SENATE

WEDNESDAY, *February 10, 1926*

(Legislative day of Monday, February 1, 1926)

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

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

The VICE PRESIDENT. The clerk will call the roll.

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

Ashurst	Fernald	La Follette	Schall
Bayard	Ferris	Lenroot	Sheppard
Blease	Fess	McKellar	Shipstead
Borah	Fletcher	McLean	Shortridge
Bratton	Frazier	McNary	Simmons
Brookhart	George	Metcalf	Smith
Broussard	Gillett	Moses	Smoot
Bruce	Glass	Neely	Stanfield
Butler	Goff	Norbeck	Stephens
Cameron	Gooding	Norris	Swanson
Capper	Hale	Nye	Trammell
Copeland	Harreld	Oddie	Tyson
Couzens	Harris	Overman	Wadsworth
Cummins	Harrison	Pepper	Walsh
Curtis	Heflin	Phipps	Warren
Dale	Howell	Pine	Watson
Deneen	Johnson	Ransdell	Weller
Dill	Jones, Wash.	Reed, Mo.	Wheeler
Edge	Kendrick	Reed, Pa.	Willis
Edwards	Keyes	Robinson, Ind.	
Ernst	King	Sackett	

Mr. SHEPPARD. I wish to announce that my colleague, the junior Senator from Texas [Mr. MAYFIELD], is necessarily detained on account of illness. I ask that this announcement may stand for the day.

The VICE PRESIDENT. Eighty-two Senators having answered to their names, a quorum is present.

PETITIONS AND MEMORIALS

Mr. McLEAN presented a petition of the Meridian (Conn.) Chamber of Commerce, praying for the passage of House bill 444, proposing to improve the condition and status of musicians in the Army and National Guard bands, which was referred to the Committee on Military Affairs.

He also presented resolutions adopted by William McKinley Camp, No. 9, United Spanish War Veterans, of Norwalk, Conn., favoring the passage of Senate bill 98, granting increased pensions to Spanish-American War veterans and their widows, which were referred to the Committee on Pensions.

He also presented resolutions of the Congregation B'Nai Jacob and the board of trustees of the Congregation Mishkan Israel, both of New Haven, Conn., favoring the passage of legislation amending the present immigration law so as to provide for exemption from the quota restrictions of husbands, wives, and children of American citizens and declarants for citizenship, which were referred to the Committee on Immigration.

He also presented a petition of the Woman's Christian Temperance Union, of Hartford, Conn., praying for the passage of Senate bill 1750, to establish a Woman's Bureau in the Metropolitan police department at Washington, D. C., which was referred to the Committee on the District of Columbia.

He also presented a telegram in the nature of a memorial from members of New Haven Division, No. 77, Brotherhood of Locomotive Engineers, of New Haven, Conn., protesting against the passage of legislation amending the existing employers' liability law, which was referred to the Committee on the Judiciary.

COLORADO RIVER PROBLEMS—LETTER OF GOVERNOR HUNT

Mr. ASHURST. Mr. President, I ask unanimous consent to have printed in the RECORD at this point a letter from Hon. George W. P. Hunt, Governor of Arizona, upon the problems of the Colorado River.

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

The letter referred to is as follows:

EXECUTIVE OFFICE, STATE HOUSE,
Phoenix, Ariz., February 3, 1926.

Hon. HENRY F. ASHURST,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I have just completed reading the testimony of the various witnesses who appeared before the Committee on Irrigation and Reclamation of the United States Senate in connection with the problems of the Colorado River Basin States and how these States may be affected by the development of the Colorado River.

I was impressed with the testimony of the representatives of the upper-basin States and with their frankness in discussing their desire and intention to utilize every means at their command to conserve and protect their right to use the water that falls within their borders, to irrigate every acre of land that it is feasible and practical to irrigate in those States—although, as stated by Mr. Delph Carpenter, of Colorado: "It may be a century and a half or from 50 to 100 years anyhow" before they can utilize all of the water they are asking to have reserved for their use under the provisions of the Santa Fe compact.

I do not propose to quarrel with any of the States in their endeavors to have their future protected, especially in the light of the evidence of unwarranted molestation, harassment, and interference in their development which the upper-basin States appear to have suffered from the action of Federal officials.

I was also impressed with the testimony of some of the upper-basin officials in stating that Arizona was not to be censured for failing to ratify the Santa Fe compact and for taking time to ascertain her potentialities. And I was particularly impressed with the statement of Mr. Carpenter that Arizona was justified in her attitude, and I also appreciated the address of Governor Dern of Utah.

On the other hand, I fail to understand the objections offered by some of the upper-basin representatives to the construction of Coolidge Dam and the fulfillment by the Federal Government of its responsibilities to the Indians on the San Carlos Indian Reservation. The Indians on that reservation have water rights antedating the advent of the white man to America. Their lands have been dried up by water users on the stream above them.

