is only a half sheet, it must have two pages.

Mr. FORDNEY. How many insertions would the money the gentleman speaks of give in the great daily papers?

Mr. JOHNSON of Washington. That would carry on a systematic campaign of advertising for one month in the country papers; that would not mean an insertion every day in a great daily like the Chicago Tribune, but it would mean two pages in the Saturday Evening Post at a cost of $2,500 a page.

Mr. STAFFORD. Will the gentleman yield?

Mr. JOHNSON of Washington. Certainly.

Mr. STAFFORD. I understand the gentleman's amendment provides that the Secretary of the Treasury shall expend two and a half million dollars of the sum available for advertising——

Mr. JOHNSON of Washington. Yes.

Mr. STAFFORD. How much will be left for the Secretary for other purposes?

Mr. JOHNSON of Washington. About $15,000,000.

Mr. STAFFORD. I beg the gentleman's pardon.

Mr. JOHNSON of Washington. Fourteen million five hundred thousand dollars.

Mr. STAFFORD. How does the gentleman arrive at that figure?

Mr. JOHNSON of Washington. I was informed in debate yesterday by the chairman [Mr. KITCHIN] that the total overturn under the one-seventh of 1 per cent would be about $17,600,000.

Mr. STAFFORD. One-seventh of 1 per cent of the total amount. I would like to know just what that is.

Mr. JOHNSON of Washington. The total comes from one-seventh of the amount of the bonds and the war-saving certificates and one-tenth of the amount of the certificates of indebtedness.

Mr. STAFFORD. I would like to know whether the Secretary of the Treasury under this phraseology is limited in the expenditure of these amounts by the percentages stated in the bill, or whether he has the privilege to spend the total amount for any purpose?

Mr. KITCHIN. He is limited only by the amount stated in the bill, one-seventh of 1 per cent of the bonds and war-saving certificates and one-tenth of 1 per cent on the amount of certificates of indebtedness.

Mr. DICKINSON. Will the gentleman yield?

Mr. JOHNSON of Washington. Certainly.

Mr. DICKINSON. Does the gentleman contemplate publishing an advertisement in the weekly papers as well as the dailies, including all weekly papers?

Mr. JOHNSON of Washington. Including the smallest weekly newspaper that has the second-class privilege of postage rate.

Mr. BORLAND. Will the gentleman yield?

Mr. JOHNSON of Washington. I would be glad to yield.

Mr. BORLAND. Do I understand the purpose of the amendment is to set aside two and a half million dollars of the funds devoted to placing the bonds to be used for newspaper advertising?

Mr. JOHNSON of Washington. For all advertising—newspapers, periodicals, street cars, and billboards—largely at the discretion of the Secretary of the Treasury.

Mr. BORLAND. Does it require him to spend that amount for advertising?

Mr. JOHNSON of Washington. It names advertising as part of the necessary expenses and gives $2,500,000 as the top figure for the advertising campaign.

Mr. BORLAND. Did I understand the gentleman to say that there are 20,000 daily papers in the United States?

Mr. JOHNSON of Washington. Oh, no; I thought there were about 25,000 publications of all kinds, but I am told now that the number is a few more than 20,000 periodicals, daily and weekly, and the like.

Mr. BORLAND. Assuming that there are 20,000, that would give about $125 to each paper.

Mr. JOHNSON of Washington. Yes; but it is not designed to prorate it that way.

Mr. BORLAND. How far would that go toward advertising in a great paper that has a real circulation?

Mr. JOHNSON of Washington. Each paper would not get $125. Some would receive much more. Say there is a paper in Joplin, Mo., and its rate by the page once a week for a month is 18 cents an inch. The advertising would be placed at that rate, whereas in the Chicago Tribune it might be $1.25 an inch, and the Tribune would get four insertions at its rate.

Mr. BORLAND. Does the gentleman think that an average of $125 would produce the results that are expected?

Mr. JOHNSON of Washington. The sum is not divided by the number of papers. If a paper had 2,000 subscribers in a community of 10,000 people, and those 10,000 people read the local advertisement carrying an explanation of the short-time issue of these war-emergency certificates, written by some of the brainiest men in the United States who know how to write advertisements, I know it would double the sale of these bonds in one-half the time that will be necessary otherwise.

Mr. BORLAND. I will say to the gentleman that $125 would get just about one-quarter of a page one Sunday morning in a Kansas City newspaper.

Mr. JOHNSON of Washington. I think the Kansas City daily papers would get much more than that.

Mr. BORLAND. About one-quarter of a page on Sunday morning.

Mr. JOHNSON of Washington. The Kansas City newspaper has an advertising agent in New York City, and his rate card is there, and this estimate is made up upon that basis. The Kansas City paper will get its rate. That applies not only to the Kansas City Star, but to the St. Louis Globe Democrat, the New Orleans Picayune, the Chicago Tribune, and all of the big dailies, and then on down to the small dailies and on down to the weeklies.

I want to assure the membership that this is a practical plan. It is all left to the Secretary of the Treasury, who is not averse to it at all, and it simply gives an indication on the part of Congress that it is desired that in selling these great bond issues, out of this $17,000,000 authorized for the overturn of the bonds, there shall be placed with all of the newspapers and advertising agencies of the country the sum of $2,500,000. It is not too much at all.

Mr. RAINEY. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Washington. Yes.

Mr. RAINEY. What organization figured out those estimates?

Mr. JOHNSON of Washington. A series of associations representing all the leading advertising men who were recently called upon to come before the Secretary of the Treasury with the plan.

Mr. RAINEY. When did that occur?

Mr. JOHNSON of Washington. Within the last few days. The notice from the Secretary gave very short time. They had only 24 hours in which to appear. I think the entire plan written out is on his desk, and I have not any doubt at all that as this bond sale goes on that he will endeavor to carry it out, but I think the least Congress can do is to make sure that we have proper publicity for the sale down into the last hamlet of the United States. One thing more: Both France and England have systematically advertised their bond sales from the start and at great saving.

Mr. Chairman, I ask unanimous consent to withdraw my amendment and offer in lieu thereof two others, which I now send to the Clerk's desk and ask to have read.

The CHAIRMAN. The gentleman from Washington asks unanimous consent to withdraw his amendment and offer in lieu of it two others. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will report the amendments.

The Clerk read as follows:

Mr. JOHNSON of Washington offers the following: Page 12, line 2, after the word "rent," insert the words "and advertising;" and on page 12, line 9, after the word "direct," insert: "Provided that a sum not in excess of $2,500,000 of said sum shall be used for advertising in the daily and weekly papers and such other mediums of publication as the Secretary of the Treasury may direct."

Mr. RAINEY. Mr. Chairman, from the remarks of the gentleman from Washington [Mr. JOHNSON] I understand that this is not a proposition submitted by the newspapers and magazines and the billboard organizations of the country, but it is a proposition promoted and advocated by those advertising agencies in this country which place advertisements in the newspapers and magazines of the country, and perhaps also in the street cars and on billboards throughout the land. I deny that the patriotic newspapers and magazines of the country are demanding pay for the services they render their country in publishing the interesting reading notices which have reference to the placing of war bonds, and the necessity for it. Large, full-page advertisements have recently appeared in the newspapers of Washington advocating payment to newspapers and magazines for their services to the country. These particular advertisements are inserted not at the expense of any newspaper or magazine, but they are paid for and inserted by a great agency which supplies to 8,000 newspapers in the land boiler-plate advertisements for their inside or outside sheets. I do not believe that for $2,500,000 four pages of reading matter can be inserted in every newspaper in the land, as has been stated on this floor, and also that a corresponding amount of billboard and street car advertising can be accomplished.

There are 20,000 newspapers and magazines—more than that in the country. Many of them do not have more than four pages in their regular issues. These small papers, when the advertising agencies dole out to them the small amount they will be willing to pay, will find if they carry these advertisements that the extra paper occasioned by inserting them will cost about as much as they can get out of the agencies. The smaller newspapers of this country are familiar with the methods of these advertising agencies. If they insert the stuff they send out in their papers, they insert it for a small compensation indeed.

The statement of the gentleman from Washington [Mr. JOHNSON] is that if his amendment goes in $2,500,000 will be distributed through these advertising agencies—through these boiler-plate companies—to the newspapers of the land. How much will the agencies keep of this amount? Ten per cent would be an exceedingly moderate estimate. If they keep 10 per cent of this amount we are then paying, not to the newspapers of the land but to the organized agencies the gentleman discusses, one-quarter of a million dollars, at the very least, for five or six weeks' work. No wonder their representatives are here in conference with the Secretary of the Treasury. No wonder their representatives are inserting in the newspapers of Washington at large expense these full-page advertisements advocating the appropriation of this sum for this purpose. No such proposition as the gentleman has discussed was ever presented for consideration to the Committee on Ways and Means, which drew this bill. This committee has until now heard no such suggestion as this. The section of the bill sought to be amended makes a definite allowance to the Secretary of the Treasury of not to exceed $17,000,000 for the purpose of paying the necessary expenses connected with the printing and placing of this enormous bond issue. He can expend of that sum as much as is required for that purpose. This is the largest transaction in the history of nations. We must place these bonds.

This section in this bill makes this allowance to the Secretary of the Treasury, and if it appears necessary in order to obtain subscriptions for these bonds to advertise in the newspapers of the country, the Secretary has the right to do it without this amendment. Throughout the land during the campaign for the sale of liberty bonds newspapers rendered most excellent service. Without compensation they continually called attention to the fact that these bonds were being offered for sale. So far as I know they did not ask any compensation. So far as I know the small newspapers of the country and the large newspapers of the country are still anxious without compensation to discharge this patriotic duty. All over this land, from ocean to ocean, men and women, banks, trust companies, and newspapers will still be found discharging their patriotic duty urging upon those who have money to invest—a small amount or a large amount—the necessity of subscribing for these bonds.

Mr. HASTINGS. Then why should we make any provision or appropriation at all for any expenses in connection with the sale of the bonds if everyone is patriotic and if everyone is willing to lend their time and assistance to the sale of them?

Mr. RAINEY. Because we are engaged now in the greatest war in history and we can not afford to take any chances, and this bond issue must be properly presented to the country in such manner as the exigencies of the campaign may demand. If every man and every woman and every agency rendering service in placing these bonds demands and receives compensation there will not be much left with which to aid the young men of the country who will soon be fighting on land and sea for our institutions and our flag.

Mr. JOHNSON of Washington. Mr. Chairman, will the gentleman yield?

Mr. RAINEY. Yes.

Mr. JOHNSON of Washington. If the gentleman will permit me, there was paid in excess of $500,000 to two metropolitan newspapers to promote the last bond issue by other advertising agencies—not the Government. The advertising by the billboard advertisers given to the Government was in excess of $500,000, and they will do it again. So with the newspapers. But now the Secretary himself says that these bond houses and others who spent money out of their own pockets should not be asked to do it again, and so long as there is a necessity for this expense I contend that the newspapers should be paid something.

Mr. RAINEY. Newspapers and individuals who desire to tender their services ought to have that opportunity. I understand that these newspaper advertising associations and this association which inserts these large advertisements in our city papers advocating this method of procedure expect to make a large amount of money out of it. This organization so inserting these large advertisements asking pay for newspapers for this patriotic service sells the boiler-plate advertisements that will be used throughout the land in 8,000 papers or possibly more than that. These advertising agencies who are here are not here at the request of the patriotic newspapers of this land and their owners. They are here because they expect themselves to pull down commissions out of this transaction. That is the reason they are here. They have simply joined the vultures that hover over this Capitol. If it is necessary to pay any man or any newspaper for services of value in connection with the negotiation of these bonds, we will have to do it, of course. But I object to a proposition that makes it obligatory upon the Secretary of the Treasury to donate, to give, to the advertising agencies of this land $2,500,000 in cash, a part of the same to be distributed by them among the newspapers, magazines, and billboard organizations of the country—such part of the same to be so distributed as they may in their generosity determine.

The CHAIRMAN. The time of the gentleman has expired.

Mr. RAINEY. Mr. Chairman, I ask for five minutes more.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois? [After a pause.] The Chair hears none.

Mr. RAINEY. It may be necessary to do so. These papers have varying advertising value. Some of them have a circulation of only a few hundred, some a circulation of many thousands. If in the congressional district of any Member this money is unequally distributed among the newspapers, you are going to hear from it. You are insulting the publishers of the country when you propose to dole out to them through cut-throat advertising agencies such part of $2,500,000 as these agencies may be willing to divide with them.

Leave these matters in the hands of the Secretary of the Treasury; he will keep down the expense of negotiating these bonds to the minimum, and if we are compelled to select advertising mediums, whether billboards, which now tender their services for nothing, or the newspapers, which now tender their services for nothing, and pay for it, he is capable of doing it and paying them according to their recognized advertising rates, if that is what they charge. I think we ought to give them the opportunity of rendering this service for nothing if they want to do it for nothing. If the small newspapers demand pay, and it is necessary to pay them in order to float these bonds, why, we will have to pay, of course; but we ought not to pay them through these advertising agencies. The money paid newspapers ought to be paid to them direct from the Treasury of the United States; it should not reach them through agencies which expect to retain a large part of the amount allotted as commissions. Referring now to the great national newspapers and magazines, I want to say that if they will give up the $90,000,000 mail subsidy they now pull down out of the Treasury of the United States, and which they cling to with such tenacity, we could afford to pay them a much larger sum than is contemplated in this proposed amendment. [Applause.]

Mr. ALMON. Mr. Chairman, the section of the bill under consideration authorizes the Secretary of the Treasury to spend about $11,000,000 in floating the issue of bonds provided by this bill. That amount, it seems, has been estimated to be necessary both by the Secretary of the Treasury and by the Ways and Means Committee who reported this bill to the House. While that seems to be a very large amount it may be necessary.

The amendment now under consideration provides that $2,500,000 of that amount be expended by the Secretary of the Treasury in advertising, being less than 25 per cent of the amount of the expenditures contemplated. If this amount is to be expended in floating this bond issue, I am in favor of the amendment proposed by the gentleman from Washington [Mr. JOHNSON], and which is now under consideration, for the reason that I believe it is right and will be a practical and efficient way for advertising this bond issue. When State, county, and municipal bonds are to be floated, they are advertised in newspapers and periodicals read by people who would likely be interested in the purchase of such bonds. It is desired that this issue of bonds be a popular one.

Provision is made for the issuance of bonds of small denomination in order that they may be purchased by men and women of small means and income. The best way to bring such bonds to their attention is to advertise them in the country newspaper, oftentimes the only paper they have an opportunity to read.

Mr. GORDON. Will the gentleman yield?

Mr. ALMON. Yes.

Mr. GORDON. How much did they have to pay the newspapers for the last bond issue for advertising?

Mr. ALMON. I do not suppose the Government had to pay them anything. It may be that some of the large daily newspapers were paid, but the country newspapers were not paid anything. It is true that the country newspapers out of a spirit of patriotism donated to the Government their space and substance in advertising the last bond issue and the regulations of the draft law, and they deserve the praise and thanks of the people of the Nation for their valuable and gratuitous service. But some at least of the newspapers now claim that on account of the high cost of print paper and everything else that goes to make up the expense of publishing a newspaper has advanced so much that they should be paid a reasonable rate for advertising the second bond issue as every other class of men who contribute their means and labor for the Government are paid. Many of the small country newspapers are struggling for existence and are making less profits than any other class of business for the amount of capital and labor invested. Patriotism will not pay the expenses of the publication of a newspaper. I believe that we ought to be fair with all classes of our people who render service to the Government, and I do not think that it is fair for the Government, even in times of war, to expect advertisement of its business to be donated when everyone else is paid for his service.

It is said that the Secretary of the Treasury is not willing to call on the bankers of the country again for assistance in negotiating this bond issue for the reason that they rendered assistance in the last bond issue without compensation. For the same reason he should not expect the newspapers to again contribute their space without compensation, and I dare say that this bond issue could not be floated without the assistance of the daily and weekly papers of this country.

The gentleman from Illinois [Mr. RAINEY] has referred to the proposed amendment as a donation to the newspapers. It is not a donation in any sense of the word. He also intimates that it could not be fairly and equitably apportioned among the newspapers of the country. There is no reason why this amount can not be fairly and equitably apportioned among the newspapers and periodicals, as has been fully explained by the author of this amendment. The gentleman also intimates that some advertising agency would get a percentage. I do not know that it would be necessary that such an agency be employed; but, if it was, the Secretary of the Treasury could fix its compensation, which no doubt would be a very small percentage. He also refers to the low rate of postage on second-class mail matter. That is no argument against the amendment under consideration. He seems to overlook the fact that one purpose of Congress in fixing a low rate of postage on newspapers and periodicals inures to the benefit of the subscribers as much, if not more, than to the publishers. The millions of people who are able to read valuable weekly farm papers and other weeklies for $1 per year would not enjoy that privilege if it were not for the low rate of postage on second-class mail matter. It may be that there should be some change as to such rates, but that question is not now before the House and should not have been injected into this discussion.

The gentleman from Illinois [Mr. RAINEY] also says there is no newspaper lobby here asking for the adoption of this amendment. That is true, and it is to their credit. If there was such a lobby here, he would probably assign that as one of the objections to the amendment; but we do know that many of the newspaper men of the country have said that they should not be asked to donate their advertising space, which is all they have to sell, for the second bond issue when no one else is giving anything.

The publishers of 6,000 country newspapers in the United States are as patriotic and good a class of citizens as we have in this country. They donated millions of dollars' worth of their space to aid in floating the first bond issue, and many of them purchased these bonds as far as they were able. So let the Government now be fair to them, and if a large amount is to be expended in floating this bond issue, as it seems will be from the opinion of those in a position to know, then let the part provided for by this amendment be expended in advertising. I believe it will be the best and most economical way of disposing of these bonds to the best advantage.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SLOAN. Mr. Chairman, I am in favor of this proposition. In the floating of this $7,500,000,000 of bonds the proposition as it now stands contemplates an expenditure of about $11,000,000.

Four million dollars is for floating the certificates of indebtedness. Now, then, the amount appropriated by this amendment would be less than 25 per cent of the total amount provided for the expenditures for floating the bonds. I believe that in the disposition of the money of the country, if there are to be large expenditures, while a large discretion be given to the administration officers, it should not entirely be taken from this House. I think that the best advertising medium in this country is the weekly paper in every county throughout this Union. I think the next is the daily paper, and following these are the agricultural and trade papers. And those papers are the ones that are read at the fireside and believed in by the readers. They are not the sporadic presentation of a project brought about by speeches of men and by brass bands. They are the usual medium of communication of good and patriotic business doctrine. They are the best advertising medium on earth.

Mr. COX. Will the gentleman yield?

Mr. SLOAN. Yes.