Under the law as defined by the United States Supreme Court in the Wyoming *v.* Colorado case the water users on the stream below, in spite of priority of use, must satisfy their needs from surplus water. Consequently under existing circumstances it is the duty of the United States Government to take care of the Indians' needs by providing storage on the Gila. In taking care of these needs and in building the project, if the cost can be reduced by adding some additional acreage of lands that are in the hands of white settlers (a considerable portion of which have water rights attached), the Government is the gainer; no one's water rights are impaired and the flood menace to the Imperial Valley in California is considerably reduced. Consequently opposition to the Coolidge project, as evidenced by some of the representatives of the upper-basin States, can not be judged in any other light, in my opinion, than as an attempted coercion of Arizona and a reprisal for her failure to ratify a compact which would destroy her, particularly where the project under consideration can not affect the complaining States in the upper basin in any manner.

As a matter of fact, the only States interested in the Gila are New Mexico and Arizona, from the viewpoint of water users. California is interested in having flood menace removed.

I say this because Wyoming, Colorado, Utah, and Nevada contribute nothing to and can use none of the water on the Gila. The legal point of diversion for California, made under contract with the United States Reclamation Service, is for diversion at Laguna Dam, which is a considerable distance above the mouth of the Gila River. The present point of diversion for the Imperial Valley at Hanlons Heading is only permitted by stipulation in injunction proceedings in the courts.

I really can not follow the testimony of the Federal officials. After reviewing the testimony of Secretaries Weeks, Wallace, and Work, and Engineers Kelly, Merrill, LaRue, and Stabler, I can not understand Mr. Work's complete change of attitude. The people of Arizona evidently can not depend on the finality of the judgment of Federal officials if, like a railroad time-table, they are subject to change without notice.

But the testimony in the hearings that made the deepest impression upon me was the serenely unconscious, yet patronizing and arrogant, attitude adopted by representatives of the State of California.

Senator HIRAM JOHNSON with a wave of his hand brushed aside evidence submitted by citizens of the State of Arizona by saying he would "predicate nothing upon some of the testimony of the citizens of the State of Arizona."

I can not understand the horror expressed by Senator SHORTRIDGE at the idea of Arizona wanting half the surplus water that comes from the upper-basin States and the water of her own streams.

We have no irrigation or power possibilities outside of the Colorado River and its tributary, because Arizona is wholly within the Colorado River drainage area—constituting 43 per cent of the basin—while only a small portion of California depends on this river, California having over 18,000,000 acres of land which can be irrigated and 9,000,000 horsepower which can be developed from other streams in that State.

California, which only comprises 2½ per cent of the Colorado River drainage area, wants 37 per cent of the water and control of the majority of the power.

But the distinguished senior Senator, by his attitude during the hearings and by his statements, seems to hold views—which seems to be typical of southern California—which might be defined as, "What is yours belongs to me and what is mine is my own."

The most naïve, patronizing, and unconsciously humorous statement in the whole hearings, in my judgment, was made by Mr. Childers, of California, when he declared: "California will not only deal fairly but generously with Arizona."

The irony of this can be appreciated when it is understood that California, to all intents and purposes, does not contribute any water to

the Colorado River and that all of the water she will use, with the exception of about 200,000 acre-feet, will be used outside of the drainage area, and that 90 per cent of the power that California wants to use will be produced in the State of Arizona.

The repeated statements of representatives of California and their distinguished Senators are ample to justify the belief that California intends to leave Arizona nothing in the Colorado River if it can possibly be obtained for California's use, and that no recompense will be made to Arizona for the use of her resources if these resources can be obtained by some subterfuge without cost to California. Even the provisions which were written into the enabling act to prevent the resources of the State passing into the hands of the Power Trust are used by representatives of California as an argument that Arizona forfeited them—apparently in their opinion—for the benefit of California.

But the most interesting factor of the California position is the endeavor to use the United States Government to despoil Arizona, and to use United States Government money to build a power dam located in two other States, the Government to be repaid from power generated in these two other States; and California lands to be furnished a canal, flood control, and municipal water at the expense of these two other States.

If California can satisfy the five other States in the basin by agreeing to a six-State compact, in order to get what she wants, the testimony of her representatives indicates she would do so. But I can not understand the willingness of the other States to accept such a proposition at the expense of Arizona.

However, let us have no illusions about the matter, but face the issue squarely.

A compact was drawn at Santa Fe, N. Mex., which protected the upper-basin States. Arizona will offer no objection to protecting the upper-basin States.

The representatives of the upper-basin States have repeatedly stated that they did not fear Arizona's development.

But, in order to get protection for themselves, some of them appear willing to barter with California through a six-State compact to enable that State to have the Federal Government construct a dam so low on the river as to absolutely condemn large areas of Arizona to remain a desert, give California all the water she can use, and permit the remainder of the water to cultivate lands in Mexico owned by other California citizens. The real gall in the proposal is that Arizona and Nevada power is to pay for the cost of giving all this to California under their plan.

We have no illusions as to the general attitude of southern California cities in this matter. Los Angeles plundered Inyo County, Calif., for the benefit of that city. She met with some criticism at home for so doing, but she would not hesitate to despoil the State of Arizona.

Los Angeles is not through yet paying for the plundering of Inyo County, Calif. The good citizens of that county, led by their bankers and leading business men, found it necessary to dynamite the Los Angeles aqueduct and turn the water loose for use in their county; and they are organized and still continuing the fight.

I am reminded in this connection that Germany plundered France and took Alsace and Lorraine and built an idustrial empire. But when the same process was tried on Belgium, it resulted not only in Belgium being left intact but in Alsace and Lorraine being returned to France; and, in addition, the German people will pay for generations to come for the greed and rapacity of her statesmen.

Los Angeles and California, with their wealth and arrogance, their newspapers, propaganda agencies, their distinguished Representatives and Senators, Commissioner of Reclamation Mead, the powerful influence of the Californian, Hoover, in the Cabinet, and the cooperation of Secretary Work, of the Department of the Interior, may succeed in inducing the United States and the other States in the basin to join in the rapine of Arizona, using the guise, as expressed by one of the citizens of this State, of the "sheep of flood protection to cover up the wolf of power and water greed." But it will never be with Arizona's legal consent, and if I am in position to have anything to say in the matter—which I hope I may be—it will be over Arizona's physical protest.

Arizona may be ravaged, but like Germany's experience, the profits from the looting, which may accrue to California, may not be as profitable as she hopes.

But there are times when I feel that possibly California should not be too harshly censured. When I read the reports and speeches made before civic organizations, by men who have been honored by the State of Arizona in positions of high trust and responsibility, and those who have made fortunes out of her resources, seeking to justify the confiscation of the resources of this State, and approving the proposal recently made by the Secretary of the Interior that Arizona's rights be seized; that over a hundred million dollars of United States money be invested partly within the territory of Arizona for the benefit of California, the people of Arizona denied any benefit from her resources—that it is proposed to have the Government take—unless Arizona accepts an agreement that she knows spells her ruin, I sometimes feel that the attitude of some of the representatives of California does not seem quite so preposterous.

The idea which has recently been uttered that "Arizona must be at the table when the reclamation prunes—the most famous southern California product—are passed, if she wants to get any," will never be accepted, in my judgment, as the spirit of the people of Arizona.

I think when you said that, "Arizona spurns all bribes and wears no chains," you stated the situation exactly. Had it not been for policies which, under the circumstances, were almost criminal misfeasance on the part of the responsible officials of Arizona when the compact was negotiated, Arizona would not now be fighting the character of battle she is. And to find those who were responsible for present conditions, still willing to see her stripped, must, indeed, be encouraging to California.

I was further impressed in reading the testimony by the announcement of the doctrine that the unappropriated waters in Western States are the property of the Federal Government. These pernicious theories of law advanced by the Department of Justice of the United States and Mr. Eggleston can never be accepted by the State of Arizona, and I do not believe will ever be accepted by any of the States in the Colorado River Basin, unless it be by the State of California, which contributes nothing to the basin but desires to seize the greater part of its resources.

Senator JOHNSON last month stated that if the Government would give California permission to invade Arizona and Nevada, they would develop a portion of the Colorado River without cost to the National Government. I made a similar offer (with the exception that we did not ask to invade any other State) before the Federal Power Commission in September, 1923. Arizona can finance this work without issuing State bonds by selling power, as the Salt River Valley water users do at Mormon Flat and Horse Mesa, recent dam constructions.

The State of Arizona has on file with the Federal Power Commission a request for a permit to erect a dam at Bridge Canyon, a site wholly within the State of Arizona. This site has been declared by an engineer of the United States Geological Survey and other competent engineers as one of the best power sites on the Colorado River. If the permit is granted to Arizona, I do not feel that it will be necessary to ask the Federal Government for any money or any Federal bond issue to make power available to anyone who cares to buy it.

It might also be pertinent to remark at this point that if the Federal Government will relinquish to Arizona the public lands and forests in this State, as was done with other States, so that all of the resources within the borders of this State may be available for the development of the State, it will not be necessary, in my judgment, to ask the taxpayers in other States to contribute to the development of the Colorado River or of the State of Arizona. We will be able to undertake the financing of the Colorado River development, and we will not ask permission to invade the rights of any other State in doing so.