Mr. COX. There is nothing in the bill as it now stands that will prevent any paper in the United States from voluntarily publishing any advertisement the Secretary of the Treasury might offer?

Mr. SLOAN. Not at all. And there should not be; and I doubt not that if this fair business proposition is carried out, this advertising medium—I speak of the papers themselves—with the patriotic impulses of those papers, in addition to carrying out the business contract they make with the Government, will show upon their editorial pages and elsewhere a large amount of free, effective advertising.

Now, I quite agree with the gentleman from Illinois [Mr. RAINEY] that the newspapers of this country ought to pay their carriage. Most of the newspapers are doing that now. There is no difference between us on that proposition. It is a business matter, and the sooner we come to a business basis with the newspapers and other publications of this country the better it will be for the newspapers and the country. For that reason I am in favor not only of exacting from the newspapers what they should pay for their carriage between points in this country, but I believe, where this Government has a large amount of business to do, and this Congress has the power to direct it, it should not neglect its opportunities to see that fair treatment is accorded them. This matter is not new. It was brought up before the Committee on Ways and Means. It was discussed there with the Secretary of the Treasury. The proposition presented was discussed at that time. The question was asked of the Secretary how the distribution would be made under the plan. He said it would not be confined to any party, faction, sect, or trade, but every recognized public medium for advertising would be recognized, one the same as the other and without discrimination. And it seems to me that this Congress, in setting apart $11,000,000 for the floating of this $7,500,000,000 of bonds, could well exercise its proper function in saying that while we are delegating a large amount of discretion to the Secretary of the Treasury our business judgment dictates that we shall recognize the best advertising mediums in the Republic—the weekly and daily papers, the agricultural and the trade papers.

It is not enough to say the excellent patriotic support given the former loan by the press is an earnest that their space —their large stock in trade—shall be thrown open to the Secretary that he may have it free, and then pay out the millions provided in this bill to spend in doubtful experiments with ineffective means. Printer's ink will bring better results than the organized hysteria of brass bands and platform appeals.

Mr. FORDNEY. Mr. Chairman, I have no objection to the Secretary using his judgment as to where this money shall go or that he may pay to the newspapers a fair share or portion of this money in advertising for the sale of these bonds. But so far I have contended, and I am going to continue to contend, that the hands of the Secretary of the Treasury should not be tied. He should be permitted to handle that money to the best of his judgment in advertising for the sale of those bonds. He did state that the banks of the country and the newspapers of the country had assisted in the last sale of liberty bonds.

Mr. RAINEY. Will the gentleman yield?

Mr. FORDNEY. I yield to the gentleman from Illinois.

Mr. RAINEY. Under the provisions of this bill, is it not true that if necessary the Secretary could expend a much larger sum than $2,500,000 with the newspapers?

Mr. FORDNEY. He could expend any portion of that money allowed him that he thought in his best judgment would be proper.

Mr. STERLING of Illinois. Did he not also state to the committee that he thought the newspapers ought to be paid for space for this purpose, showing that it is his intention to exercise his discretion to pay whatever he chose?

Mr. FORDNEY. He did, and he stated further than that that the banks of the country had very largely made the last sale of these bonds and had paid out large sums of their money. And I know that to be true. The various banks of the country were apportioned a certain amount of bonds to be sold and those banks advertised them very extensively. Not only that, but they sent men throughout the country—I know they did in the State and county in which I live—and the banks paid the expense of sending them around through the farming country to visit the various farmers who had money on deposit in the banks. The banks of the country know where the money is.

They know the owners of the money that is deposited in the banks, and therefore they sent agents about the county and the various townships, made a complete canvass of everybody who had money to loan, and induced them to subscribe for a certain amount of this last loan. And the banks and the newspapers will perform a very important part in the future in the sale of those bonds. But I do not believe that the Congress of the United States ought to say to the Secretary of the Treasury, "You shall pay so much here and so much there," in the sale of bonds——

Mr. JOHNSON of Washington. In reference to the inquiry of the gentleman from Illinois [Mr. STERLING], and that the inference in the hearing is that the Secretary believed in advertising and that he would advertise, what would the gentleman say if after the bill had been put in the basket with the percentage reduced, the Secretary's office then said to the newspaper men there would be no advertising?

Mr. FORDNEY. My good friend, it is going to cost a large amount of money to sell those bonds. It is going to be spent somewhere. Somebody must do some advertising, and the men who do the work ought to receive the pay.

Now, it is said that the Secretary of the Treasury, if it is left to his discretion, may give this money to friendly newspapers of his party—Democratic newspapers. Let him try it if he dare, and you will see the biggest row in the next campaign that you ever heard of. There will be a perfect hornet's nest turned loose on him. It would destroy him politically. He would not dare to do a thing of that kind. An honest man would not do it. We must contend that the Secretary of the Treasury is an honest man until we find out differently.

Mr. JOHNSON of Washington. No one charges him with being otherwise.

Mr. FORDNEY. No. No one has attempted to convey any such idea. The idea, gentlemen, is that the hands of the Secretary of the Treasury ought to be left free to expend this money where he knows it ought to be expended.

Mr. GORDON. Mr. Chairman, the gentleman from Washington [Mr. JOHNSON] proposes an amendment here requiring the Secretary of the Treasury to spend at least $2,500,000 for newspaper advertising. Now, as has been stated by members of the committee, the Secretary of the Treasury is authorized to expend this entire sum appropriated in this bill for newspaper advertising if, in his judgment, that is how it ought to be expended. I think the bill confers too large powers entirely on the Secretary. I think it gives him entirely too much money to spend in the sale of these bonds.

Now, the great success of the last bond issue, as has been stated, was due largely to the bankers of the country, who took hold of it with their organizations and made a success of it—a tremendous success. They have never asked any compensation, and I do not understand that the newspapers are asking for any. Nobody authorized to speak for them has said that they were asking for any. The contention of the gentleman from Washington seems to be that we ought to make a donation to the newspapers. They did not charge anything before, and we do not know that they are going to charge anything this time.

Mr. JOHNSON of Washington. Mr. Chairman, will the gentleman yield?

Mr. GORDON. Yes.

Mr. JOHNSON of Washington. The Secretary says in the hearings that he is not ready to call upon the bankers and the mechanical institutions who floated the last loan. Is it not fair to give to the newspapers, who gave their space ad libitum to the making popular of that loan, some assistance this time?

Mr. GORDON. The gentleman will find, if he will read the statement of the Secretary with care, that the Secretary does not propose to pay anybody for advertising these bonds. What he said was that he wanted to reimburse these banking institutions for money they actually pay out to their own employees for the extra meals they purchase in doing the extra work that they may be required to perform. That is the only thing he mentions. If you are going out to buy newspaper space to hawk these bonds around among the people, where are you going to stop? So far as the newspapers and magazines are concerned, they are at present, under the existing postal laws, enjoying a subsidy of about $90,000,000 a year out of the 1 cent a pound second-class postage rates. I hope that this Congress will abolish at least a part of that subsidy before it adjourns. I think we are in a fair way to do it. That particular "graft" has cost the people of the United States $1,200,000,000 in the last 32 years. I think that now, during this war, when we are reaching down into everybody's pocket, it is a good time to reduce that. I shall have something to say about that later on.

As to this proposition of the gentleman from Washington [Mr. JOHNSON], I can not understand why it should be brought here. The Government is not going to give people money for nothing, I hope. The newspapers had a good deal to do with that first bond issue, and talked about it a great deal, and they undoubtedly helped the flotation of it among the people. They have not asked anything. Why should we propose to volunteer to donate to them $2,500,000 out of the Public Treasury? I think this amount in the aggregate ought to be cut down. It is out of all due proportion. The last statement of figures that I saw concerning it was that it was $23,000,000. It is out of all proportion to the amount of expense involved in the last bond issue.

Mr. JOHNSON of Washington. It is not that much.

Mr. STAFFORD. It is $15,000,000.

Mr. GORDON. Yes; it may be $15,000,000. Then the committee reduced it.

Mr. CAMPBELL of Kansas. Mr. Chairman, will the gentleman yield?

Mr. GORDON. Yes.

Mr. CAMPBELL of Kansas. Then the Secretary of the Treasury, as I understand, can use a very large amount of this $15,000,000 with the newspapers?

Mr. GORDON. Yes; he can use it in any way he pleases.

Mr. CAMPBELL of Kansas. Does not the gentleman think it would be well enough to direct the manner in which this sum should be expended?

Mr. GORDON. No; I do not.

Mr. CAMPBELL of Kansas. The organization that has been referred to here as an advertising agency could do the work more cheaply than the Secretary of the Treasury.

Mr. GORDON. Oh, all that the advertising agency does is to collect a commission on the money we appropriate and divide it up among members of the agency. [Laughter.]

Mr. CAMPBELL of Kansas. I am not as much afraid of being eaten up as I have been heretofore. Would it not also secure the work being done for less money by this agency than the Secretary of the Treasury could do it for?

Mr. GORDON. I do not see how. If they got this service performed before for nothing I can not see how you will get it now for less. [Laughter.]

Mr. CAMPBELL of Kansas. On the theory that the Secretary of the Treasury will expend $2,500,000 or $5,000,000 on newspapers——

Mr. GORDON. If he did not spend anything before on the newspapers, why must we assume in advance that we must go out and buy them up now?

Mr. CAMPBELL of Kansas. We are going to pay a higher rate of interest on these bonds than we paid before.

Mr. GORDON. Is that a good reason why they should come forward and ask the Government for pay for advising the people to buy them? [Laughter.]

Mr. CAMPBELL of Kansas. Is that any reason why we should increase the rate of interest from 3½ per cent to 4 per cent?

Mr. GORDON. We legislate here to permit the Government to put the surtax on the income from these bonds, whereas the other bonds were tax free. I think we act wisely on that.

Mr. CAMPBELL of Kansas. The probabilities are that future legislation will throw all the income that comes from the interest on the bonds heretofore sold in along with the interest on this bond issue.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. KITCHIN. Mr. Chairman, I ask unanimous consent that all debate on this section close in 10 minutes.

Mr. KETTNER. I want five minutes.

Mr. MOORE of Pennsylvania. Did the gentleman say "this section" or "this amendment"?

Mr. KITCHIN. I will say to the House that I think it is important that we should pass this bill to-day. It is mighty important that we should pass the bill at the earliest possible moment, because it is going to take a long time to get ready the campaign for floating this issue. I think it will take at least a month to make ready for the campaign to sell $5,000,000,000 of bonds.

Mr. MOORE of Pennsylvania. I suggest that the gentleman make the limit of time apply to the next amendment. There is another amendment to come.

Mr. KITCHIN. I will make it 15 minutes.

Mr. GORDON. I would like to have three minutes.

Mr. KITCHIN. The gentleman from Washington has already had 15 minutes. I will make it 15 minutes, Mr. Chairman.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent that all debate on this amendment close in 15 minutes. Is there objection?

There was no objection.

The CHAIRMAN. The gentleman from Oklahoma [Mr. MORGAN] is recognized for three minutes.

Mr. MORGAN. Mr. Chairman, I want to read what Mr. McAdoo did say in regard to newspaper advertising. On page 35 of the hearing he says:

> I have felt all along, I am perfectly frank to say, that if the Government entered upon a campaign of advertising in the newspaper, it ought to pay for it at reasonable rates, because the only commodity the newspapers have is their advertising, and we ought not to ask them to give it for nothing any more than to ask the steel mills to give their product for nothing or the farmers to give their produce to the Government for the purposes of the war.

So the Secretary indorses this proposition.

Mr. LONGWORTH. Will the gentleman yield at this point? The gentleman failed to read what the Secretary said on page 38.

Mr. MOORE of Pennsylvania. That would be explanatory.

Mr. MORGAN. I take it that on the whole the Secretary is favorable to newspaper advertising; and if I thought he was not, I would be much more in favor of this amendment. He says that we must undertake a great campaign of selling bonds, such as has never been witnessed certainly in this country or in any other country. There is only one way that the great masses of the people can be reached, and that is through the newspapers of this country, great and small. He said he wanted to compensate the bankers for their outlay. Do not the newspapers have an outlay as well as the bankers? The little amount which the newspapers of this country would get would be but a small portion of the money that they will actually expend. In this age of the world there is no great business that undertakes anything of importance without utilizing the power of the press. So in this campaign, in undertaking to sell these vast quantities of bonds, mounting up into the billions of dollars, in my judgment, it would be the height of folly, indeed almost a public calamity, if the Secretary of the Treasury did not advertise the sale of these bonds in the newspapers of the country.

The Secretary of the Treasury should advertise these bonds in the newspapers, not merely as a favor to the newspapers; he should do it as a business proposition. Public sentiment must be molded. Our citizenship must be educated. This can not be done without the aid of the press. The small amount paid to the publishers will in no sense compensate them for the space they will use in making the sale of these bonds successful. The space paid for will be but a small percentage of the amount freely given to the Government by our newspapers, magazines, and other periodicals before the bond-selling campaign will have closed. Since the inception of this war, with few exceptions, our editors have done their full duty. They have been loyal and patriotic. Throughout every section of this country the same spirit has been manifested. The calls of the Government upon them have been great. They have stood by the Government. They have upheld the President, the Commander in Chief of our Army and Navy. They have rendered unselfish service which can not be and will not be compensated by any paid advertisements authorized by the pending amendment. The great dailies have done their part. They have not, however, done more according to their ability than county weekly newspapers have done. After all, it is the home paper, the small dailies, and county weekly papers, which wield the greatest influence. But all classes of papers should be recognized and all should be compensated, in part at least, for the expenditure necessary on their part to make the sale of these bonds successful. As I have read the testimony of the Secretary of the Treasury I do not think he is opposed to the proposition. In my judgment he will be glad to have Congress vote favorably on this proposition, and I hope it will be adopted.

Mr. WOOD of Indiana. Mr. Chairman, if the gentleman from Oklahoma had read a little further in the testimony of the Secretary of the Treasury he would have found that it was the intention of the Secretary of the Treasury not to pay out any of this money for advertising in newspapers. The gentleman from Illinois [Mr. RAINEY] says that there is no demand by the newspapers of this country that this amendment be passed. Some week or 10 days ago I received a letter from a publication in my district, and a few days afterwards I received another communication upon this very proposition, both of which letters I sent to the publicity committee of the Council of National Defense. They were pointing out the fact how loyally the newspapers had supported the last liberty loan, how generously they gave their space in advertising the Red Cross fund and in popularizing the conscription act, and that for all these activities of the Government they had been giving their space without stint. They point out that they have to pay more for their paper, ink, and everything that goes into the make-up of a newspaper than ever before, and they say they can not hope to exist if they continue to give their space as they have been giving it. I think the Congress should bear in mind that this is but the beginning of the sale of bonds. There will be many other bond issues to be sold hereafter, and if we wish to keep the continued good will of the people of this country, whose money we are expecting will pay for these bonds, we should keep on the good side of the medium that reaches the people of this country and brings these advertisements home to them.

Mr. RAINEY. Does the gentleman say that in these patriotic matters in order to keep on the good side of the newspapers we have got to pay them money?

Mr. WOOD of Indiana. The newspapers of the country can not live on patriotism alone. They have got to have something of substance. The people who sell them their print paper are not patriotic enough to give it to them. The men who furnish the ink and the type and the men who work the presses are not patriotic enough to give their material and time and services for nothing. So I say that this great Government of ours, that is spending money by billions, should not expect these papers to give their services entirely without compensation. It is not enough for the gentleman from Illinois [Mr. RAINEY] and others to say that these newspapers are dragging down millions each year by reason of the postal privilege which they now have. Most of these newspapers get nothing out of the cheap postage rates. The newspapers in my section of the country are getting nothing from that source. The newspapers that circulate mostly in the district of every Congressman here are getting nothing from that source.

Mr. BLACK. Is it not true that they circulate absolutely free in the county of publication?

Mr. WOOD of Indiana. Yes; and that is the end of it. But I want to say that there is a demand that this amendment pass. It is the demand of common justice.

Mr. KETTNER. Mr. Chairman, the statement has been made several times that the newspapers have not asked for the passage of this amendment. I hold in my hand several letters from the newspapers of my district, which I will ask the Clerk to read in my time.

The Clerk read as follows:

THE EVENING INDEX,
San Bernardino, Cal., August 14, 1917.

Hon. WILLIAM KETTNER, M. C.,
Washington, D. C.

MY DEAR MR. KETTNER: I want to ask you, when the question of the next liberty-loan bond comes up, to do all you can to secure an appropriation for selling them by paid newspaper advertising.

There are no more generous fellows in this country than the newspaper publishers. They gave freely of their space for the first liberty loan, for the Red Cross fund, for the draft, and all the other projects that the Government has wanted put over. They have done this freely and loyally, but there is such a thing as riding a free horse to death. There are many people and many officials with the Government who think, without considering the justice of the matter at all, that newspapers should print all the stuff which is for the general good that is asked for without compensation. These people will willingly pay for printed matter, letters, circulars, postage, etc., and billboards sometimes, yet expect the newspapers to donate their publicity, into which the element of costs enters just the same.

I believe it is only right and fair that this second issue should be sold by the same means that was largely responsible for success of the first issue—newspaper publicity—but that the Government should pay for the service which is of value to, costs the publisher money.

Very truly, yours,

W. S. CONGER.

LOST HILLS GUSHER,
Lost Hills, Cal., August 15, 1917.

Hon. WILLIAM KETTNER,
Washington, D. C.

DEAR SIR: The amount of advertising we receive from Government departments would, if published, fill our whole issue day by day.

We believe that the Government should pay for the advertising it needs the same as other business organizations do.

The only way a country newspaper can exist is by selling its advertising space.

We are, of course, patriotic to publish news and matters of assistance to the Government, but as the farmer, the steel maker, the clothier are paid for their products, so should we be; and we believe you will admit that the newspaper publisher should be paid for his product.

We hope you will indorse and help in any effort that may come before Congress to assist the newspapers to get paid for the Government advertising.

Yours, very truly,

THE LOST HILLS GUSHER,
By ORA K. HART.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KETTNER. Mr. Chairman, I ask unanimous consent that the other letters be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

Mr. WALSH. Reserving the right to object, how many of them are there?

Mr. KETTNER. There are about 10, I believe.

Mr. WALSH. I object.

Mr. O'SHAUNESSY. Mr. Chairman, I ask unanimous consent that the time of the gentleman from California may be extended, so that he may have these letters read. The gentleman occupies very little of our time.

The CHAIRMAN. Is there objection to the request made by the gentleman from Rhode Island?

Mr. KETTNER. Mr. Chairman, just a moment. As my good friend from Rhode Island states, I occupy very little of the time of the House in speaking, but this is a question of vital importance to the country newspapers of this country. Some of these letters express the action of our newspaper associations on this subject.