I have been on record, as Governor of the State of Arizona, since October, 1923, in trying to arrive at an agreement between the States of California and Nevada concerning the Colorado River. On November 1, 1923, and on November 22, 1923, the Governor of California declined to enter any such negotiations. Negotiations, however, are now pending between a committee appointed by me and committees of the States of California and Nevada. The calling of the next conference is subject to a date being fixed by the California committee.

I offer these few observations on the testimony submitted in the Senate hearings. I do not think the language is too strong in the light of developments on the Swing-Johnson bill. The proposal of Secretary Work, which I believe is the Hoover-California plan, has caused me to become "het up" on this matter.

Very sincerely yours,

GEO. W. P. HUNT, *Governor.*

REPORTS OF COMMITTEES

Mr. COPELAND, from the Committee on Naval Affairs, to which was referred the bill (S. 2058) for the relief of members of the band of the United States Marine Corps who were retired prior to June 30, 1922, and for the relief of members transferred to the Fleet Marine Corps Reserve, reported it without amendment and submitted a report (No. 156) thereon.

Mr. BUTLER, from the Committee on Naval Affairs, to which was referred the bill (S. 1885) for the relief of James Minon, reported it with amendments and submitted a report (No. 157) thereon.

Mr. WALSH, from the Committee on the Judiciary, to which was referred the bill (S. 1040) concerning actions on account of death or personal injury within places under the exclusive jurisdiction of the United States, reported it without amendment.

Mr. CAPPER, from the Committee on the District of Columbia, to which was referred the bill (S. 2673) to amend the act approved June 3, 1896, entitled "An act to establish and provide for the maintenance of a free public library and reading room in the District of Columbia," reported it without amendment and submitted a report (No. 158) thereon.

He also, from the Committee on Claims, to which was referred the bill (S. 1755) for the relief of Francis J. Young, reported it without amendment and submitted a report (No. 161) thereon.

Mr. BAYARD (for Mr. MEANS), from the Committee on Claims, to which was referred the bill (S. 2993) to allow credits in the accounts of certain disbursing officers of the Department of the Interior, reported it with an amendment and submitted a report (No. 160) thereon.

Mr. BROOKHART, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

A bill (S. 959) for the relief of Tena Pettersen (Rept. No. 162);

A bill (S. 1794) to extend the benefits of the employers' liability act of September 7, 1916, to Gladys L. Brown, a former employee of the Bureau of Engraving and Printing, Washington, D. C. (Rept. No. 163); and

A bill (S. 2887) for the relief of Philip T. Post (Rept. No. 164).

Mr. SCHALL, from the Committee on Indian Affairs, to which was referred the bill (H. R. 183) providing for a per capita payment of $50 to each enrolled member of the Chippewa Tribe of Minnesota from the funds standing to their credit in the Treasury of the United States, reported it without amendment and submitted a report (No. 159) thereon.

SILVER SERVICE FOR REAR ADMIRAL ANDERSON

Mr. BORAH. From the Committee on Foreign Relations I report back favorably without amendment the bill (S. 2822) authorizing Rear Admiral Edwin A. Anderson, United States Navy, retired, to accept the silver service tendered by the Government of Panama. I call the attention of the Senator from North Carolina [Mr. SIMMONS] to the bill.

Mr. SIMMONS. I ask unanimous consent for the immediate consideration of the bill.

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill, and it was read, as follows:

Be it enacted, etc., That Rear Admiral Edwin A. Anderson, United States Navy, retired, is authorized to accept the silver service tendered to him by the Government of Panama, and the Department of State is authorized to deliver such silver service to the said Rear Admiral Edwin A. Anderson.

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

BILLS INTRODUCED

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

By Mr. WILLIS:

A bill (S. 3069) to enforce the liability of common carriers for loss of or damage to grain shipped in bulk; to the Committee on Interstate Commerce.

A bill (S. 3070) granting an increase of pension to Rosina Voorhees (with accompanying papers); to the Committee on Pensions.

By Mr. WALSH:

A bill (S. 3071) concerning the application of certain provisions of section 21 of the Federal highway act of November 9, 1921; to the Committee on Post Offices and Post Roads.

By Mr. ODDIE:

A bill (S. 3072) to authorize an exchange of lands between the United States and the State of Nevada; to the Committee on Public Lands and Surveys.

By Mr. FLETCHER:

A bill (S. 3073) granting increase of pension to soldiers who rendered service during the Seminole Indian wars in Florida and to widows of such soldiers; to the Committee on Pensions.

By Mr. HARRELD:

A bill (S. 3074) for the relief of John H. Gattis; to the Committee on Claims.

A bill (S. 3075) granting a pension to Ella C. Maddux; and

A bill (S. 3076) granting an increase of pension to Lavina J. Wells (with accompanying papers); to the Committee on Pensions.

By Mr. SHEPPARD:

A bill (S. 3077) for the relief of John T. Wilson (with accompanying papers); to the Committee on Claims.

By Mr. SMOOT:

A bill (S. 3078) further to assure title to lands designated in or selected under grants to the States, to limit the period for the institution of proceedings to establish an exception of lands from such grants because of their known mineral character, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. WADSWORTH:

A bill (S. 3079) to amend section 12 of the act approved June 10, 1922, so as to authorize payment of actual expenses for travel under orders in Alaska; and

A bill (S. 3080) to authorize payment of expenses of the Washington-Alaska military cable and telegraph system out of receipts of such system as an operating expense; to the Committee on Military Affairs.

By Mr. WATSON:

A bill (S. 3082) granting a pension to Clara Wikell;

A bill (S. 3083) granting a pension to Sadie Green McClure;

A bill (S. 3084) granting a pension to Harriet E. Morgan;

A bill (S. 3085) granting a pension to Charles Morton Wilson;

A bill (S. 3086) granting a pension to Elizabeth A. Power;

A bill (S. 3087) granting a pension to Nancy A. Jones;

A bill (S. 3088) granting a pension to Will J. Woods;

A bill (S. 3089) granting a pension to America Ann Kirby;

A bill (S. 3090) granting a pension to Elijah C. Waln;

A bill (S. 3091) granting a pension to Ida L. Seacat;

A bill (S. 3092) granting a pension to Margaret E. King;

A bill (S. 3093) granting a pension to Moranda Stoops;

A bill (S. 3094) granting a pension to Mary S. Buckles; and

A bill (S. 3095) granting an increase of pension to William Hemphill; to the Committee on Pensions.

By Mr. WILLIS:

A bill (S. 3096) granting an increase of pension to Emma L. Cole (with accompanying papers); to the Committee on Pensions.

By Mr. REED of Pennsylvania:

A bill (S. 3097) to provide for the erection of a public Federal building at Emporium, Pa.; to the Committee on Public Buildings and Grounds.

By Mr. DENEEN:

A bill (S. 3098) to remit the duty on a carillon of 42 bells imported for St. Chrysostom's (Episcopal) Church, Chicago, Ill.; to the Committee on Finance.

By Mr. STANFIELD:

A bill (S. 3099) to cede certain lands in the State of Oregon, including Diamond Lake, to the State of Oregon for fish-cultural purposes, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. RANSDELL:

A bill (S. 3100) for the relief of the heirs of Susan A. Nicholas; to the Committee on Claims.

MUSCLE SHOALS

Mr. McKELLAR. I introduce a bill as a substitute for the Muscle Shoals measure reported out by the Committee on Agriculture and Forestry, and I ask unanimous consent that there may be printed in the RECORD a statement in reference to the bill.

The bill (S. 3081) to create a commission for Muscle Shoals, and for other purposes, was read twice by its title, and, with the accompanying paper, referred to the Committee on Agriculture and Forestry.

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

The outstanding provisions of my substitute for the Muscle Shoals bill reported by the Senate Committee on Agriculture are:

First. Section 4, which contains, in my judgment, an absolutely fair method of distributing the surplus power produced at Muscle Shoals.

Second. It provides that the Government should retain the present shoals plant and authorizes the building of Dam No. 3 to be added to it.

Three. It provides that the commission created by the act shall dispose of the surplus power in three distinct ways: (a) It shall give preference to States, counties, and municipalities as provided in the Federal water power act. (b) It provides that the commission may sell surplus power to distributing power companies, but carefully giving the commission the power to regulate prices at which such distributing companies shall sell the current. (c) It provides that the commission may sell direct to users if it deems proper in the public interest.

In other words, my proposal distributes the power fairly and sees to it that the people using the power shall get the benefit of reduced prices.

Fourth. It provides for the establishing of a corporation to be owned by the United States, so that it can deal properly with the public.

Fifth. It requires the last word in experimentation for the purpose of making fertilizers and the manufacture of fertilizers if an economical process can be obtained; so that the farmers may be protected absolutely, it provides for the recall of surplus power if necessary, in order that the fertilizer interest shall be made paramount.

Sixth. It provides that should the Government find these economical processes for making ingredients for fertilizers that it may transfer such processes to private individuals or corporations, carefully guarding the power, however, to regulate the prices at which such fertilizers shall be sold to the farmers.

These are the salient features of my proposal.

AMENDMENTS TO TAX REDUCTION BILL

Mr. WALSH submitted an amendment intended to be proposed by him to House bill 1, the tax reduction bill, which was ordered to lie on the table and to be printed, as follows:

On page 83, line 4, after the word "associations," insert the following: "and dairy loan associations."