Mr. KITCHIN. Will not the gentleman from Massachusetts, in the interest of saving time, withdraw his objection?

Mr. WALSH. Mr. Chairman, I withdraw the objection.

The other letters are as follows:

THE FALLBROOK ENTERPRISE,
Fallbrook, Cal., August 10, 1917.

Hon. WILLIAM KETTNER,
Washington, D. C.

MY DEAR MR. KETTNER: You have said to me several times, "If there is anything I can do for you, call on me." Now, Mr. Kettner, there is something you can do, not only for me, but for every publisher of a country newspaper in the United States. The country newspaper has been looked upon as a free horse which the public was privileged to ride until the burden has become so great that the business has become the poorest paid of any of the professions. If the town is to be boomed, a new industry wanted, funds needed for a new church, and dozens of other things which will help all alike, the newspaper is expected to write the stuff, pay for setting the type, buy the paper, and print it, and mail it, and pay the bills.

There's no more loyal and patriotic set of American citizens to-day than the publishers of the 6,000 country newspapers in the United States. During the floating of the last liberty loan, without a murmur and without a groan, they gave millions of dollars worth of their advertising space, and many of the publishers and their families bought bonds, and they did not ask and did not receive one cent for their work, while the big city papers printed page after page for which they were paid, and the city bill posters did a thriving business.

The only thing which these 6,000 country publishers have to sell from which they derive a profit is their advertising space. With the high cost of paper and the other things which enter into the making of the ordinary country newspaper, no matter how small, with a subscription price of, say, $1.50 per year, he does not more than break even; hence it follows that the profit to run the business must come from advertising.

Now, my dear Mr. Kettner, in the floating of the next sale of liberty bonds why should we be asked to give our advertising space, which is all that we have to sell, while nobody else gives anything?

Without the aid of these 6,000 country newspapers the floating of the next issue of liberty bonds would be far short of the success that it should be. You have said to me, "If there is anything I can do for you, call on me." Now, Mr. Kettner, you are close to the administration. You have had some experience in the newspaper business, and I ask you not only on behalf of the country newspaper men of your district, but on behalf of 6,000 country newspaper men in the United States, to bring this matter before the President and the Secretary of the Treasury and ask that the country newspapers be paid for their space, the same as all other people are paid for all honest service in behalf of the Government.

Very truly, yours,

H. V. ALEXANDER.

SOUTHERN CALIFORNIA ASSOCIATED DAILIES,
ONTARIO, CAL., *August 17, 1917*.

Hon. WM. KETTNER, M. C.,
Washington, D. C.:

DEAR SIR: Herewith copy of letter sent to Mr. Theodore Hardee, of the Federal reserve bank of San Francisco, in response to his request for a continuance of free publicity for Government bonds. May I ask you to read it carefully and see if you do not find the claims therein sufficient to cause you to assist the newspapers in securing the same consideration from the Government that the Government gives to others with whom it has dealings?

I shall be glad to hear from you at your convenience.

Very truly, yours,

SOUTHERN CALIFORNIA ASSOCIATED DAILIES,
CROMBIE ALLEN, *President*.

AUGUST 13, 1917.

CHAIRMAN FEDERAL RESERVE BANK,
San Francisco, Cal.

(Attention Mr. Theodore Hardee.)

DEAR SIR: Your letters of July 30, 1917, in regard to liberty-loan publicity, addressed to the Daily Report and to the Ontario Record, received. As editor of these papers and also as president of the Southern California Associated Dailies, an organization of more than 50 daily newspapers of southern California, I am replying. What I say will refer particularly to our own papers, but I am quite confident it is equally true of all the papers in our organization.

The papers of southern California responded to the call to assist in the sale of liberty bonds as generously and as patriotically as any in the country. Take our own particular case: Our papers gave freely, day in and day out, of display space. In addition to this, we ran columns of news about the issue, carried a streamer across the top of the first page every day, ran feature stories to stimulate public interest, and also supported the issue editorially. My brother and I individually took 7 per cent money and invested it in 3½ per cent liberty bonds for ourselves and our families.

In addition, I personally toured the town, asking people to buy the bonds. I also presented the matter to the chamber of commerce, and the chamber not only indorsed the project, but each director individually subscribed. The local banks here gave splendid support to the sale.

Ontario's allotment was $60,000, but the campaign resulted in an oversubscription of more than 50 per cent, our total running close to $100,000.

After the conclusion of the campaign you wrote asking for a statement of amount of advertising, value, etc., which we have donated. I replied that we had kept no accurate account of it, but had given everything we had. Authorities on selling campaigns figure 2 to 5 per cent for advertising expenses. On a basis of $90,000 bonds sold the minimum of 2 per cent would be $1,800, the maximum of 5 per cent $4,500. So the minimum value would be $1,800, as our papers are the only ones published here.

Now, we didn't even put in a claim for $1,800 or for any amount, but if any one agency needs fair pay for services rendered in selling the bonds it is the newspaper press. I feel sure in saying the newspapers of the Nation will not allow themselves to be outdone by any agency in doing their bit to help win the war. This is a just war, and the newspapers of the Nation can be counted on to do everything in their power to help win it. And in future they will equal the generosity of any, but until the Government begins to ask munition manufacturers, railroads, and all others furnishing supplies, selling commodities, or rendering services to the Government to do so without pay, the newspapers can not be considered unpatriotic in refusing further to give away the only commodity they have for sale—space—their only source of bread and butter revenue. We have not yet heard of the Government asking the farmer or the manufacturer or anybody else but the newspaper to give his commodity free to the Government. This is not a criticism of others for getting pay for what they furnish to the Government. They are entitled to pay. All the newspaper asks is to be put on the same sound business basis.

Many imagine war a fine thing for newspapers. The war hits the newspapers harder than any other industry. It takes toll at both ends. Commercial advertising is reduced, while producing expense is increased. Everything that enters into the production of a newspaper is vastly more expensive to pay for with lessened revenue due to decreased advertising. Every extra paper sold is at a loss. It is reported that the Paper Trust, after declaring big dividends, has a surplus of over sixteen million dollars. Many newspapers are being forced to the wall, unable to pay the almost prohibitive price of paper, jumped up entirely out of proportion to the slight increase in cost of production.

In connection with the liberty bond sale I tried in vain to send either a telephone or telegraph message about it without paying. I assumed that inasmuch as the newspapers were doing everything for nothing the telephone and telegraph companies were doing likewise. Nothing doing. Likewise, even the postmaster refused to send a letter about it without being paid in advance.

The newspapers simply ask that forthcoming bond issues be advertised just as other selling campaigns are advertised; that the Government do business on a business basis, dealing with newspapers selling their only commodity—space—on the same basis they do with manufacturers, farmers, and others having commodities for sale. Manufacturers simply sell their commodities to the Government for certain prices. That is all. The Government gets their commodities, the manufacturers get the Government's money. And it is all eminently right and proper it should be even so. The newspapers simply ask the Government to pay for their advertising, for the newspaper's commodity.

But with the exchange of the manufacturer's commodity for the Government's money the incident is closed, but even with paid advertising the newspaper does not cease to labor to win the war. The newspaperman does his individual bit like all other good citizens, but his paper also helps in the news and editorial columns.

I am taking the liberty of inclosing copy of resolution adopted by our association over a year ago against the free-space evil.

I shall be glad to hear from you at your convenience on this matter.

Yours, to win the war,

SOUTHERN CALIFORNIA ASSOCIATED DAILIES,
CROMBIE ALLEN, *President*.

Mr. JOHNSON of Washington. Mr. Chairman, I regret that there has been any criticism of the machinery that must be used if the Government is to place an advertisement in every publication in the United States. These great advertising agencies have, in my opinion, offered their services at the cost of operation and distribution. When the gentleman from Ohio intimates that there is no cost in the work he is very much mistaken. The advertisements will be sent in the form of matrices, so that the type metal can be poured into them at the minimum of cost when they reach the town where they are to be published. The postage and express bill will be large and will be paid by the agencies. They have built up a great national advertising system, which you see used every day by the greatest business concerns of the country. If these agencies are asked to handle the publicity of the bond issue, they will make it go—make it go regularly, systematically, and successfully—cutting down other expenses, doing away with friction, and seeing that all newspapers and all advertising mediums are justly and properly treated.

Mr. Chairman, it is true that the editor of every little newspaper, as was said in the last letter read, receives every day from the Federal Government in franked envelopes more bureaucratic boosting stuff than he can open or can possibly print. There is one of the great Government extravagances, my friends.

Mr. RAINEY. Will the gentleman state what the newspaper advertising agency will get out of it?

Mr. JOHNSON of Washington. Not one agency alone but all of the national agencies. They will receive 5 to 7 per cent, for which they will render a great service. If the Secretary of the Treasury thinks that is too much, he can call in some man like John Wanamaker who knows what systematic advertising accomplishes, and authorize him to fix the agency rate at 2 per cent or 3 per cent, or whatever is absolutely fair for the cost and value of the work to be performed.

Newspapers generally, Mr. Chairman, will resent the charge made on this floor that the proposal to pay them a mere fraction of what they will earn is in the nature of a gift or gratuity. There is no robbery in the plan, there is no gift, and there is no graft. It is simply an attempt to do justice to the newspapers. [Applause.]

Mr. KITCHIN. Mr. Chairman, I must express surprise that this proposition of the gentleman from Washington is taken seriously by any considerable portion of the membership of this House. I want to ask every man here, to answer to himself, this question: If you vote for the amendment of the gentleman from Washington, are you really, in your opinion, voting for the interests of the Government and in the interest of the sale of these bonds, or are you voting in your own interest to please the newspapers in your section or in your district?

Mr. KETTNER. Will the gentleman permit me to answer?

Mr. KITCHIN. No; I said you could answer it to yourself and not aloud. Now, gentlemen, I want to ask another question: Why not put in an amount here for the telegraph companies? Why not include $500,000 for sending telegrams about these bonds?

Mr. JOHNSON of Washington. Because they receive a Government rate.

Mr. KITCHIN. Why does not some friend of the railroads put in a provision including passenger fares made necessary by the sale of the bonds? Why does not some man that is a friend to the ink manufacturers and the paper manufacturers ask us to put in a separate sum for paper and ink?

Why, gentlemen, the Treasury Department must sell these bonds. It has had experience in selling bonds. The responsibility is on Mr. McAdoo and his assistants to sell these bonds and not upon us. Why do you want to specify how he shall proceed to sell the bonds?

Mr. LONGWORTH. Will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. LONGWORTH. It has been suggested by a number of gentlemen, and by the gentleman from Oklahoma a moment ago, that the Secretary advocated this proposition before the committee.

Mr. KITCHIN. Oh, no.

Mr. LONGWORTH. May I be permitted to read one sentence from the statement of the Secretary of the Treasury?

Mr. KITCHIN. Yes; to show that he did not advocate it.

Mr. LONGWORTH. I am reading from page 38. The Secretary of the Treasury says:

Some of the advertising clubs of the United States, which rendered very patriotic and effective service in the last campaign for liberty bonds, have been urging upon my attention a scheme for paid advertising. I have made no commitment about it. On the contrary, my general feeling has been that it was too expensive an operation for the Government to engage in, and I have said so to them frankly.

And yet a gentleman sitting on the floor not far from me has told me that within the last two or three days a representative of this organization came into his office and said that he came there with the acquiescence of the Secretary.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. KITCHIN. If I had the time, I would yield.

Mr. MOORE of Pennsylvania. I ask unanimous consent that the gentleman's time be extended three minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. MOORE of Pennsylvania. I want to suggest that the Secretary further said:

If we should engage in advertising, we should have to advertise in every paper in the United States. You can not discriminate against the newspapers. It would have to have universal application.

Mr. KITCHIN. Yes; you will see that he could not do it. The Secretary further says:

The Government can not say that it thinks one newspaper is a good advertising medium and another one is a bad one, or that another one is so poor that it is not worth using. Therefore, if we engage upon an advertising campaign at all, it has got to be a very extensive one, and it would be a very expensive one at the same time.

Certainly, it would take millions and millions of dollars to engage in such an extensive campaign of advertising in all of the newspapers throughout the United States. If he advertised in one and not in another he would discriminate, and one man would object because he would say that his paper was as good as the other. The Secretary of the Treasury knows, as every business man here knows, and every man inside and outside of the House knows, that he can utilize the money that you want to expend on the newspapers to a better advantage in putting before the people the advantages of these bonds and certificates.

Gentlemen, we have sold bonds in this country for the last 50 or 60 years, and never before was it ever hinted at by any man in this House or in this Capitol that you should put in an authority to pay newspapers for advertising or pay anybody for advertising. It has always been left to the discretion of the Secretary of the Treasury at all times to use the methods he deemed best.

The Secretary of the Treasury has had experience in selling bonds. He knows the best methods to use to promote the interest of the Government in the sale of these bonds.

Now, let me say one thing about the little country newspaper. Why, there is not one little country newspaper with its county circulation, and the most of them are limited to county circulation, that would have the audacity to ask this Government to pay it for advertising a liberty loan through the newspapers when it knows that the Government is giving free transportation and delivery of their papers in the county to all the subscribers at the cost of millions of dollars to the Government. [Applause.]

I have in my district about as many country newspapers as most any other man has in his district, and there is not one that has ever intimated to me by letter or otherwise that the Government ought to pay for advertisements in it.

Mr. MEEKER. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. MEEKER. If that were granted and advertisements sold, the editor would have to put "Adv." after it, would he not?

Mr. KITCHIN. Surely.

Mr. MORGAN. Mr. Chairman, I think gentlemen ought not to misrepresent the Secretary. Two gentlemen have left out a part of what he said. Let me read what the Secretary said:

On the other hand, I have said I should be glad if they would give me full estimates, with specifications in each instance, as to what it would cost to make the minimum advertising campaign they have in their minds, and what it would cost for a moderate-sized campaign, and what it would cost for a maximum campaign.

Mr. KITCHIN. Oh, the Secretary is smart enough to know that when they made their estimates for an extensive campaign it will take practically all of the money that we would allow him to sell these bonds, and he wanted to find out from them what they thought would be the cost of a moderate campaign. He is against it, and he so told them.

Mr. MORGAN. Will the gentleman yield?

Mr. KITCHIN. Oh, my time is up.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Washington.

The question was taken; and on a division (demanded by Mr JOHNSON of Washington) there were—ayes 27, noes 105.

So the amendment was rejected.

Mr. GILLETT. Mr. Chairman, I move to strike out in line 3, page 12, the word "one-seventh," and insert in lieu thereof the word "one-tenth."

The CHAIRMAN. The gentleman from Massachusetts offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 12, line 3, after the word "exceeding," strike out "one-seventh" and insert in lieu thereof "one-tenth."

Mr. GILLETT. Mr. Chairman, this proposition, of course, is familiar to the House. You will remember that when the last liberty loan bond bill came before us it was reported by the committee with the proposition that the Secretary should have one-fifth of 1 per cent for expenses, and the House after debate—and I do not think the committee was very enthusiastic for the proposition itself—decided that one-tenth of 1 per cent was sufficient. It seems that in selling the liberty bonds they were able to sell not two billions, but three billions of them at an expense of less than one-tenth of 1 per cent. What was sufficient then will be sufficient now or in the future, I think. In fact, the larger the amount of bonds, the less ought to be the percentage of expense, and particularly as the chairman of the committee says when this is not to be expended for advertising in the newspapers. It seems to me if we give one-tenth of 1 per cent we are giving ample for the sale. The committee naturally desires to follow the Secretary, who this time again asked for one-fifth of 1 per cent, and the committee apparently compromised between one-fifth and one-tenth and gave him one-seventh of 1 per cent. Personally, it seems to me that this whole system of expenses is wrong. I do not think we ought to give any percentage, because one-seventh of 1 per cent would give about $15,000,000 to the Secretary to expend for selling the bonds. One-tenth of 1 per cent would give him $11,000,000. It seems to me the proper way would be to simply authorize the sale of the bonds and then have the Secretary come before the committee and make estimates just as he does for every other expense, and let the Committee on Ways and Means consider it, and then appropriate what he needs instead of giving him a percentage. But the custom has been the other way, I know. The custom has been to give one-tenth of 1 per cent. The House by an emphatic vote of two to one, when the liberty bonds were before us, voted one-tenth of 1 per cent, and that proved to be sufficient, and it seems to me that we ought to follow the same practice now.

Mr. KITCHIN. Mr. Chairman, I hope the gentleman's amendment will not prevail. I do not know what it will cost to sell these bonds and I doubt whether any man in the House knows what it will cost. The Secretary of the Treasury came before us and said that he felt confident that it would cost at least one-fifth of 1 per cent to sell the bonds and war certificates. We discussed it with him; we discussed it fully among ourselves. Several members of the committee thought that one-fifth of 1 per cent was small enough.

Mr. COOPER of Wisconsin. Will the gentleman permit a question?

Mr. KITCHIN. I will.

Mr. COOPER of Wisconsin. Did the gentleman state the Secretary estimated one-seventh of 1 per cent?

Mr. KITCHIN. One-fifth of 1 per cent.

Mr. COOPER of Wisconsin. Did the Secretary make mention of the items?

Mr. KITCHIN. No.

Mr. COOPER of Wisconsin. How did he arrive at that?

Mr. KITCHIN. He said that the last $2,000,000,000 bond issue cost about $2,500,000.

Mr. COOPER of Wisconsin. What were the items that went into that expenditure?

Mr. KITCHIN. He only gave a general explanation of the entire expenses of selling the $2,000,000,000 worth of bonds.

Mr. COOPER of Wisconsin. What was it that caused the outlay?

Mr. KITCHIN. I believe he said the engraving of the bonds cost about $1,000,000.

Mr. COOPER of Wisconsin. What went with the other $1,500,000?

Mr. KITCHIN. For general expenses, telegrams, clerk hire, and the like.

A MEMBER. Speaking tours?

Mr. COOPER of Wisconsin. Was that account itemized?

Mr. KITCHIN. He did not itemize it for us, but I know it is itemized in the department, of course.

Mr. COOPER of Wisconsin. I think the House ought to have an itemized statement of what went to make up that expenditure, so as to know exactly what it was.

Mr. KITCHIN. The Secretary of the Treasury stated he would prepare such a statement and that it would be some time before he could furnish the statement.

Mr. DYER. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. DYER. Is it not a fact that a large part of the money went to pay men to go around and lecture, making speeches to theater groups and things like that.

Mr. KITCHIN. I do not know. We can not know until we get the itemized statement.

Mr. DYER. Was not that per cent enough for the sake of advertising——

Mr. KITCHIN. I am going to get to that. Of course, we all know that with a very large issue of bonds every succeeding issue of bonds will cost more to sell than the preceding issue, because they will be harder to sell. People who had money put it in the preceding issue. In the future money will be harder to get and there will not be so much demand for the bonds. Therefore, there will have to be more effort put forth, and besides, there will be two, three, or four campaigns now to sell $7,000,000,000 of bonds.