Mr. BRATTON (for Mr. JONES of New Mexico) submitted an amendment (Title III—Inheritance tax), intended to be proposed by Mr. JONES of New Mexico to House bill 1, the tax reduction bill, which was ordered to lie on the table and to be printed.

AMENDMENT TO FIRST DEFICIENCY APPROPRIATION BILL

Mr. McKINLEY submitted an amendment proposing to pay $1,500 to W. H. Gehman for extra services in the folding room, intended to be proposed by him to House bill 8722, the first deficiency appropriation bill, 1926, which was referred to the Committee on Appropriations and ordered to be printed.

AMENDMENT TO AGRICULTURAL APPROPRIATION BILL

Mr. SHORTRIDGE submitted an amendment proposing to increase the appropriation for silvicultural, dendrological, and other experiments and investigations, independently or in cooperation with other branches of the Federal Government, with States, and with individuals, to determine the best methods for the conservative management of forest and forest lands, from $232,000 to $252,000, and to increase the amount to be immediately available for the establishment of a forest experiment station, as provided in the act entitled "An act to authorize the establishment and maintenance of a forest experiment station in California and surrounding States," approved March 3, 1925, from $30,000 to $50,000, intended to be proposed by him to House bill 8264, the agricultural appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

WARD FOOD PRODUCTS CORPORATION

Mr. WHEELER. I ask unanimous consent to have printed in the RECORD two clippings from the New York Times of this date relative to the Ward Food Products Corporation.

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

[From the New York Times, Wednesday, February 10, 1926]

SAYS BREAD SUIT FAILS OF PURPOSE—LA FOLLETTE WANTS GOVERNMENT TO ATTACK WARD'S THREE PRESENT COMPANIES—SEES THEM AS A MONOPOLY—SENATOR HOLDS THAT THEY GIVE THE "BREAD KING" CONTROL OF THE INDUSTRY

(Special to the New York Times)

WASHINGTON, February 9.—Senator LA FOLLETTE, who has been attacking the Ward Food Products Corporation, said to-day that the antitrust suit filed by the Government yesterday would not remove the Wards from control of the bread industry. He urged that the Government proceed to force them to abandon control of what he called the "big three" companies, which he believed gave Mr. Ward and his associates undisputed control of the baking industry.

"I am glad that the Department of Justice has finally been moved into action against the food trust," said Senator La Follette. "I am particularly glad that it is proceeding before these corporations are finally 'scrambled' into a single gigantic merger.

"Nevertheless, the orders which the Department of Justice is seeking from the court, as reproduced in the newspapers, are directed entirely against the corporate defendants and do not attempt to reach or restrain the individual defendants, namely, William B. Ward and his associates, who conceived and promoted this great conspiracy. They will be left in complete control of the bread industry, even if everything asked by the Government is granted. This appears to me to be a fatal defect in the Government's case, which should be amended before proceeding further.

"Let me make this clear. According to the Government's own statement of the case, this conspiracy has consisted in William B. Ward and his associates acquiring control of a number of the great baking corporations, particularly the 'big three'—the Ward, Continental, and General Baking Corporation. They are the conspirators.

"Control of the 'big three,' the Government contends, will give Ward and his associates complete control of the baking industry throughout the United States. They will have this control—they will be able to dictate the price of bread—whether these three are merged into the new food trust, which Ward has recently incorporated, or are kept separate.

"The public interest, therefore, demands that Ward and his associates be compelled to sell their stock and give up control of at least two of the 'Big Three.' Any one of these three is big enough to give Mr. Ward full opportunity to develop any possible economies by large-scale production. He may not be able to carry out his paternalistic projects for providing for the welfare of the little children out of the excess profits levied upon their bread, but he will be able to make cheap bread, if he is honest and efficient.

"But the Department of Justice merely asks the court to restrain the corporate defendants from merging, having common officers and directors, etc., and does not ask that Ward and his associates—the individual defendants who conceived and executed this unlawful conspiracy—be required to abandon the control of the 'Big Three' baking corporations which they now have.

"The effect of this proceeding, even if the court grants everything that the Government now asks, will be to leave Ward—the 'bread king'—in undisputed control of the baking industry. He will be able to issue orders to each of the baking corporations which he now controls and of which the Government does not seek to deprive him, as effectively as if they were merged into a single trust.

"I sincerely hope, therefore, that the Department of Justice will speedily order its petition amended to cure this defect."

TESTIFIES WARD GOT STOCK—CONTINENTAL BAKING HEAD TELLS OF RELATIONS—HEARING PUT OFF

Hearing of the Sherman law complaint of the Federal Trade Commission against the Continental Baking Corporation was adjourned yesterday to February 23, Examiner John W. Addison granted the recess to permit George G. Barber, chairman of the board of the Continental, to produce figures showing the extent to which 13 subsidiary companies were engaging in interstate commerce when their stock was acquired by the Continental, to what extent they were in competition, and the amount of their yearly business, local and interstate. The Federal Trade Commission bases its complaint on the alleged lessened competition and restraint of commerce resulting from the absorption of 25 baking companies by the Continental Baking Corporation.

TELLS OF WARD'S CONNECTION

The greater part of the testimony of Mr. Barber, the only witness called so far, had to do with the relationship of William B. Ward to the Continental Baking Corporation and the other concerns with which Mr. Barber has been identified. Mr. Barber reiterated his assertion that Mr. Ward's only connection with the Continental was as a stockholder, that the corporation was formed by Mr. Barber solely to offer better service to the public.

The questions of Col. Augustus R. Brindley, counsel for the Federal Trade Commission, regarding Mr. Barber's past connection with the Ward companies, brought objections from William H. Button, attorney for the Continental, on the ground that they were irrelevant. The objections were overruled by Examiner Addison. "The questions may prove later on to be relevant," said Colonel Brindley.

The purpose of the formation by Mr. Ward and his associates of the United Bakeries Corporation, later absorbed by the Continental, was "bigger and better service to the public," said Mr. Barber. "It was Mr. Ward's purpose to build up a baking business of sufficient volume to permit the rendering of a kind of service hitherto impossible. This idea of service was paramount in the minds of all at that time as it is to-day."

Asked what was the purpose of the Continental, Mr. Barber said its objects were the same as those of the United, except that the larger concern was able to go still further in its field, since it embraces baking concerns in every part of the country, while the United centered largely in the East. "Continental is merely a continuance of Ward's policy in organizing the United?" Colonel Brindley asked. "Yes," the witness replied, "except that Ward has no connection with the Continental."

GAVE WARD 2,000,000 SHARES

It was brought out that the Continental Baking Corporation, soon after it was formed in November, 1924, turned over to William B. Ward 2,000,000 shares of its class B common stock in return for a contract owned by Mr. Ward for the acquisition of the American Bakery Co. of St. Louis. Mr. Barber testified that the transfer was merely technical to make the shares fully paid and nonassessable. One and a quarter million of the shares, he said, were later returned by Mr. Ward to the Continental, which repaid him with shares of other classes. The class B common, he said, was distributed as a bonus to purchasers of Continental preferred stock, sold at $100 a share, two shares of class B going with one share of preferred, the

bonus being later reduced to one share and finally half a share with one share of preferred.

Mr. Barber further testified that since the organization of the Continental 318,305 shares of the 8 per cent cumulative preferred stock had been issued for cash at $100 a share, and that 7,500 shares had been issued at $102. He also said 298,389 shares had been issued in exchange for the stock of other companies acquired by the Continental. Of the class A common, the witness said, 24,460 shares were issued for cash and 266,905 shares in exchange for stock in the companies taken over by the Continental.

Mr. Ward's holdings in the Continental, the witness testified, amounted at one time to 1,000,000 shares of preferred stock, although these have since been reduced.

The facts concerning the interstate commerce carried on by the subsidiaries, said Colonel Brindley, in asking for the adjournment, had an important bearing on the charges made in the Federal Trade Commission's complaint. He said there would be no hearings elsewhere pending the resumption of the investigation in New York on February 23.

TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes, the pending question being on the amendment of the Committee on Finance to strike out the House provision relative to estate tax and insert Title III—Estate tax.

Mr. NORRIS. Mr. President, the pending amendment proposed by the committee repeals the Federal inheritance tax. It also provides that the repeal shall be retroactive, a point in the amendment that has received very little attention. If it should prevail, not only would we have repealed the inheritance tax but we would be required to return to a large number of very large estates one-half of the taxes that they have already paid, or, if not paid, that are due and unpaid. Therefore, it has the same effect, so far as these estates are concerned, so far as concerns the estate of any man who died since June, 1924, as though we had a direct appropriation to repay to those estates one-half of the taxes which they paid under the law existing at the time of his death.

I said before that all taxation is burdensome. I repeat that I would be glad, if I could, to relieve everybody from the obligation of paying taxes, but if we have government, taxes must be levied to support it. Somebody must pay them. From the very beginning of government, honest, conscientious men have continually tried to enact into law such systems of taxation as would be the least burdensome. Of all the taxes that have ever been conceived, there is no other that is so little burdensome as the inheritance or estate tax. It is the only tax that is not, directly or indirectly, in any degree, a tax on consumption. There is no way of passing it on to somebody else. There is no tax that can be so easily and inexpensively collected. There is no other tax that is any more just or fair. With very few exceptions, such a tax would not take from any man a single dollar that he has done anything toward earning. The right to inherit property or the right to pass property on to others is given to the individual by law. It is not a natural right.