Mr. GILLETT. Does not the gentleman think the educational work which was done in the first issue will help all the others?

Mr. KITCHIN. I do not know.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. MOORE of Pennsylvania. I do not desire to speak on this amendment, but I wish to get some information for the RECORD.

Mr. KITCHIN. Go ahead.

Mr. MOORE of Pennsylvania. The first bond bill asked for $12,000,000 in round figures to promote that loan.

Mr. KITCHIN. It asked for one-fifth of 1 per cent to sell the bonds and one-tenth of 1 per cent to sell the certificates of indebtedness, which amounted to——

Mr. MOORE of Pennsylvania. About $12,000,000.

Mr. KITCHIN. About $12,000,000.

Mr. MOORE of Pennsylvania. And when the bill came into the House and was finally enacted into law it was cut down to $7,000,000.

Mr. KITCHIN. Well, it was cut down to one-tenth of 1 per cent on the bonds and one-tenth of 1 per cent on the certificates of indebtedness.

Mr. MOORE of Pennsylvania. In placing $2,000,000,000 of liberty loan bonds, which the Secretary has done, he spent of the $7,000,000 allotted to him in that bond bill a total of $2,568,167.27.

Mr. KITCHIN. That is, he expended $500,000 more than the one-tenth of 1 per cent.

Mr. MOORE of Pennsylvania. In order to sell $2,000,000,000 of bonds with an authorized allowance of $7,000,000 he spent $2,568,167.27. I think these facts ought to be known to the Members and go into the RECORD.

The Secretary, in his statement to the committee, said:

The total of the actual expenditures thus far returned on the liberty loan is $2,568,167.27.

Now, the present bill as presented to the House proposed by the one-tenth and the one-fifth per cent rates to allow the Secretary $23,000,000 to carry the new or second loan. That was cut down in the committee.

Mr. KITCHIN. In round numbers, $17,000,000.

Mr. MOORE of Pennsylvania. So that the bill now actually carries an allowance to the Secretary of about $17,500,000 for the new loan?

Mr. KITCHIN. That is correct.

Mr. MOORE of Pennsylvania. And that covers in the balance of the $7,000,000, as I understand it, allowed under the first loan act?

Mr. KITCHIN. I did not catch the last inquiry.

Mr. MOORE of Pennsylvania. The $17,500,000 which this bill now proposes to allow includes the balance over $2,500,000 already spent? Am I right about that?

Mr. KITCHIN. No. It is just one-seventh of 1 per cent of the amount of bonds and war-saving certificates he should sell.

Mr. MOORE of Pennsylvania. He still has available under the old act $4,500,000?

Mr. KITCHIN. But $3,000,000 of that has been merged into this act.

Mr. MOORE of Pennsylvania. Then the gentleman misunderstood my question. That $4,500,000 he still has in hand to place the balance of the liberty loan will be included in the allowance now made to him, which totals about $17,500,000?

Mr. KITCHIN. I do not know whether it will be included or not, but he can not have over that $17,500,000.

Mr. MOORE of Pennsylvania. If that is so——

Mr. KITCHIN. He would turn it over into the Treasury. He can not expend both funds. He can not expend that $4,500,000.

Mr. MOORE of Pennsylvania. All he will have to spend for placing whatever is left of the old loan, and for promoting the new loan, will be this total of $17,500,000?

Mr. KITCHIN. Yes.

Mr. MOORE of Pennsylvania. The amendment offered by the gentleman from Massachusetts [Mr. GILLETT] would cut the total of $17,500,000 down to about $11,000,000?

Mr. KITCHIN. Eleven or twelve million.

Mr. MOORE of Pennsylvania. So that the effect of the passage of the amendment of the gentleman from Massachusetts would be to reduce the amount allowed to the Secretary for floating the loan from $17,500,000 to $11,500,000, which would be a saving of $6,000,000?

Mr. KITCHIN. Yes.

Mr. MOORE of Pennsylvania. I thank the gentleman.

Mr. COOPER of Wisconsin. Has the gentleman from Pennsylvania ever seen or heard of a statement as to whom or for what purposes, in detail, the $2,500,000 was expended?

Mr. MOORE of Pennsylvania. If the gentleman from North Carolina will permit me in his time, I will read from the testimony:

Secretary McADOO. Let me say this with reference to the estimate of the actual cost of floating the first liberty loan. I have felt I would rather make this statement when we get the full and complete figures, and, by the way, let me say that all these figures are subject to audit and open to Congress at any time. There is no concealment about it. The Senate put on an amendment which provided that I should make special report of the expenditures to each session of the Congress. I make that anyway. There is no concealment about it. The whole thing is wide open, and even if it were not, the Congress has the power at any time to send down a committee and investigate the whole thing.

The total of the actual expenditures thus far returned on the liberty loan is $2,568,167.27. I state that, subject to proper correction when the full returns are in. I am satisfied that the first liberty loan cost actually much more than one-fifth of 1 per cent to be placed. If it had not been for the patriotic people of this country who put up their own money and time we never could have done it for one-fifth of 1 per cent.

Mr. COOPER of Wisconsin. Did the gentleman from Pennsylvania or any member of the committee that heard that statement ask for a statement in order to find out what the items were?

Mr. MOORE of Pennsylvania. Yes; we asked and were told of the volunteer services of banks, bankers' and brokers' offices, newspapers, and so forth.

Mr. COOPER of Wisconsin. Volunteer services are not an expenditure out of the Treasury.

Mr. MOORE of Pennsylvania. We were told of other agencies which the Secretary employed and which volunteered their services to him to place the first liberty loan. And he said he thought the time had come when, instead of having them do this work free and at their own expense, they should be compensated.

Mr. COOPER of Wisconsin. I will say to the gentleman from Pennsylvania that anyone who volunteered his services did not get any of the $2,500,000 of money out of the Treasury, and that does not answer the question at all.

The CHAIRMAN (Mr. SIMS). The time of the gentleman has expired.

Mr. KITCHIN. Mr. Chairman, I ask unanimous consent for five minutes.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent to proceed for five minutes. Is there objection? [After a pause.] The Chair hears none.

Mr. KITCHIN. Mr. Chairman, I ask for five minutes. They have taken up all the time. I ask unanimous consent for five minutes.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent to proceed for five minutes. Is there objection?

There was no objection.

Mr. KITCHIN. Now, gentlemen, here is the situation: I want every man in the House to hear it. Then he can vote according to his own judgment.

We do not know whether or not it is going to cost a great deal more to make the campaign for the flotation of this new issue of bonds. In all probability the percentage of expense connected with this campaign to sell $7,000,000,000 of bonds will be a great deal more than in the case of the first bond issue. In my judgment it will require at least three campaigns to make the new issue instead of but one. I do not believe there is a man in this House who is not convinced that the last issue of $2,000,000,000 of bonds sold was floated at the very lowest expense possible. I have heard no complaint from anybody of extravagance concerning those $2,000,000,000 of bonds.

My judgment, and I think the judgment of every common-sense man in the House, is that it will cost more in proportion to the amount of bonds sold to make the campaign for this new issue than it cost to make the last campaign.

Now, what did it cost in the last campaign? It cost more than one-eighth of 1 per cent. Now, do you want to further reduce the appropriation for the sale of bonds when we know it is going to cost more in the future? The Secretary of the Treasury thinks he can not possibly get along with less than one-fifth of 1 per cent.

Mr. GILLETT. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. GILLETT. If it cost more than one-tenth to float the first issue, where did he get his money?

Mr. KITCHIN. I will tell you about that. There was $5,000,000 appropriated for the sale of the bonds provided for in section 1 of the act of April 24, 1917. Besides that there was the appropriation for the sale of the certificates of indebtedness. I do not believe that there is a man here who thinks that the Secretary of the Treasury can get along and defray the cost of the next issue and the campaign that will be necessary to float it, and the next campaign after that, and the next after that, to sell the $7,000,000,000 of bonds at a less cost than was required to sell the $2,000,000,000 issue, and we are making him a less allowance to sell this $7,000,000,00 issue than it cost to sell the $2,000,000,000 issue. It ought not to be less. The committee cut it down from one-fifth to one-seventh. I ask for a vote.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Massachusetts [Mr. GILLETT].

The question was taken, and the Chairman announced that the noes seemed to have it.

Mr. GILLETT. A division, Mr. Chairman.

The CHAIRMAN. A division is demanded.

The committee divided; and there were—ayes 68, noes 77.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. RAINEY. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent to revise and extend his remarks. Is there objection?

There was no objection.

Mr. STAFFORD. Mr. Chairman, I wish to offer an amendment, which I send to the Clerk's desk.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Wisconsin.

The Clerk read as follows:

Amendment offered by Mr. STAFFORD: Page 12, line 9, after the word "direct," insert:

"*Provided*, That the amount that may be expended for expenses for each of said class of obligations shall not exceed the per cent herein stated for each total issue of said bonds, war-saving certificates, and certificates of indebtedness herein authorized."

Mr. KITCHIN. Mr. Chairman, I have no objection to that.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Wisconsin.

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

Mr. GILLETT. Mr. Chairman, I offer an amendment to come in on page 12, line 2, after the word "act," to insert the words "except under section 12."

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Massachusetts.

The Clerk read as follows:

Amendment offered by Mr. GILLETT: On page 12, line 2, after the word "act," insert the following: "except under section 12."

Mr. GILLETT. I think the chairman of the Committee on Ways and Means will accept that.

Mr. KITCHIN. That ought to go in. We will accept that.

The amendment was agreed to.

The Clerk read as follows:

SEC. 11. That bonds shall not be issued under authority of sections 1 and 4 of said act approved April 24, 1917, in addition to the $2,000,000,000 thereof heretofore issued or offered for subscription, but bonds shall be issued from time to time upon the interchange of such bonds of different denominations and of coupon and registered bonds and upon the transfer of registered bonds, under such rules and regulations as the Secretary of the Treasury shall prescribe, and, if and to the extent that the privilege of conversion provided for in such bonds shall arise and shall be exercised, in accordance with such provision for such conversion. No bonds shall be issued under authority of the several sections of acts and of the resolution mentioned in said section 4 of the act approved April 24, 1917; but bonds herein authorized may be used for purposes mentioned in said section 4 of the act of April 24, 1917, and as set forth in the acts therein enumerated.

Mr. LONGWORTH. Does not the gentleman think the word "said" in line 16 should be "the"? There is no act referred to in this section.

Mr. KITCHIN. But it has been referred to in several preceding sections.

The Clerk read as follows:

SEC. 12. That the Secretary of the Treasury is authorized during the war, whenever it shall appear that the public interests require that any of the accounts of the Military Establishment be audited at any place other than the seat of Government, to direct the Comptroller of the Treasury and the Auditor for the War Department to exercise, either in person or through assistants, the powers and perform the duties of their offices at any place or places away from the seat of Government in the manner that is or may be required by law at the seat of Government and in accordance with the provisions of this section.

(a) That when the Secretary of the Treasury shall exercise the authority herein referred to, the powers and duties of the said comptroller and auditor, under and pursuant to the provisions of the act of July 31, 1894, and all other laws conferring jurisdiction upon those officers, shall be exercised and performed in the same manner as nearly as practicable and with the same effect away from the seat of Government as they are now exercised and performed and have effect at the seat of Government, and decisions authorized by law to be rendered by the comptroller at the request of disbursing officers may be rendered with the same effect by such assistants as may be authorized by him to perform that duty.

(b) That when pursuant to this section the said comptroller and auditor shall perform their duties at a place in a foreign country, the balances arising upon the settlement of accounts and claims of the Military Establishment shall be certified by the auditor to the Division of Bookkeeping and Warrants of the Treasury Department as now provided for the certification of balances by said auditor in Washington, and the balances so found due shall be final and conclusive upon all branches of the Government, except that any person whose account has been settled or the commanding officer of the Army abroad, or the comptroller may obtain a revision of such settlement by the comptroller upon application therefor within three months, the decision to be likewise final and conclusive and the differences arising upon such revision to be certified to and stated by the auditor as now provided by law: *Provided*, That certificates of balances due may be transmitted to and paid by the proper disbursing officer abroad instead of by warrant: *Provided further*, That any person whose account has been settled, or the Secretary of War, may obtain a reopening and review of any settlement made pursuant to this section upon application to the Comptroller of the Treasury in Washington within one year after the close of the war, and the action of the comptroller thereon shall be final and conclusive in the same manner as herein provided in the case of a balance found due by the auditor.

(c) That the comptroller and auditor shall preserve the accounts, and the vouchers and papers connected therewith, and the files of their offices in the foreign country and transmit them to Washington within six months after the close of the war and at such earlier time as may be directed by the Secretary of the Treasury as to any or all accounts, vouchers, papers, and files.

(d) That the Secretary of the Treasury is authorized to appoint upon the nomination of the comptroller and auditor an assistant to each and fix their compensation, and to designate from among the persons to be employed hereunder one or more to act in the absence or disability of such assistant comptroller and assistant auditor. He shall also prescribe the number and maximum compensation to be paid to agents, accountants, clerks, translators, interpreters, and other persons who may be employed in the work under this section by the comptroller and auditor. The assistant comptroller and assistant auditor shall have full power to perform in a foreign country all the duties with reference to the settlement there of the accounts of the Military Establishment that the comptroller and auditor now have at the seat of government and in foreign countries under the provisions of this section, and shall perform such duties in accordance with the instructions received from and rules and regulations made by the comptroller and auditor. Such persons as are residing in a foreign country when first employed hereunder shall not be required to take an oath of office or be required to be employed pursuant to the laws, rules, and regulations relating to the classified civil service, nor shall they be reimbursed for subsistence expenses at their post of duty or for expenses in traveling to or from the United States.

(e) That it shall be the duty of all contracting, purchasing, and disbursing officers to allow any representative of the comptroller or auditor to examine all books, records, and papers in any way connected with the receipt, disbursement, or disposal of public money, and to render such accounts and at such times as may be required by the comptroller. All contracts connected with accounts to be settled by the auditor abroad shall be filed in his office there.

(f) That any person appointed or employed under the provisions of this section who at the time is in the service of the United States shall, upon termination of his services hereunder, be restored to the position held by him at the time of such employment. No provision of existing law shall be construed to prevent the payment of money appropriated for the salary of any Government officer or employee at the seat of government who may be detailed to perform duty under this section outside the District of Columbia, and such details are hereby authorized.

(g) That for the payment of the expenses in carrying into effect this section, including traveling expenses, per diem of $4 in lieu of subsistence for officers and employees absent from Washington, rent, cablegrams and telegrams, printing, law books, books of reference, periodicals, stationery, office equipment and exchange thereof, supplies, and all other necessary expenses, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $300,000, of which not exceeding $25,000 may be expended at Washington for the purposes of this section, but no officer or employee shall receive for duty in Washington any compensation other than his regular salary.

(h) That the Secretary of the Treasury may designate not more than two persons employed hereunder to act as special disbursing agents of the appropriation herein, to serve under the direction of the comptroller, and their accounts shall be rendered to and settled by the accounting officers of the Treasury in Washington. All persons employed under this section shall perform such additional duties as the Secretary of the Treasury may direct.

(i) That the comptroller and the auditor, and such persons as may be authorized in writing by either of them, may administer oaths to American citizens in respect to any matter within the jurisdiction of either of said officers and certify the official character, when known, of any foreign officer whose jurat or certificate may be necessary on any paper to be filed with them.

(j) That persons engaged in work abroad under the provisions of this section may purchase from Army stores for cash and at cost price for their own use such articles or stores as may be sold to officers and enlisted men.

(k) That the authority granted under this section shall terminate six months after the close of the war or at such earlier date as the Secretary of the Treasury may direct, and it shall be the duty of the comptroller and auditor to make such reports as the Secretary of the Treasury may require of the expenditures made and work done pursuant to this section, and such reports shall be transmitted to the Congress at such time as he may decide to be compatible with the public interest.

(l) No officers, employees, or agents appointed or employed under this section shall receive more salary or compensation than like officers, employees, or agents of the Government now receive.

Mr. MOORE of Pennsylvania. Mr. Chairman, I move to strike out the last word, for the purpose of asking the gentleman from North Carolina whether establishing agencies abroad as herein proposed is not an entirely new departure in this country?

Mr. KITCHIN. It is an entirely new departure, and it is also a new departure for this Government to send troops to the old country.

Mr. MOORE of Pennsylvania. This section provides for offices, headquarters, depositories, and things of that kind, abroad. Is the gentleman satisfied that there is no constitutional objection to it?

Mr. KITCHIN. I do not think there is any constitutional objection to it.

Mr. MOORE of Pennsylvania. The matter has been inquired into, has it?

Mr. KITCHIN. Yes.

Mr. GRAHAM of Illinois. Mr. Chairman, in line 17, on page 13, in the copy of the bill which I have, there is a typographical error, the first "e" being omitted from the word "required."

Mr. KITCHIN. It is correct in the original print, but if the error appears in the copy which the clerk has, I ask unanimous consent that the clerk be allowed to correct the typographical error.

The CHAIRMAN. Without objection, the correction will be made.

There was no objection.

Mr. GILLETT. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Massachusetts offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 17, line 15, after the word "appropriated" insert "for the fiscal year ending June 30, 1918."

Mr. GILLETT. I wish to suggest to the chairman of the committee that unless those words are inserted this appropriation will be a continuing one.

Mr. KITCHIN. There is no objection to that amendment. We accept it. It might be construed as a continuing appropriation.

The amendment was agreed to.

Mr. KITCHIN. Now, Mr. Chairman, we ask to return to section 7, so that the gentleman from Illinois [Mr. CANNON] may offer his amendment.

Mr. CANNON. Mr. Chairman, I offer the following amendment with the statement that it has been agreed to by various gentlemen who criticized the amendment that I offered. I think this renders it more certain, if there was any doubt about the amendment that I offered before.

The CHAIRMAN. Is this an amendment to the amendment?

Mr. GREEN of Iowa. A substitute for the amendment.

Mr. CANNON. I withdraw the former amendment and accept this one and now offer it.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Illinois.

The Clerk read as follows:

Amendment offered by Mr. CANNON: Page 10, line 14, after the word "corporations" and the period, insert the following:

"For the purposes of this act the interest on an amount of such bonds and certificates, the principal of which does not exceed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in subdivision (b) of this section."

Mr. HULL of Tennessee. Mr. Chairman, I desire to offer an amendment in the nature of a substitute.

The CHAIRMAN. The gentleman offers a substitute for the amendment of the gentleman from Illinois, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. HULL of Tennessee: Page 10, line 14, strike out the period and insert a comma after the word "corporations" and insert the following: "but in computing incomes for the purpose of such additional income tax, each individual, partnership, association, or corporation shall be allowed a deduction of such interest to the amount of $200."

Mr. CANNON. I think that amounts to the same thing. I will ask the gentleman from Tennesssee if it does not?

Mr. HULL of Tennessee. The substitute allows the exemption of income instead of the exemption of principal.

Mr. KITCHIN. We want to make this a popular loan. It is just a matter of computation as to the difference between the two amendments.

Mr. HULL of Tennessee. Does the gentleman desire the floor now?

Mr. CANNON. No. I shall be glad to hear the gentleman explain his amendment.

Mr. HULL of Tennessee. The exemptions to taxpayers are exemptions of the income and not exemptions of principal. Each individual is allowed an exemption of three or four thousand dollars of income according to whether single or married. It is a different proposition from allowing a farmer $3,000 exemption on the value of his farm or a manufacturer $3,000 exemption on the value of his plant. In other words, these bonds and certificates may bear different rates of interest. The present certificates bear 3½ per cent, whereas the bonds authorized in this bill are to bear 4 per cent. That would allow the holders of these different pieces of paper in one case a $400 exemption and in another case a $350 exemption. I merely make the suggestion contained in the amendment as being in line with all exemptions of income-tax laws, and that is that the exemption ought to apply to income instead of to the principal, because incomes from different kinds of principal are very different, and exemptions that would result would not be equitable. That is my only purpose in offering the amendment.

Mr. KITCHIN. Mr. Chairman, I think the gentleman from Tennessee misconstrues this bill and the act of April 24, 1917. If he is correct about it, it should be as he says. In other words, if as he says there would be a 3½ per cent bond subject to the supertax, and other bonds authorized in this act of 4 per cent, and if you have an amendment offered by the gentleman from Illinois that one bondholder holding 3½ per cent bonds will have an exemption of an income of $350 on $10,000, and a man with a 4 per cent bond will have an exemption of $400 on a $10,000 bond, I say that is incorrect. There could not be but one bond by this act, and that is a bond of 4 per cent. The 3½ per cent bonds could never be subject to the supertax because they were issued under the act of April 24, 1917, in which it is said that they shall be exempt from all taxes except State and inheritance taxes. Two billion dollars of that issue can never be subjected to a surtax because there is a covenant with the holder that those bonds unless converted shall be exempt from all taxes except State and inheritance taxes.

Mr. HULL of Tennessee. At the conclusion of the war we will have a debt of twenty-five or thirty billion dollars in the form of bonds. Those bonds can not be refunded into lower rates all at one time. That would be impossible.

Mr. KITCHIN. They could not be refunded unless the holders of the bonds agreed to it. The holder of the bond can agree to anything. You do not need anything to protect him if he has the option to agree to it or not as he sees fit.

Mr. HULL of Tennessee. I am offering the matter in the way of suggestion. We would have large classes of bondholders getting war rates of interest from unrefunded bonds, and those that had been refunded into lower rates would be entitled to smaller exemptions under this provision. Not only that, but during the course of the war we may have different kinds of paper, short-term paper subject to supertax, and it would bring about different exemptions for each holder.

Mr. KITCHIN. If there should be after this act a bond act of 4½ per cent, it is still for the holder of the bond issued under this act to say whether he wants them converted. It is at the option of the holder. I do not imagine that anyone would ever consent to convert a 4 per cent bond subject to a supertax into a 3½ per cent bond subject to a supertax; but Congress might pass an act afterwards saying that you could convert the 4 per cent bond subject to supertax into a 3 per cent bond exempt from supertax. The whole amendment is a kind of policy designed to make the loan popular with the people. There is not a bond that can be issued that will be subject to supertax and excess-profits tax under this act except the 4 per cent bond. It says so in the act. It says:

That none of the bonds authorized by section 1, nor of the certificates authorized by section 1, or by section 6, of this act, shall bear the circulation privilege. All such bonds and certificates shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes and (b) graduated additional income taxes.

I think that, to make this a popular loan, we should have it plainly expressed right in the act that $5,000 of these bonds issued under this act shall be exempt.

"I can buy $5,000 of these bonds and they will never be subject to supertaxes." They will not understand that under Judge HULL's amendment. They will have to figure it out, because he says the interest shall be computed upon such and such a basis.

Mr. HULL of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. HULL of Tennessee. Does not every income-tax payer in the country understand that he has a $3,000 exemption or a $4,000 exemption?

Mr. KITCHIN. No; he does not understand that. He understands that Congres may make the normal tax hereafter 2 per cent or 3 per cent or 5 per cent or 10 per cent, and it can make the exemptions hereafter $4,000 or $5,000 or $100 or $500 or $1,000.

Mr. HULL of Tennessee. I am speaking of the present law.

Mr. KITCHIN. The present law is going to be changed by the pending revenue bill. I think the gentleman has misconstrued the amendment by considering the 3½ per cent bonds issued under the act of April 24, 1917, in connection with this act.

Mr. HULL of Tennessee. Does not every exemption provision in the income-tax law up to this minute relate to exemptions of income and not principal?

Mr. KITCHIN. That is correct.

Mr. HULL of Tennessee. That is all I am asking this amendment to do.

Mr. KITCHIN. It will amount to the identical thing. There is not any difference. Under the gentleman's amendment he says that not more than $200 interest shall be computed, and so forth, and you get exactly the same results; but what the gentleman from Illinois [Mr. CANNON] and what gentlemen who desire to accept this amendment want, and the purpose of the amendment, is to put in black and white in the act a provision to the effect that there is an exemption of $5,000, so that everybody can understand what it is—that $5,000 worth of these bonds are always to be exempted.

Mr. CANNON. And that the exemption can not be changed by future legislation.

Mr. KITCHIN. That is correct.

Mr. STAFFORD. Mr. Chairman, I ask unanimous consent that the substitute amendment offered by the gentleman from Tennessee be again reported.

The CHAIRMAN. Without objection, the Clerk will report the substitute.

There was no objection, and the Clerk again reported the substitute offered by Mr. HULL of Tennessee.

The CHAIRMAN. The question is on agreeing to the substitute offered by the gentleman from Tennessee.

The question was taken, and the substitute was rejected.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Illinois [Mr. CANNON].

The question was taken, and the amendment was agreed to.

Mr. KITCHIN. Mr. Chairman, I move that the committee do now rise and report the bill with amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the committee rose; and Mr. FITZGERALD having assumed the chair as Speaker pro tempore, Mr. SIMS, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 5901 and had directed him to report the same back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. KITCHIN. Mr. Speaker, I move the previous question on the bill and amendments to final passage.

The previous question was ordered.

The SPEAKER pro tempore (Mr. FITZGERALD). Is a separate vote demanded on any amendment? If not, the Chair will put them in gross. The question is on agreeing to the amendments.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the third reading of the bill.

The bill was ordered to be read a third time, and was read the third time.

Mr. MOORE of Pennsylvania. Mr. Speaker, I offer the following motion to recommit, which I send to the desk and ask to have read.

The Clerk read as follows:

Mr. MOORE of Pennsylvania moves to recommit the bill to the Committee on Ways and Means with instructions to that committee to report it forthwith to the House with the following amendment: Add, at the end of the bill, the following new section:

"SEC. 13. That a joint select committee shall be appointed, consisting of six Senators, to be named by the Presiding Officer of the Senate, and seven Members of the House, to be named by the Speaker of the House of Representatives, whose duty it shall be to cooperate with the President and the Secretary of the Treasury in promoting efficiency and preventing waste and extravagance in the loan and expenditure of money authorized for the national security and defense. Such committee shall sit during the sessions or the recesses of Congress, shall confer and advise with the President of the United States and the Secretary of the Treasury on any or all matters relating to such expenditures, and shall make report to Congress from time to time in its own discretion or when requested to do so by either branch of Congress. Such committee shall have power to act by subcommittee or otherwise and to send for persons and papers, administer oaths, to summon and compel the attendance of witnesses, and to employ such clerical expert and stenographic assistance as shall be necessary.

Mr. KITCHIN. Mr. Speaker, I make the point of order that the motion is not germane.

The SPEAKER pro tempore. The gentleman from North Carolina makes the point of order that the proposed motion is not germane to the bill.

Mr. MOORE of Pennsylvania. Mr. Speaker, I do not desire to argue the point of order further than to say that this amendment conforms in form and substance to an amendment offered by the gentleman from Alabama [Mr. UNDERWOOD] to the District of Columbia appropriation bill when the half-and-half question was before the House, and that the Speaker of the House, the gentleman from Missouri [Mr. CLARK] held that amendment to be germane.

Mr. KITCHIN. I would say, Mr. Speaker, we thrashed this same question out in the Committee of the Whole House on the state of the Union, and the Chair held that very amendment out of order.

The SPEAKER pro tempore. So that there may be no misunderstanding in the future as to the ruling of the Chair, the Chair desires to state that the gentleman from Pennsylvania is strictly accurate in his assertion that in form the amendment corresponds to the amendment offered by the gentleman from Alabama [Mr. UNDERWOOD] to the District appropriation bill some years ago. The amendment proposed by the gentleman from Alabama, however, was an amendment to a Senate amendment which was pending to a bill which originated in the House, and the same rule is not applicable in determining the question of germaneness under such circumstances as is applicable under existing circumstances.

Under the rules of the House motions to recommit with instructions must be germane and the proposed instructions must be of such a character that if proposed as an amendment to the bill would be in order as an amendment. The Chair is not taken entirely unawares in making the statement about this motion. He was informed that he would be requested to take the Speaker's place because of his unavoidable absence, and the proposed amendment and authorities were submitted to him for an opportunity to give them careful examination. The rule of germaneness is very well established. It is so well established that it is only necessary for the Chair to read the title of the bill. It is:

A bill to authorize an additional issue of bonds to meet expenditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend additional credit to foreign governments, and for other purposes.

The present occupant of the chair, under date of September 22, 1914, made an elaborate ruling on the question of germaneness. Repeating a part of that—

That an amendment be germane means that it must be akin to or relevant to the subject matter of the bill. It must be an amendment that would appropriately be considered in connection with the bill. The object of the rule requiring amendments to be germane—and such a rule has been adopted in practically every legislative body in the United States—is in the interest of orderly legislation. Its purpose is to prevent hasty and ill-considered legislation, to prevent propositions being presented for the consideration of the body which might not reasonably be anticipated and for which the body might not be properly prepared.

It seems to the Chair that, applying these tests—and these words seem to fit peculiarly into the pending circumstances—to determine if an amendment is germane, the question to be answered is whether the amendment is relevant, appropriate, and in a natural and logical sequence to the subject matter of the bill. The Chair is quite clear that the proposed motion does not conform to any one of the tests that the present occupant indicated were required to be applied to such motion. The Chair sustains the point of order.

The question is on the passage of the bill.

The question was taken, and the bill was unanimously passed.

On motion of Mr. KITCHIN, a motion to reconsider the vote by which the bill was passed was laid on the table.

URGENT DEFICIENCY BILL (H. REPT. NO. 137).

Mr. FITZGERALD. Mr. Speaker, by direction of the Committee on Appropriations I report a bill making appropriations to supply urgent deficiencies, and so forth.

The SPEAKER pro tempore. The Clerk will report the bill by title.

The Clerk read as follows:

A bill (H. R. 5949) making appropriations to supply urgent deficiencies in appropriations for the fiscal year ending June 30, 1918, and prior fiscal years, on account of war expenses, and for other purposes.

Mr. GILLETT. Mr. Speaker, I reserve all points of order.

The SPEAKER pro tempore. The gentleman from Massachusetts reserves all points of order, and the bill is referred to the Committee of the Whole House on the state of the Union and ordered to be printed.

ARMY AND NAVY INSURANCE.

Mr. ALEXANDER. Mr. Speaker——

The SPEAKER pro tempore. For what purpose does the gentleman from Missouri rise?

Mr. ALEXANDER. To ask unanimous consent to print in the RECORD a supplemental report and the minority views on the Army and Navy compensation and insurance bill (H. R. 5723).

The SPEAKER pro tempore. The gentleman from Missouri asks unanimous consent to extend his remarks in the RECORD in the manner indicated. Is there objection?

There was no objection.

The following are the report and minority views referred to:

[H. Rept. No. 130, 65th Cong., 1st sess.]

Mr. RAYBURN, from the Committee on Interstate and Foreign Commerce, submitted the following report:

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 5723) to amend an act entitled "An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department," approved September 2, 1914, and for other purposes, having considered the same report thereon with amendments and as so amended recommend that it pass.

The bill as amended has the approval of the Treasury Department, as will appear by the letter attached and which is made a part of this report.

Amend the bill as follows:

Page 7, lines 15, 16, 17, 18, 19, 20, 21, 22, 23, and 24, strike out the following: "That for the purpose of this act marriage shall be conclusively presumed, in the absence of proof, that there is a legal spouse living, if the man and woman have lived together in the openly acknowledged relation of husband and wife during the two years immediately preceding the date of the declaration of war, or the date of enlistment or of entrance into or employment in active service in the military or naval forces of the United States if subsequent to such declaration or during the two years immediately preceding the man's death or the beginning of the disability."

Page 8, line 18, after the word "or," insert the words "of any age."

Page 8, line 20, strike out the words "of any age."

Page 11, line 8, after the word "divorced," insert the words "and who has not remarried."

Page 17, line 5, after the word "service," insert the words "in the line of duty."

Page 17, line 11, after the word "if," insert the words "from a marriage contracted before injury."

Page 18, lines 20 and 21, strike out the words "two years after her remarriage or until" and add after the word "death" the words "or remarriage."

Page 27, lines 23 and 24, strike out the words "the opportunity to secure upon equitable terms."

Page 27, line 24, strike out the words "or broader."

Page 28, line 4, strike out the figures "$10,000" and insert in lieu thereof the figures "$5,000."

Page 29, lines 20, 21, and 22, strike out the words "rights and privileges not provided for may be granted from time to time as may be prescribed by regulations."

The bill has the approval of the Treasury Department, as will appear by the letter from the Secretary attached hereto and made a part of this report.

The first part of the bill limits the existing law in all its aspects to marine insurance only. The balance of the bill by way of amendment to existing law adds four provisions:

First. All soldiers are required under regulations to be prescribed to allot to their families a definite part of their salaries, to be fixed in each case according to circumstances, but not to be less in any case than $15 per month.

Second. The bill provides that the United States shall pay to dependent families of soldiers amounts equal to allotments made by the soldiers.

Third. The bill provides a full table and schedule of compensation for injuries after the manner of other compensation laws for similar cases. The bill provides specifically the compensation in each case, whether for death or complete or partial disability or loss of a particular member of the body. All of this is fixed and compulsory.

But the fourth provision is made at the option of the soldier who takes insurance from the Bureau of Insurance in the Treasury Department in multiples of $500, but not to exceed $10,000 for each soldier. This insurance is to be sold to the soldiers at normal rates of actual cost which he would pay if he were not a soldier. In this way he can not only secure insurance from the Government but can secure it at a proper rate. Existing insurance companies charge prohibitive rates for war risks. While they recognize $8 a thousand as a normal rate for a man 21 years old, they add an additional $50 a thousand for a war risk, making the lowest rate for a soldier by private insurance $58 a thousand. In the next place it is term insurance, which ends with the period unless renewed, but may be renewed at the option of the soldier until the end of the war, when it may be converted into some other form of insurance. This is provided for because the soldier may be considerably older at the end of the war, his health may be impaired, and if so it would be difficult and expensive for him to secure insurance from a private company. We feel that it is right for the Government to make restitution, as far as possible, by giving him the same benefits as to insurance which he would have enjoyed if he had never served his country in the war. An advantage to the soldiers and their families carried by this bill is that the benefits to be paid are not to be paid in a lump sum to be squandered or lost in unfortunate investment, but will be paid in installments so as to afford the greatest benefits.

Another valuable feature of the bill is that if during the first 120 days after enlistment the soldier should fail to take insurance, and die, he will be considered as insured and the benefits of such insurance will go to his family.

Your committee thinks this bill wise and beneficent in all its features, and though a radical departure in some respects, thinks it will prove a great blessing to our soldiers and their families and be very satisfactory to the country.

The first, second, and third features provide for the maintenance of the families of the soldiers during service and for compensation in case of death, and it is believed this is effected much more satisfactorily in this bill than in the existing pension system and will not be so expensive in the long run. The elements of certainty and security afford an incentive to the soldier to go forward confident of protection by the Government to themselves and their families and go far to mitigate the anguish of the families themselves during the unhappy separation from the soldiers.

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THE SECRETARY OF THE TREASURY,
Washington, August 24, 1917.

Hon. W. C. ADAMSON,
Chairman Committee on Interstate and Foreign Commerce.

MY DEAR JUDGE ADAMSON: Complying with your request for the views of this department on H. R. 5723, entitled "A bill to amend an act entitled 'An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department,' approved September 2, 1914, and for other purposes," the bill has my unqualified approval, and I attach hereto a letter I addressed to the President on July 31, 1917, outlining the general features of the bill you have under consideration, and also a copy of a letter from the President, dated August 7, 1917, in which he expresses his entire approval of the measure.

May I not again express my sincere and earnest conviction that no more important measure than this one is now pending in the Congress? We ought not to leave the officers and enlisted men of the Army and Navy, who must fight in this great war, to the uncertain chance of future legislation upon the old and discredited pension plan. By providing now a comprehensive measure like the present one, based upon the best compensation laws and practices of the different States and of the Nation, providing definite allowances in case of death and total or partial permanent disability, and for the support of the dependent families of the men who go to the front, so that they shall not become objects of charity while the men are away fighting for their country, and by giving the men the right to buy a reasonable amount of insurance from the Government on a peace basis so that all who desire can supplement the provisions made by the Government with the additional benefits which flow from this life insurance feature, we shall have told every man who enters the service of his country in advance what he may expect in every contingency, not only for his family but for himself.

This scientific, well-balanced, equitable, and comprehensive insurance and compensation measure will be a substitute, or should be a substitute, for the pension system as applied to the present war, and ought to make impossible, as it certainly will make unnecessary, future pension legislation, with all of its inequalities and favoritism.

Those who are enjoying pensions under the present system are left undisturbed; this measure does not affect them. We do not want to deprive any old soldier of any part of the recognition which his country has already given him for valorous services rendered in the past, but we do want to make certain for the future that a more equitable and just system than the old pension system shall be provided for all those who enter the military and naval service of the country in this war.

I am most grateful to you and to the members of your committee for the opportunity you have given me to express my earnest approval of this measure.

Very sincerely, yours,
W. G. MCADOO.

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[H. Rept. No. 130, pt. 3, 65th Cong., 1st sess.]

Mr. RAYBURN, from the Committee on Interstate and Foreign Commerce, submitted the following supplemental report:

A fuller analysis of this bill and of the principles underlying it than has been given in the original report is now presented in this supplementary report.

The object of the bill is to provide the military and naval forces of the country a reasonable measure of indemnity against the risks incurred and the losses sustained by reason of their service.

The family, not the man, is taken as the unit, because, especially under the draft law, the loss to the man is in fact a loss to his family. Proceeding in logical order, the first loss is that incurred by reason of the service itself—the loss of the ordinary income due to taking the man from his civil occupation and compelling him to engage in military service. The pay provided for the soldier and sailor is, of course, some compensation for this, but it is inadequate to enable men with families properly to maintain them. He himself receives board, lodging, and clothing in addition to the money, but he must continue to maintain his family.

The bill recognizes this primary obligation of the men and enforces it by compelling him to allot not less than $15 and not more than one-half of his pay to the support of wife and child. Recognizing, however, that this is inadequate and believing it to be the duty of the Government to see that the families of our heroes do not become objects of charity, but receive at least a decent support, the bill provides that the Government shall supplement the compulsory allotment to be made by the man himself. This Government allowance is based upon the size of the family.

Allotments for grandchildren, parents, brothers, and sisters are not compulsory, but if these relatives are actually dependent upon the man, he can secure a Government allowance for them if he himself will make an allotment of pay to them. If he is already allotting to wife or child, the additional allotment will be not less than $5, or more than one-seventh of his pay. If, however, he is not allotting to wife or child, then the allotment to these relatives must equal that required for wife or child in order to secure the Government allowance. The Government allowance to these relatives added to the allotment to be made by the man will not exceed the amount habitually contributed by him for their support for a year past.

The total allowance to be made by the Government, whether to wife, child, or other dependents, can not exceed $50 per month.

Subject to regulations by the Secretary of War or of the Navy, respectively, a man may allot any part of his pay for other purposes, but so much of one-half of the pay as is not allotted, either for dependents or for other purposes, may be required to be deposited with the Government at 4 per cent compound interest if the Secretary of War or of the Navy, respectively, shall so order.

The purpose of this compulsory deposit provision is to enable the heads of the War and Navy Departments, respectively, to secure a better morale in the service, if they should find it advisable so to do. The full pay now received by the private in foreign service, $33 per month, is deemed by military authorities as entirely too much for spending purposes under the present conditions in Europe. The difference in spending money between those who are compelled to make allotments and the others, as well as between the American forces and the armies of other nations, may affect the morale of the armies. The power to compel these deposits is deemed essential by the commanding officers.

These provisions for allotment and allowances form the subject matter of article 2 of the bill, and are confined to the enlisted man.

The second risk indemnified against is that of loss of life or limb. This forms the subject matter of the present pension legislation and legislation giving gratuities of a half year's or a year's pay in case of death in the service.

The bill proceeds upon a new basis. It follows the analogy of the workmen's compensation acts. It deals with the soldier and the sailor as a military employee of the Government. It offers not a gratuity in the shape of a pension, but a compensation if in the course of the service he suffer injury or contract disease.

Pensions, especially since the day of service-pension legislation, have come to be looked upon as Government charity, and the present pension legislation is both inadequate and unjust. It is of the utmost importance both for the practical results and for the psychological effect upon the men, their families, and the people of the country, that a new point of view be established. This is accomplished by following the analogy of the workmen's compensation acts, by designating the payments to them as compensation and not as pensions, and by separating the administration of this law absolutely and completely from the administration of the pension laws. The pension legislation is not repealed; the old soldiers and their families are not affected by the bill; it applies only to those now in or hereafter entering the service. For them this bill is a substitute for the pensions and gratuities.

Here again, however, the family and not the individual is the unit, and a step forward, even in advance of the workmen's compensation acts, is taken. Compensation is based upon rank and pay, but with a fixed minimum for total disability of from $40 to $75 per month, dependent upon the size of the family, with an addition up to $20 per month if the constant services of a nurse or attendant is required, and a further $10 if the man has a widowed mother dependent upon him. The maximum for the highest officer is $200 a month.

So, too, for the widow and child the compensation is based on rank and pay of the deceased, but with a maximum of $200 and a minimum ranging from $15 for a single child, $30 for a widow, up to $60 for a wife and four children, and with provision for a maximum of $25 to a widowed mother if the $60 be not required for wife and children.

Under the pension laws $100 per month is paid for certain total disabilities, regardless of whether a man is a bachelor or has a family. On the other hand, the widow receives but $12 a month, with $2 added for each child. These provisions are entirely unjust and inconsistent. One hundred dollars per month for a bachelor is too much.

The compensation for partial disabilities is based upon the reduction in earning capacity caused by similar injuries in civil occupations. This is to be determined by experience, and is to be fixed by general regulations from time to time.

The Government, however, owes a higher duty, both to the injured man and to the people, than merely to compensate him for his injuries. Its primary obligation is to develop all of his potentialities, to fit him for the best in life of which he is capable. Every European country is now making provision for the reeducation and rehabilitation of its soldiers and sailors, and some of them have long since made provision for those injured in civil occupations. At present Government officials are studying the experience of these nations with a view to future legislation on this most important subject. The present bill lays down, however, two fundamental fiscal propositions: First, that if the man be found capable of reeducation, he shall be compelled to take a proper course when offered to him, under penalty of suspension of his compensation; second, if, however, through this reeducation he shall gain a better economic position, he shall not thereby be deprived of his compensation. If a man has lost his legs, they can not be restored; payment is made for the loss; but it is in the common interest that these fighting men, crippled though they be, should not rest content to live on the minimum compensation which the Government gives. They of all men should be encouraged to lift themselves above the common level and to develop all of their latent powers.

The next loss to be indemnified against is that of present insurability, and this is compensated for in the bill by selling Government insurance to those who but for the war could buy similar insurance from private companies.

Any young man physically fit to enter the Army can protect himself and his family, present or future, by insurance against death or total disability, but if he enters the Army by this very patriotic service he is deprived for all practical purposes of this right, inasmuch as the additional rates ranging from $37.50 to $100 per thousand, that private companies charge, are absolutely prohibitive. Purely as a matter of justice the Government should make this loss good by compensation in kind; that is, by issuing its own insurance. This, however, is but one of many justifications for article 4 of the bill.

Articles 3 and 4 are to be dealt with together. While the Government can fairly give only a minimum of compensation based upon general conditions throughout the land, it must recognize that men ought not to be content with this minimum; that they ought, with true American foresight and self-reliance, to procure additional protection for themselves and their families in case they become disabled or die through injuries received in the service.

Furthermore, article 3 gives compensation, in case of death, only to the wife, child, or widowed mother. A man may have others dependent upon him, both during his disability and after his death. Their claims may be absolutely just, but to open the door to them, as is done in many workmen's compensation acts, would greatly increase the administrative machinery as well as the possibilities of fraud. If protection for them can be otherwise secured, it would be much better. This protection can be obtained through the insurance. A man is thereby enabled both to secure for wife and child something more than the Government minimum compensation and also to obtain something for his other dependents.

Those who have opposed article 4 concede that it is practically impossible for these men to obtain insurance in private companies. They urge, however, first, that most of them would not think of taking insurance unless unduly stimulated thereto; second, if they took insurance the amount taken may be measured by the fact that the average American policy is about $1,800; third, that if the compensation provided for in article 3 is inadequate, it should be increased, and if some specific compensation should be paid for death, the lump sum of $1,000 or $2,000, or even more, should be given to everyone who dies within five years after the war.

That many who ought to protect themselves fail to do so is, however, no reason why the Government, when it deprives those who would insure themselves of the opportunity to get this insurance, should refuse to make good that loss. Moreover, if such insurance is, as we believe it to be, in the interest of the man, his family, and the country, it is the duty of the country, especially to this particular class, to urge them to obtain this protection.

As to the amount, while the bill itself provides for a maximum of $10,000, the committee has reported an amendment reducing this to $5,000. The bill in its original form had the full approval both of Secretary McAdoo and of the President, and since the original report was submitted the President has reiterated his views in favor of $10,000 insurance.

This insurance will be payable only in installments: Five thousand dollars would yield between $25 and $30 a month over a period of 20 years; $10,000 double that amount. The average American policy of $1,800 when spread out in such monthly installments is totally inadequate for any real protection; it should be no measure of the Government insurance to be offered to the soldiers and sailors.

This insurance will enable many a man who, had he remained in civil life, would have prospered and who by reason of his military career has been reduced to the Government compensation, to secure some additional comforts and to give his children the care, maintenance, and education that they would have received had he not entered the military service.

But to confine the insurance to death within five years after the war would be to frustrate one of the principal objects of this article. That object is to enable the men in military service, by their own efforts and self-denial, to protect themselves against the consequences of old age or of disability or death not caused by their military service. In other words, it is a substitute for the service pension.

While no Congress can tie the hands of its successor, while no measure that we now take can prevent future service-pension legislation, we can, nevertheless, erect a certain moral barrier. If we now fail to help these men help themselves, we shall have no answer to the clamorous demands that are sure to come for service pensions similar to those granted to the Civil War veterans. They are pure gratuities. As such, in the minds of many, they have completely changed the character of a pension. But the failure of our predecessors to take proper action at the proper time made service-pension legislation a certainty.

We shall preserve American ideals and sustain the self-respect of our fighting youth if we offer them in place of either present or future gratuities a real opportunity to purchase for themselves the protection that they may deem essential for their families. But this protection must be real; it must cover death or disability at any time, not merely within five years after the war. The insurance must mature, if the insured so desires, when he reaches a certain age, as well as by death or total disability. Speculation in the insurance must not be permitted; it must be unassignable and free from the claims of creditors, both of the insured and of the beneficiary. It must not be payable to any and every one, but only to a limited class of relatives. The bill contains all of these provisions.

Clearly the Government should bear the cost due to the increased mortality that the war will produce. Furthermore, the Government should administer this insurance for its soldiers and sailors as a governmental function, without charge to the insured for the mere administration. The Government will have no expenses for commissions, medical examinations, taxation, advertising, and investment. The premium rates, therefore, to be charged for the insurance should be the net rates without any addition or loading such as is made by private insurance companies to cover expenses. They should be based upon the ordinary mortality experience in peace times. These are the provisions of the bill.

It has been urged by some that while the Government must of course keep up the insurance after the war for those who are then uninsurable, it should not keep it up for those who at the time can pass a medical examination in a reputable company. The bill, however, very properly contemplates that if the insurance is taken within the limited period of 120 days, during which a man must make up his mind whether or not he desires to obtain this protection, it may be kept up after the war even though the insured be healthy and return to civil life. This is but just, for many reasons: First. Private insurance companies will not take him now, the Government, therefore, must give the insurance. The only real insurance, however, is that which can be continued for life, not that which may be terminated by the insurance companies at a given period. Second. The Government owes a special duty to those whom it has led to take insurance. If it discontinues the insurance after the war for those who have come through unscathed, it subjects them to the heavier charges that the private companies must impose. Many of them will refuse to take this; some will fall into the hands of poor companies, whether old line or assessment. This treatment would seem to be unfair to those who have rendered the greatest of all service. Third. As many who have taken insurance will refuse to go into private companies, the demand for service pensions in their behalf, should they subsequently meet with misfortune, would be well-nigh irresistible. Fourth. Inasmuch as the bureau must be maintained for the benefit of the many who come out either disabled or at least uninsurable, there will be but little if any additional cost in maintaining it for all of the men who have rendered military service. Those who will be insurable after the war will be a most desirable class to insure. Even the net premiums without loading will more than cover the cost, because their mortality will surely fall far below the expected rate. The Government will thus be enabled in some measure to recoup itself for its losses.

The strenuous objection to Article IV seems clearly to be based upon objection to any real governmental insurance as harmful to the private companies. This fear, in our judgment, is without justification; but even if it were fully justified, no private interest should be permitted to stand in the way of the Government doing justice to its fighting forces. To them alone this insurance is confined. The bill does not contemplate any extension beyond this limited class.

We have deferred a consideration of Article I, the administrative provisions, to the last. As heretofore stated, the bill strikes a new keynote as against the former pension legislation. For that reason alone, its administration should be separated from that of the present pensions. But the bill does not create a new bureau; it contemplates merely an extension of the War-Risk Bureau. Obviously, this bureau, which has so successfully dealt with Government insurance both of ships and of the seamen on merchant vessels since the beginning of the war, is the proper place for the administration of the insurance provisions. They, however, are but a part of and an addition to the compensation provisions. The bill is a unit; as such, its administration should be unified. The War-Risk Bureau, properly increased and extended, can adequately administer all of the sentence.

Again, this compensation for death would in many cases follow directly upon the family allowances to be given during the service. The bureau that administers the one should, therefore, administer the other. While allotments are to come out of the pay and are subject to regulation by the Secretary of War or of the Secretary of the Navy, respectively, the fact that the amount of the family allowance is to be determined by the bureau will have no tendency to create any confusion. Such a bureau will deal, not with a man but with his family. The Army and the Navy will thus be able to confine themselves to their own employee—the man.

The appropriations provided for in the bill have been based upon actuarial calculations. The factors taken into consideration are in the nature of things extremely uncertain; they can be at the best merely estimates, the correctness of which will depend upon the length of the war and the extent of our participation therein and the casualties that will occur. These can be but estimated and not determined at this time.

The drafted men are now leaving their homes. The families of many of them will be thrown upon the charity of the community; only prompt enactment of the bill will save them from this distressing calamity.

The Government that drafts its youth should not fail to deal with them justly and promptly. We urge the promptest consideration and passage of the bill.

"THE WHITE HOUSE,
"U. S. S. MAYFLOWER,
"*1 September, 1917.*

"MY DEAR JUDGE: May I not express to you and through you to the Committee on Interstate and Foreign Commerce of the House my sincere gratification at the favorable report the committee has just made on the bill granting family allowances, indemnities, and life insurance for the officers and enlisted men of the Army and Navy; and the hope that the proposed measure may receive the prompt approval of the Congress?

"There are so many arguments for the bill that I do not know which to put forward as the most imperative. No doubt you have assembled them in your own mind in their most effective order. But what principally appeals to me about the bill is that it takes into consideration the whole obligation of the soldier not only, but the whole obligation of the Government—the obligations of justice and humanity, both to the soldier and to his family. It is one of the most admirable pieces of legislation that has been proposed in connection with the war, and I can not too earnestly urge its adoption.

"I observe with regret that the limit of life insurance available to the officers and men in the service has been reduced from $10,000 to $5,000. I earnestly hope that the $10,000 limit may be restored.

"Cordially and sincerely, yours,

"WOODROW WILSON.

"Hon. W. C. ADAMSON,
"*House of Representatives.*"

ANALYSIS OF H. R. 5723.

Title: Amends act of September 2, 1914, as amended, establishing Bureau of War-Risk Insurance.

ARTICLE I. ADMINISTRATION.

Section 1: A director; salary, $6,000. Two divisions: Division of Marine and Seamen's Insurance, as at present; Division of Military and Naval Insurance, new; each headed by a commissioner; salary, $5,000.

Section 2: Amends former act as follows:

Section 12: Sections 2 to 9 of former act shall refer only to the Division of Marine and Seamen's Insurance.

Section 13: Director, subject to Secretary of Treasury, executes the act and makes all necessary rules, regulations, and decisions, except as otherwise provided.

Section 14: Such help as may be authorized by Congress. Use Army and Navy surgeons. Advisory board of three skilled insurance men, compensation not exceeding $20 a day.

Section 15: Power to issue subpœnas, take testimony, and invoke aid of court.

Section 16: Secretary to submit annual estimates.

Section 17: Appropriates $100,000 for expenses. All employees, except director, commissioners, and special experts, to be appointed from civil-service list.

Section 18: Appropriates $141,000,000 for family allowances under Article II.

Section 19: Appropriates $12,150,000 for compensation under Article III.

Section 20: Appropriates $23,000,000, together with all premiums received, for insurance losses, under Article IV.

Section 21: Creates a fund to pay interest on deposits.

Section 22: The committee's amendment strikes out the first provision, which makes living together in the open acknowledged relation of husband and wife for two years immediately preceding enlistment or draft conclusive evidence of marriage in the absence of proof that there is a legal spouse living.

The section further defines a number of terms as used in the act. (see sec. 22.)

Section 23: Payment may be made to suitable person if beneficiary is mentally incompetent or a minor.

Section 24: The bureau may act in an advisory capacity in respect to both the Government and other insurance carried by the men.

Section 25: Fine of $5,000 or not more than two years' imprisonment, or both, for certain perjury.

Section 26: Fine of $2,000 or not more than one year's imprisonment, or both, for certain frauds.

ARTICLE II. ALLOTMENTS AND FAMILY ALLOWANCES.

Section 200: Article confined to enlisted men.

Section 201: Allotment for wife, child, or former wife divorced and not remarried compulsory, except that on written consent and evidence of ability to support herself wife or former wife may waive it, and on man's application, or otherwise for good cause, exemption may be granted on conditions provided in regulations.

Compulsory allotment is to equal the Government allowance, but with $15 monthly minimum and half pay maximum; but for wife living separate or former wife divorced, maximum is the agreed or decreed amount, and former wife divorced is subordinated to wife and child.

Section 202: Voluntary allotment permitted subject only to regulation by Secretary of War or of the Navy, respectively.

Section 203: Secretary of War and of the Navy, respectively, authorized to compel so much of one-half of the man's pay as is not either compulsorily or voluntarily allotted to be deposited with the Government at 4 per cent interest, compounded semiannually. In case of death before repayment, it is payable to any designated beneficiary or next of kin.

Section 204: Maximum governmental family allowance, $50. Allowance granted only on written application by man or by or on behalf of beneficiary. Begins with enactment of amendment or subsequent enlistment and ends with discharge from service, but not more than one month after termination of present war emergency. Allowances for families in cases of desertion, imprisonment, and missing men subject to regulations.

Amount per month, class A, to a man's wife, former wife divorced, or child:

(a) Wife alone, $15.
(b) Wife and one child, $25.
(c) Wife and two children, $32.50.
For each additional child, $5 additional.
(d) One child, $5.
(e) Two children, $12.50.
(f) Three children, $20.
(g) Four children, $30.
For each additional child, $5 additional.

Class B: Grandchild, parent, brother, or sister of man or woman:
(a) One parent, $10.
(b) Two parents, $20.
(c) Each grandchild, brother, sister or additional parent, as defined in section 22, $5.

In the case of a woman:
(d) One child, $5.
(e) Two children, $12.50.
(f) Three children, $20.
(g) Four children, $30.
For each additional child, $5.

SEC. 205: Family allowances to class A only while the compulsory allotment is made, and in the case of a separated wife or former wife divorced only the difference, if any, between the allotment and the amount provided in agreement or decree.

SEC. 206: Allowances to class B only while dependent on the man, and then only if and while he makes an equal monthly allotment, except:
(a) Maximum monthly allotment of half pay.
(b) If no allotment to class A, then minimum monthly allotment, $15.
(c) If compulsory allotment to class A, then monthly minimum allotment to be one-seventh of pay, with $5 minimum.
(d) Exemption from allotment as a condition to allowance may be granted for good cause.

SEC. 207: Allowance to class B, subject to each of following limitations:
(a) Can not exceed difference, if any, between allowance to class A and $50.
(b) Can not exceed difference, if any, between allotment and amount habitually contributed for past year by the man to their support.

SEC. 208: As between wife, former wife divorced, and children not in her custody, and as between children, amount of allotment apportioned by regulations.

SEC. 209: Payment of allotment and allowances to or for beneficiaries, as may be provided by Secretary of War and of the Navy, respectively.

SEC. 210: Commissioner awards allowances, certifying award to War or Navy Department. Commissioner may reinvestigate and modify award. Amount determined by conditions existing monthly.

ARTICLE III. COMPENSATION FOR DEATH OR DISABILITY.

Section 300: Applies to commissioned officers, enlisted men, and nurse corps when employed in active service. Limited to death or disability resulting from personal injury suffered or contracted in the course of the service and, as amended by committee, in line of duty.

Section 301: The bill provides for payment to any widow or child if death results from the injury; by the committee's amendment it is limited to a widow or children from a marriage contracted before injury. Compensation is monthly, based on percentage of the man's pay, as follows:
(a) Widow, 25 per cent, but not less than $30.
(b) Widow and one child, 35 per cent, but not less than $40.
(c) Widow and two children, 40 per cent, but not less than $50.
Five per cent additional, but not less than $5, for each additional child up to two.
(d) One child, 20 per cent, but not less than $15.
(e) Two children, 30 per cent, but not less than $25.
(f) Three children, 40 per cent, but not less than $35.
Five per cent additional, but not less than $10 for each additional child up to two.

(g) Widowed mother, 20 per cent, but not less than $25: *Provided, however*, That she shall not receive more than the difference, if any, between the amount payable to widow and children and 50 per cent of pay, or $60, and limited to death of one child: *And provided further*, She receives no compensation for death of husband.

Maximum monthly compensation, $200. Burial expenses not exceeding $100. As amended by committee, compensation ceases at death or remarriage instead of two years after remarriage. Compensation to child continues until 18 years, or marriage, or, if incapable, from mental or physical infirmity, of pursuing gainful occupation, then until marriage, death, or cessation of incapacity. If compensation to one ceases, then for the other beneficiaries the amount shall be as if they had been sole original beneficiaries. Apportionment as between widow and children not in her custody and as between children according to regulations.

Section 302: Compensation for disability. (1) Total disability. Monthly; percentage of pay:

(a) Man alone, 40 per cent, but not less than $40.
(b) If he has wife, 50 per cent, but not less than $55.
(c) Wife and one child, 55 per cent, but not less than $65.
(d) Wife and two or more children, 60 per cent, but not less than $75.
(e) No wife, but one child, 50 per cent, but not less than $50.

Five per cent additional, but not less than $10 for each additional child up to two.

(f) Widowed mother substantially dependent on him, 10 per cent, but not less than $10 in addition.

If so helpless as to be in constant need of nurse or attendant, reasonable additional sum, not exceeding $20 per month. Maximum monthly, $200.

(2) Partial disability, percentage of compensation for total disability equal to degree of reduction in earning capacity if 10 per cent or more. Schedule of ratings for permanent injuries to be adopted which may equal total disabilities shall be based on average impairments resulting from similar injuries in civil occupations and not upon impairment in each individual case. No reduction for individual success in overcoming handicap. Schedule readjustable in accordance with actual experience.

(3) Reasonable medical, surgical, and hospital services and supplies and appliances to be granted.

(4) Each monthly payment according to then existing conditions in family.

Section 303: Required to submit to examinations. May have own physician present. Payment of reasonable traveling and other expenses and loss of wages incurred for examination. Suspension of compensation during refusal to submit. Consequences of unreasonable refusal to submit to treatment not deemed to result from the injury.

Section 304: Commutation of future compensation payments for disability permitted if injured person deemed competent and not likely to became public charge, and, on evidence satisfactory to director that it will be for his best interest and for the best interests of his dependents. Provided, however, in case of total disability, or partial disabilities rated at 30 per cent or more, only half of payment that he would receive if a single man shall be commutable.

Section 305: Must follow such course of rehabilitation, reeducation, and vocational training as United States may provide or procure to be provided. If course prevents following occupations, he may be reenlisted and receive pay and family allowances during the period in lieu of compensation. Suspension of compensation during willful failure to follow course or to reenlist therefor.

Section 306: Awards may be reviewed.

Section 307: Definition of pay.

Section 308: No compensation for death or disability which does not occur within one year after discharge, unless a certificate has been obtained within a reasonable time, fixed by regulations and not exceeding one year after discharge, that at time of discharge he was suffering from injury likely to result in death or disability.

Section 309: Compensation for death not payable until death officially recorded. No compensation for period during which reported missing and family allowance made.

Section 310: No compensation for death inflicted unless by the enemy, as lawful punishment for crime or military offense. Dismissal of dishonorable, or bad conduct discharge bars and terminates compensation.

Section 311: No compensation unless claim filed within one year after discharge or official recording of death. Time may be extended another year by director for good cause. If a minor or of unsound mind or physically unable to make claim the one or two-year period begins only at cessation of disability or appointment of guardian.

Section 312: No compensation payable for more than two years prior to date of claim. No back increase more than one year.

Section 313: Compensation not assignable, taxable, or subject to debts.

Section 314: Compensation not payable to those in receipt of service or retirement pay. Existing pension and gratuity laws not applicable to persons now in or hereafter entering the service, except so far as rights thereunder have accrued.

Compensation to nurses is in lieu of any claim under civil employees' compensation act.

Section 315: Assignment to United States of any right of action against other persons for causing injury or death, condition to compensation.

ARTICLE IV. INSURANCE.

Section 400: Applies to commissioned officers, enlisted men, and nurse corps. United States shall grant them insurance against death or total disability in multiples of $500, from $1,000 to a maximum fixed by the committee's amendment at $5,000 instead of $10,000, as in the bill.

Section 401: Must be applied for within 120 days after promulgation of terms or subsequent entry into service. Any person in active service on or after April 6, 1917, who is totally disabled or dies before expiration of the 120 days is deemed insured for life in monthly installments of $25, and if he dies before receiving 240 such installments, balance payable monthly to, but only if and while there survive him, widow, child, or widowed mother.

Section 402: Prompt publication full terms of contract of insurance. Insurance unassignable, free from claims of creditors of insured or beneficiary, payable only to spouse, child, grandchild, parent, brother, or sister, and during total disability to injured person, and to such other persons as may be provided from time to time by regulations. Insurance payable only in installments. Provisions for maturity at certain ages, continuous installments, cash loan, paid up, and extended values, and other provisions for protection and alternative benefits as may be found reasonable, may be provided in the contract.

The committee has stricken out a further clause providing that "rights and privileges not provided for may be granted from time to time as may be prescribed by regulations."

Subject to regulations, insured may change beneficiary without his consent, but only within the permissible class.

Section 403: United States bears expenses of administration and excess mortality and disability cost due to war. Premium rates net; rates based upon American Experience Table of Mortality, 3½ per cent interest.

Section 404: During the war, insurance shall be term insurance for successive terms of one year each. After war it is convertible without medical examination into such forms and with such provisions for premium payments as may be prescribed by regulations, but payment of premiums in advance shall not be required for period of more than one month each. Premiums may be deducted from pay or deposits of insured or otherwise, at his election.

Section 405: In case of disagreement, action on insurance claim may be brought in district court of residence of any beneficiary. Reasonable attorney's fees, not exceeding 10 per cent of recovery, may be allowed by court. Unlawful for attorney or claim agent to receive any other compensation.

[H. Rept. No. 130, pt. 2, 65th Cong., 1st sess.]

Mr. PARKER of New Jersey, from the Committee on Interstate and Foreign Commerce, submitted the following minority views:

This bill provides—

(1) For the establishment of a new bureau in the Treasury Department.

(2) Voluntary allotment of soldiers' and sailors' pay, and during the war compulsory allotment up to half of such pay, to be held by the United States at 4 per cent interest in the case of a man without dependents, or given to his dependents; to this, during the war, a family allowance made by the Government is added.

(3) Compensation for death or disability replacing all pension laws for present or future armies during peace or war.

(4) The right to every soldier and sailor to insure himself with the United States against death or total disability for $1,000 to $5,000. This applies to peace and war, but during the war the United States takes all war risks. The insured only pays peace rates.

It is perhaps not yet necessary that men with families should be forced into the battle lines. But in so far as they are not exempted some provision like Article II for compulsory allotment of pay and a family allowance is necessary to take care of those families and should be had by simple amendment of the law now authorizing the voluntary allotment of pay in the Army and Navy, under regulations of those departments.

Compensation for death and disability is purely pension. The increases provided in this bill should be carefully considered, preferably first by the Pension Bureau and the Pension Committees. A new bureau as to these matters may only embarrass their administration, while it will be an expense, and the proposition that any man may ask the United States to insure him up to $5,000 and to assume all the hazards of war may either go to the special benefit of a few, or cause claims against the United States that will be in the billions.

This bill came before the committee in recess as a war measure. In order to avoid delay, hearings were had before a very small number of the committee, and consideration was had by a bare quorum.

The committee has made no question as to its jurisdiction, although some of them believed that the question of pensions or compensation for service in past wars belongs to the Committee on Pensions or the Committee on Invalid Pensions, and that questions of compensation to present or future soldiers or sailors, whether by pay, pension, or insurance, belong to the Committees on Military or Naval Affairs.

We are none of us experts as to Army and Navy pensions or insurance; none of us pretends thoroughly to understand this bill or its effects; nearly all reserved full liberty as to action upon the floor.

It is due to the House that the bill should be more carefully and fully explained than has been done in the report of the majority. It involves many complicated subjects and is not easy to understand.

ARTICLE I.

THE PROPOSED NEW BUREAU OF MILITARY AND NAVAL INSURANCE.

The act to which this bill is a supplement, provided for the war insurance of vessels, cargoes, and crews engaged in foreign commerce. That act had to do with commerce, and it was rightly referred to and reported by this committee. This established a bureau under a commissioner at $6,000 per annum.

By section 1 of this bill, page 2, the commissioner will be made a director and the bureau divided into two divisions, one of "marine and seamen's insurance," under the original act, and the other of "military and naval insurance," under the new provisions of this bill. Each division will be in charge of a commissioner at $5,000 per annum. The director, under the control of the Secretary of the Treasury, may make regulations, decide all disputed questions, make rules and regulations as to the compensation of attorneys, as to proofs and evidence, as to allowances, allotments, compensation or insurance, the method of investigations and examinations and the form of adjudications and awards; (sec. 14) the bureaus may have deputies, assistants, actuaries, clerks, and employees, use Army and Navy surgeons, have an advisory board on insurance in fixing premium rates and adjusting claims; (sec. 15) witnesses and papers may be subpœnaed and proved on oath, with power to enforce the subpœnas; (sec. 16) and annual estimates are to be submitted.

By the bill (sec. 17) $100,000 is appropriated for present expenses; (sec. 18) $141,000,000 is appropriated for family allowances, to be paid upon awards of the commissioner; (sec. 19) $12,150,000 is appropriated for compensation, funeral expenses, etc.; and (sec. 20) $23,000,000 is appropriated for insurance.

SEC. 21. Sums withheld from pay are to be put in the Treasury in a separate fund. Then follow definitions of various relationships, family and military, with penalties for perjury or receiving payments fraudulently.

The first question as to Article I is whether any such bureau is necessary or advisable. While the men are in the Army or Navy their pay and its allotment, including family allowances, should be in the control of the War or Navy Departments. By this law, as drafted, the man and his family would take the pay from the military or naval authorities while they would go for the family allowance to this bureau of the Treasury.

Even the first year's appropriations are worth consideration:

For family allowances	$141, 000, 000
For death, disability, etc	12, 150, 000
For insurance	23, 000, 000
Total	176, 150, 000

In the hearings, on pages 53 to 55, are found the estimates on which these appropriations are based, which seem to be as follows:

	First year.	Second year.
Family allowance	$141,000,000	$190,000,000
Compensation for death	3,700,000	22,000,000
Compensation for total disability	5,250,000	35,000,000
Compensation for partial disability	3,200,000	21,000,000
Insurance, death, and disability	46,000,000	225,000,000
Total	199,150,000	493,000,000

At the bottom of page 52 is the statement:

"If the war lasts beyond September 1, 1919, the amounts payable will increase enormously as compared with those of the second year."

These estimates (p. 51) assume an army of a million men in the first year, family allowances to 40 per cent, averaging $300 per man; that only 250,000 will be in active service; that those men will have deaths of 75 per 1,000 a year, while the reserve will only lose 4 per 1,000; and they estimate that in the second year there will be a million men at the front, and assume that only a quarter of the men will take out insurance at an average of $2,500 each.

If we get 2,000,000 men at the front, with disabilities continuing from previous years, the amount will be much greater. Payments for disability increased for 27 years after the Civil War and only increased largely after 15 years.

The figures should be considered under the various divisions of the bill, but to take insurance as an example (see pp. 51 and 52 of the hearings):

"To the 350,000 men referred to above as exposed to the war hazard, a death rate of 75 per thousand was applied. In arriving at this rate the experience of several life insurance companies was considered, and also such information as was available regarding the casualties in the various armies of Europe.

"These estimates are based on the assumption that 50 out of each 1,000 men exposed to the hazard of war will be totally disabled under the provisions of the bill, the assumption being predicated on such information as was obtainable from the British, Canadian, and German war records, although these are fragmentary."

The possibilities are somewhat as follows:

2,000,000 men in the battle line, deaths at 75 per 1,000	150,000
Disabilities, 50 per 1,000 (total)	100,000
1,000,000 men in reserve, deaths 4 per 1,000	4,000
Total deaths and total disabilities	254,000

If these men are insured at $5,000 apiece, it will be $1,270,000,000. The 3,000,000 men would pay in $40 apiece, or $120,000,000.

No payments are too great to take care of our soldiers, if they be necessary and wise. These annual figures show the possibilities covered by this bill and the care with which it should be considered in every item.

These possibilities are staggering.

It must be assumed that intelligent Americans would all insure. If not, the single men would be most likely to do so, paying premiums out of their reserved pay.

No such scheme has ever been suggested for any army.

ARTICLE II.

ALLOTMENT AND FAMILY ALLOWANCE.

[Secs. 200–210, pp. 11–16.]

(Sec. 200) The article applies to all enlisted men.

(Sec. 202) Allotment of pay is compulsory as to wife and child, voluntary as to others. The wife may waive it. The compulsory allotment is equal to the family allowance made by the Government except that it shall not be more than half pay or less than $15, nor more than the alimony of a divorced wife.

(Sec. 202) The enlisted man may allot any or all of his pay, subject to regulation, to anyone.

(Sec. 203) What is not allotted up to half his pay may be put on a deposit to his credit at 4 per cent per annum.

(Sec. 204) A family allowance by the Government will be made monthly of not over $50 and terminates by death, discharge, or the end of the war. Note that the allotment or deposit of pay is applicable to peace as well as war. In the case of a private at $30 a month the payments in war would be as follows:

	Allotment.	Family allowance.	Total.
CLASS A.			
Wife	$15.00	$15.00	$30.00
Wife, 1 child	15.00	25.00	40.00
Wife, 2 children	15.00	32.50	47.50
1 child, no wife	15.00	5.00	20.00
2 children, no wife	15.00	12.50	27.50
3 children, no wife	15.00	20.00	35.00
4 children, no wife	15.00	30.00	45.00
CLASS B.			
[See p. 14.]			
1 parent	15.00	10.00	25.00
2 parents	15.00	20.00	35.00

In all these cases only $15 remains to the man, while $30 to $47.50 is paid to his family. If the soldier or sailor receives enough pay, as in the case of a noncommissioned officer or officer, the allotment would be equal to the family allowance, and would double it.

As to parents, grandchildren, brothers, or sisters, allotment and allowance can be compulsory (p. 15, line 6, etc.) only if they are dependent. (Sec. 207, p. 15, line 19.) The family allowances A and B together shall not exceed $50, and the total received by any parent, etc., shall not be more than the son has paid them in the previous year.

(Sec. 209, p. 16, line 12) The allotments are paid to and for the beneficiaries as provided by regulations made by the Secretaries of War and Navy, respectively, but (sec. 210) the commissioner, on receipt of any application for family allowance, makes the award, which he certifies to the War or Navy Department, and he may reinvestigate and modify his award.

There will be confusion about this. If the man is away at the front, he can not very well be represented before the commissioner to oppose a compulsory allotment. The Navy and Army already are used to dealing directly with the families of their men and will know all the conditions when the man joins, how he behaves, and when he goes out to service, while the commissioner of the Treasury will have to receive word from them. It will make endless complications.

This system of control by two departments will be at least difficult in operation. After all, it is only a matter of pay for the Army and Navy and ought to be administered by them according to the circumstances, and not by an outside bureau.

The power to enforce a compulsory allotment of pay to the family ought to be in some statute. Such an allotment has been encouraged in the Army and Navy for years. It is permitted in the Navy under the act of June 10, 1896, and in the Army, by Military Laws (secs. 871–875, p. 339) under regulations prescribed by the Secretary of War.

It is now thought highly desirable to give power to the Secretary of War and the Secretary of the Navy to withhold up to half the pay of the enlisted man by payment to his family or by deposit to his credit at interest, and that in this time of war the Government should add a reasonable family allowance to be provided by regulations and to go to the family. The men do not need all their pay on active service in the war, and it is believed that the possession of more than half their pay will diminish their efficiency, and that it is for their benefit that this compulsion should be exerted.

A short act in the form above stated would deal with the whole matter practically without interference with the control which the War and Navy authorities ought to have over the pay of the men, whether it goes to the man or his family; and if Article II of this bill, for the compulsory allotment of pay and family allowances, is for the welfare of our Army and Navy, it can be secured by a simple provision in supplement to the above-cited acts, or Article II can be passed as a separate act properly amended to get rid of this new bureau.

ARTICLE III.

COMPENSATION FOR DEATH OR DISABILITY.

This article will take the place of the existing pension laws. Section 314, page 26, provides that compensation shall not be paid while the person is in receipt of service or retirement pay, and that existing pension laws and laws providing for gratuities or payment in the event of death in the service shall not be applicable to the present or future Army or Navy, except as rights have already accrued.

It is suggested that compensation is not the same as pension. It is simply another name so far as pensions for death and disabilities are concerned. See the acts, sections 4692 to 4695 of the Revised Statutes, providing for pensions for disabilities.

By section 4695 pensions for total disability ran from $8 to $30 a month, according to rank, but by various statutes the rate for everybody have been raised above those provided for an officer in this section, running as high as $50 for loss of both eyes, hands, or feet (June 18, 1874); $72 by the act of June 18, 1880; $100 for total blindness (Apr. 8, 1904). If the man died of his injury, the widow received the pension for total disability provided by the original act, but the $8 has been changed to $12.

This bill will change the whole theory of the pension acts of compensation for death or disability.

The compensation will be based upon the man's pay: For a widow alone, 25 per cent, but not less than $30; widow and one child, 35 per cent, but not less than $40; widow and two children, 40 per cent, but not less than $50, with 5 per cent additional, but not less than $5, for each additional child up to two, etc. (p. 17, line 17, etc.). But (p. 18, line 16) the maximum monthly compensation for death shall be $200.

The great majority of widows at present get $12 a month each. This act gives always as much or more than the private's pay.

As a major general receives $8,000 a year, a brigadier general $6,000, a colonel $4,000, which with longevity pay may be $5,600; a lieutenant colonel $3,500, which with longevity pay may be $4,900; a major $3,000, which with longevity pay may be $4,200; a captain $2,400, which with longevity pay may be $3,360; a first lieutenant $2,000, which with longevity pay may be $2,800; a second lieutenant $1,700, which with longevity pay may be $2,380, this 25 per cent to 50 per cent may be quite a sum. In the case of field and general officers it may be not less than the $200 a month.

It is unquestionable that our pension laws have been very unfair to the officers' families. They started as fair laws in times of low prices, but increases have not been made as they should be, and the highest rate obtained by an officer's widow under the general law is $30 a month, which in the case of a high officer in the Navy or in the Army may be utterly insufficient to take care of his family. By this bill a private's widow will receive for her life the same amount that he received in the service—$30 a month (p. 17, lines 17–18).

A letter from the chairman of the Committee on Pensions (hearings, pp. 181–186) complains of the injustice of paying Civil War widows $12 a month, and $30 a month to all future widows. He likewise submits (p. 182) that the limitation of time to apply for partial disability compensation is wrong; that the Pension Bureau is thoroughly trained in all this matter and should keep control. It is due to Mr. KEY to refer to his letter.

It is a matter of real concern that the families of our officers and men should sometimes be in poverty. It ought not to be expected that the widow should be supported for life merely by reason of the husband's service, unless she was his wife at the time of the service. It is a question also how high the amount of pension can be placed and what dangers there will be that friends will insist that the enlisted man died of his injury some 40 years afterwards. The House must consider whether any changes in this compensation or pension law, for it is the same, should be made by amendment to the present laws and administered in the Pension Bureau, or should be made by a new law like this and administered elsewhere.

It may be strongly urged that if the new law is necessary, the administration should be left to the present Pension Bureau.

By section 302 the amount of compensation or pension where disability results from the injury, and not death, may vary from 40 per cent to 70 per cent of the injured man's pay with like minimums, but not exceed $200 a month, and partial disabilities should be at ratings subordinate thereto, besides (p. 21, line 8) medical, surgical, hospital services and supplies, and (line 14) subject to family conditions then existing. Examinations must be submitted to. (Sec. 304) Payments may be commuted into a lump sum but not over 50 per cent in certain cases. (Sec. 305) Vocational training is provided for. (Sec. 306) Review of the award. (Sec. 307) The pay is that of the time of the injury. (Sec. 308) The injury must be certified to within a year after discharge. (Sec. 309) Death must be proved by the records. (Sec. 310) Death by court-martial or dishonorable discharge bars all right to compensation. (Sec. 311) Claim must be made within a year and the time may be extended for a year. (Sec. 312) Compensation is limited to two years before the claim. (Sec. 313) Compensation is not assignable and free from creditors. (Sec. 314) The pension laws do not apply. (Sec. 315) The United States shall have the benefit of any action belonging to the injured party.

All these details are mentioned only because such matters are all old and well recognized in the Pension Bureau, where experienced men are employed who can deal with them.

Codification is dangerous. The Commissioner of Pensions has not been consulted as to this bill. This article needs careful consideration by those who know.

The estimates for the second year of the war show $77,000,000 for compensation alone and every year will increase it.

ARTICLE IV.

INSURANCE.

The bill provides that the United States shall sell insurance to any soldier or sailor against death or total disability for not less than $1,000 nor more than $5,000. (Sec. 401.) This must be applied for within 120 days after enlistment or after notice of the terms of insurance under this bill, and every man previously enlisted who is totally disabled or who dies before this time will get $25 a month in 240 installments, or $6,000 altogether, to be paid to him or to his wife, child, or widowed mother. By section 402 the director is to publish a form of insurance not assignable or subject to creditors, and payable to the wife, issue, parent, brother, or sister, or to the person injured, and only by installments, with insurance provisions for maturity at certain ages, life or term policies, cash, loan, paid up, and extended values, with the right to change the beneficiaries.

These sections are applicable to peace as well as war. The United States bears the expense of administration.

(Sec. 403.) The premium rates must be the net rates based upon the American Experience Table of Mortality, with interest at 3½ per cent per annum. (Sec. 404.) Payments must be monthly and may be deducted from the pay or deposit of the insurer, or otherwise made at his election; and (sec. 405) the United States may be sued and attorneys' fees allowed as part of the judgment up to 10 per cent.

So far this is simply Government insurance up to $5,000 of any soldier or sailor who applies, with all the complications of the insurance business, and at a flat rate without any loading.

All these provisions are applicable to peace as well as war, but by sections 403 and 404 the United States bears the expense of the excess mortality and disability cost resulting from the hazards of war, and during the period of war the insurance shall be term insurance for successive terms of one year each, convertible after the war, without medical examination, into such form or forms of insurance and such provisions for premium payments as may be prescribed by regulations. (See bill, p. 30, lines 3–4, 9–14.)

Term insurance for one year means that when payment is made the party is insured against death for one year; no more and no less. In peace times a young man can obtain $1,000 of this insurance for about $10, a flat rate without expense being about $8. This means that only eight men out of a thousand usually die during the year, so that 1,000 policies paying $8 each would pay the losses by the death of eight men at $1,000 each. If more die, of course more has to be collected in order to pay the losses. If 75 die, each of the 1,000 men would have to pay $75 in order to pay the losses of $75,000. If the insurance likewise covers death and total disability and there are 50 disabled, each man would have to pay $125 in order to cover the policies of $1,000 each. If each of them held a policy of $5,000, the Government has to raise annually $625 on each policy to pay losses. It is proposed that the Government should receive only $40 a year on a $5,000 policy when it has to pay out $625 in each year on an average on these policies. Of course, some men will be at home in the reserve and the total amount received for the war risk will be somewhere near $60; but the Government is paying nine-tenths of the insurance and the sums to be paid will be quite large.

It is assumed that only a few will take out insurance; if so, these few will get advantage over their fellows, who will certainly insist that the discrimination shall be remedied and that they shall be assumed to have taken out policies, as this bill itself does as to men who die before the insurance plan is promulgated (p. 28, line 19). It is not the business of the Government to go into speculation of this sort, and there is no precedent for it.

In Canada there is no draft law and volunteers were wanted. The cities wished volunteers and issued policies free in the nature of a bounty. The city of Toronto established an insurance bureau and has issued or secured policies for $42,297,000. Up to the date of investigation by Mr. Wolfe (Care of Dependents of Enlisted Men in Canada, Misc. Series No. 10, Bureau of Publications No. 25, p. 8) American insurance companies had paid out $808,000 on the $10,000,000 of insurance which they had underwritten, and the city of Toronto had paid $930,000 under its more recent insurance. The granting of this insurance was practically a bounty for enlistment. They have no draft law yet in Canada. If the Government of the United States should grant every man such a policy, payable in installments, without cost to him, it would be substantially an increase of the compensation branch of the bill. This insurance plan has been submitted to experts who were opposed to the whole principle. (Hearings, pp. 23–29.) They suggest (pp. 24–25) that the Government should pay $1,000 in case of death during service or within five years from discharge to the man's beneficiary or his estate, so that the benefits should be uniform and not dependent upon individual selection or ability to purchase, so as not to give a disproportionate advantage to those who buy insurance, thus avoiding administrative expenses and the danger of speculation, of the pressure upon the enlisted man by self-appointed agents for the promotion of this specific business, and other conditions to be deprecated. The particular insurance plan proposed was formulated and advocated by Judge Mack. Mr. Ekern, of the Wisconsin Insurance Department, explains on pages 147 and 148 that the Government would have to continue in the insurance business. It is assumed, therefore, that the insured will continue his insurance out of his pay or pension compensation. (See p. 150.) Mr Ekern does not like the system of term insurance (p. 151) and thinks it ought to be put on a life or 20-payment plan (p. 152, near bottom) at a higher premium.

The above views have restated the material part of the bill and the hearings with some care, so that they may be understood, and perhaps at too much length. In brief, it might be suggested:

(1) The establishment of a new bureau is unnecessary and unwise.

(2) The War and Navy Departments should respectively be authorized by statute to allot up to half of the pay of enlisted men to their dependents, or to a savings fund under proper regulations, and also to make family allowances under like regulations, not exceeding a reasonable sum. No new bureau should interfere.

(3) The pension or "compensation" based upon a per cent of the pay may be a fair principle. Some limitation should be placed upon claims that death or disability has resulted many years after the injury, and a maximum limit of the compensation might be provided in each case.

(4) There should be no insurance except what is provided by the Government, in which case, if it be payable in installments, it will come under the title of "compensation." The United States is not yet ready to enter into the business of state insurance, which must infallibly follow if this scheme be adopted. The insurance scheme is unwise, unnecessary, and uncertain.

I have thought it only right to try to explain this bill more fully to the House. Whatever we can justly and possibly do for our gallant soldiers and sailors and their families we will do. But we ought to understand what we do and give it careful consideration.

RICHARD WAYNE PARKER.

EXTENSION AND REVISION OF REMARKS.

Mr. SHERLEY. Mr. Speaker, I ask unanimous consent to revise my remarks in the RECORD.

The SPEAKER pro tempore. The gentleman from Kentucky asks unanimous consent to revise his remarks in the RECORD. Is there objection?

There was no objection.

Mr. KEATING. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the bill just passed.

The SPEAKER pro tempore. Is there objection? [After a pause.] The Chair hears none.

Mr. POU. Mr. Speaker, I ask unanimous consent to insert in the RECORD, at the request of the North Carolina State Council of National Defense, a speech delivered by ex-Senator Pritchard upon the question of patriotism and the duty of the American citizen in this hour.

The SPEAKER pro tempore. The gentleman from North Carolina asks unanimous consent to extend his remarks in the RECORD by inserting the address to which he has referred. Is there objection?

There was no objection.

ADDITIONAL CHAPLAINS AT LARGE.

Mr. SIEGEL. Mr. Speaker, I ask unanimous consent for the present consideration of the bill H. R. 5271.

The SPEAKER pro tempore. The Chair can not recognize the gentleman from New York for that purpose.

Mr. SIEGEL. I ask unanimous consent for the present consideration of H. R. 5271.

Mr. MOORE of Pennsylvania. What is it?

Mr. SIEGEL. It is a bill providing for the appointment of 20 chaplains at large.

The SPEAKER pro tempore. The Chair suggests the gentleman take the matter up when the Speaker is present, the present occupant of the chair having no information concerning it.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. THOMAS, indefinitely, on account of important business.

To Mr. SULZER, on account of serious illness in his family.

WITHDRAWAL OF PAPERS.

Mr. COX, by unanimous consent, was granted leave to withdraw from the files of the House (Sixty-fourth Congress, second session) without leaving copies, the papers in the following cases, no adverse report having been made thereon:

H. R. 18388. A bill granting a pension to Benjamin Griffith;

H. R. 18390. A bill granting a pension to William Andry; and

H. R. 19744. A bill granting a pension to George Devol.

ORDER OF BUSINESS.

Mr. KITCHIN. Mr. Speaker, I desire to say before making a motion to adjourn, that to-morrow the Army and Navy compensation and insurance bill (H. R. 5723) will be taken up for consideration.

The SPEAKER pro tempore. And the Chair wishes to state that upon the completion of that bill the House will be requested to consider the emergency deficiency bill.

ADJOURNMENT.

Mr. KITCHIN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 30 minutes p. m.) the House adjourned until Friday, September 7, 1917, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, a letter from the Secretary of the Treasury, transmitting copy of a communication from the Secretary of the Navy submitting an estimate of appropriation required by the Navy Department for the purpose of acquiring and providing facilities for the expeditious construction of additional torpedo-boat destroyers for the fiscal year 1918 (H. Doc. No. 358), was taken from the Speaker's table, referred to the Committee on Appropriations, and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. RAYBURN, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (S. 2785) to authorize and empower the Southwest Louisiana Waterways Association, of the State of Louisiana, to construct a lock and dam in Mermentau River, in the State of Louisiana, reported the same with amendment, accompanied by a report (No. 135), which said bill and report were referred to the House Calendar.

Mr. GORDON, from the Committee on Military Affairs, to which was referred the bill (H. R. 5918) to authorize the President to organize provisionally as Field Artillery or Infantry, and to use as Field Artillery or Infantry during the existing emergency, such regiments of Cavalry as he may designate, reported the same without amendment, accompanied by a report (No. 136), which said bill and report were referred to the House Calendar.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. LARSEN: A bill (H. R. 5947) to prevent discrimination by the Secretary of War or other military authority of the United States against the organization, establishment, and existence of church, fraternal, or secret-order organizations at and on the grounds of forts, garrisons, and military camps of the United States, and for other purposes; to the Committee on Military Affairs.

By Mr. DYER: A bill (H. R. 5948) to provide for the erection of an armory in the District of Columbia; to the Committee on the District of Columbia.

By Mr. FITZGERALD: A bill (H. R. 5949) making appropriations to supply urgent deficiencies in appropriations for the fiscal year ending June 30, 1918, and prior fiscal years, on account of war expenses, and for other purposes; to the Committee of the Whole House on the state of the Union and ordered to be printed.

By Mr. GOULD: Memorial of the General Assembly of the State of New York, requesting the Federal Government to make rules governing the manufacture and distribution of iron, steel, and other materials, so as to give preference to the manufacture of farming implements; to the Committee on Interstate and Foreign Commerce.

Also, memorial of the General Assembly of the State of New York, favoring the mobilization of immigrant aliens and the transportation of them to States and Territories where farm service may be needed; to the Committee on Agriculture.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASHBROOK: A bill (H. R. 5950) granting an increase of pension to Willis Elben; to the Committee on Invalid Pensions.

By Mr. BOWERS: A bill (H. R. 5951) granting an increase of pension to John W. Combs; to the Committee on Invalid Pensions.

By Mr. DYER: A bill (H. R. 5952) granting a pension to Anna M. Edwards; to the Committee on Pensions.

Also, a bill (H. R. 5953) granting an increase of pension to Carrie A. Purnell; to the Committee on Invalid Pensions.

By Mr. GILLETT: A bill (H. R. 5954) granting an increase of pension to Mary Foster; to the Committee on Invalid Pensions.

By Mr. JOHNSON of Washington: A bill (H. R. 5955) granting an increase of pension to Henry Luch; to the Committee on Pensions.

By Mr. KAHN: A bill (H. R. 5956) to permit the reenlistment of O. G. Paquet and D. F. Reed in the United States Army; to the Committee on Military Affairs.

By Mr. KALANIANAOLE: A bill (H. R. 5957) granting a pension to Julius A. Fuhrman; to the Committee on Pensions.

By Mr. KRAUS: A bill (H. R. 5958) granting an increase of pension to William T. Stott; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5959) granting an increase of pension to Daniel O. C. Marine; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5960) granting an increase of pension to Robert A. Love; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5961) granting an increase of pension to Mansfield Felton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5962) granting an increase of pension to Henry Endsley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5963) granting an increase of pension to Jesse O'Banion; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5964) granting an increase of pension to Lewis C. Lillard; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5965) granting an increase of pension to Joshua Priest; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5966) granting an increase of pension to Oliver N. Mowrer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5967) granting an increase of pension to Lemuel U. Powell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5968) granting an increase of pension to Peter F. O'Brien; to the Committee on Pensions.

Also, a bill (H. R. 5969) granting an increase of pension to John Murphy; to the Committee on Pensions.

By Mr. LITTLE: A bill (H. R. 5970) granting an increase of pension to Peter Tiffany; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5971) granting an increase of pension to John W. Ballard; to the Committee on Invalid Pensions.

Also, a bill (H. R. 5972) to correct the military record of Daniel R. Ritchie; to the Committee on Military Affairs.

By Mr. STEPHENS of Mississippi: A bill (H. R. 5973) for the relief of former Collector of Internal Revenue John Z. Lowe, jr.; to the Committee on Claims.

By Mr. WALDOW: A bill (H. R. 5974) granting a pension to Margaret E. Messing; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. ASHBROOK: Petition of the First Baptist Church of Loudonville, Ohio, in favor of national prohibition; to the Committee on the Judiciary.

By Mr. BRODBECK: Petition of the Woman's Christian Temperance Union of York, Pa., urging a Christian amendment to the Federal Constitution acknowledging Almighty God as the source of all authority in civil government; to the Committee on the Judiciary.

Also, petition of citizens of York, Pa., urging a Christian amendment to the Constitution of the United States acknowledging Almighty God as the source of all civil government; to the Committee on the Judiciary.

By Mr. DALE of New York: Petition of Wiliam C. Anderson, chairman legislative committee Kings County Pharmaceutical Society, Brooklyn, N. Y., protesting against the proposed tax on proprietary medicines; to the Committee on Ways and Means.

By Mr. HUDDLESTON: Petition of S. C. Kelley and other citizens of Bibb County, Ala., for the repeal of the conscription law; to the Committee on Military Affairs.

Also, petition of Mrs. P. M. Young and other residents of Birmingham, Ala., in behalf of the constitutional amendment for woman suffrage; to the Committee on the Judiciary.

By Mr. MORGAN: Petition of sundry citizens of Beaver County, Okla., praying for an honorable and early peace, etc.; to the Committee on Foreign Affairs.

SENATE.

FRIDAY, *September 7, 1917.*

(*Legislative day of Wednesday, August 15, 1917.*)

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

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

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

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

Brady	Curtis	Gerry	Hollis
Brandegee	Fernald	Gronna	Husting
Calder	Fletcher	Hale	James
Chamberlain	France	Hardwick	Johnson, Cal.
Culberson	Frelinghuysen	Hitchcock	Johnson, S. Dak.