The class of people who are opposed to an inheritance or estate tax are also in favor of a reduction of income taxes on big incomes. The principal argument they offer in favor of the reduction of taxes on big incomes is that those who have such incomes invest their property in tax-free securities, and thus escape the income tax completely. While this argument is much overdrawn and very much exaggerated, yet if we admit the truth of it, we find the same people who advocate such reduction likewise crying aloud vehemently in favor of the repeal of the estate or inheritance tax; and yet everybody concedes that the estate or inheritance tax can not be avoided by the investment of property in tax-free securities. In other words, there is no such exemption in estate taxes. So the very argument they offer in favor of one end of their dilemma, absolutely defeats their argument as applied to the other end of the equation.

Those of us who advocate a Federal estate tax or inheritance tax are universally in favor of allowing a large exemption to which the tax shall not apply. I will not quarrel as to what the amount of this exemption should be. I will make no objection to an exemption of three or four hundred thousand dollars. Then commence the tax at a very low rate and raise it progressively until it becomes very high when the estate or inheritance reaches up into the millions of dollars. This will enable the holders of immense fortunes to provide for their families or friends so they may live in luxury the balance of their days without the payment of any tax on the inheritance. The tax does not operate until the death of the property owner. It can do no injury to him because he is dead and can not take his property with him. It is no injury to the descendants who inherit it because they did not own it and did not accumulate it. It comes to them as a pure gift; and it seems, therefore, that neither the testator nor the beneficiary can properly object to the tax, because the one is dead, and the other gets what is left after the tax is paid without any exertion on his part. This is particularly true when a large exemption is allowed and a small rate of taxation applied until the property reaches into many millions.

Mr. President, an objection often made to this kind of a tax is that the Federal Government ought to leave it to the States. There is no logic whatever to this objection. The only authority in our country that can properly levy such taxes without hardship upon anyone and without discrimination is the Federal Government. If the Federal Government does not levy the tax and it is left to the States, we will find the States competing with each other by offering reduced taxation to millionaires in their efforts to get them to locate within their borders, and the logical outcome will be that no State will levy much of any inheritance tax. Florida, which has adopted a constitutional amendment to exempt property owners from this kind of tax, is an illustration. This is simply a bid to wealthy men who want to avoid taxation in their States to locate in Florida. But it is a game that every State in the Union can play; and when they all get into that condition, the result will be no such tax, and if this tax which falls upon millionaire estates is entirely abandoned, it means that those who are poor must pay that much more in taxation. I would have no objection if the law provided that a very large amount of the Federal tax should be paid over to the States, because, as I shall show later, the community in most cases has contributed very largely to the accumulation of the fortune. Later on, Mr. President, if I do not devote too much time to some other phases of this amendment, I shall take that question up again and discuss it in more detail.

OBJECTS OF INHERITANCE OR ESTATE TAXES

All taxation of inheritances or estates has two objects in view:

First. To raise revenue. The amount of revenue that can be raised in this way is enormous. If progressive inheritance or estate taxes were levied with a large exemption, the only estates which would pay them would be those estates which are very large. This is justified, because it is conceded that taxes should be levied where the burdens would be the lightest. The amount of such taxes would vary more than other taxes, because of the uncertainty of human life, and the number of owners of large estates who might die in any one particular year; but the income from a series of years would be exceedingly large and would lighten the burdens of those upon whom taxation bears down heavily.

Second. The second object of such a tax is the prevention of the entailing of large fortunes. Such a tax would not interfere with the handling of a fortune so long as its owner lived, but when he had passed on it would take a portion of the fortune and give it to the State—the public, which, as a matter of fact, almost universally has done something in the accumulation of the immense fortune. Most all of the large fortunes have been accumulated by men who have had governmental favor in one way or another. Mr. Astor, who died several years ago, the possessor of nearly $100,000,000 worth of property, obtained most of his property by inheritance. The original investment in New York real estate was comparatively small.

Every laborer who helped to lay a pavement in the street and every man who built a little home in the vicinity did his share toward making this property valuable. The value was, in fact, created by others; it was the toil and the sweat, the labor and the sacrifice, of millions of citizens that made him many times a millionaire. So what injustice can there be, after he has used it during his lifetime, to say that the public shall get a portion of it back?

Mr. Mellon, one of the wealthy men of the world, obtained a very large portion of his wealth by virtue of a protective tariff upon the output of his factories. It was by the laws of his country that he was thus enabled to accumulate many millions. It was by reason of the laws that permitted the sale of intoxicating liquor throughout the country, through the method of licensing, that he was able to add much to this fortune by the sale of whisky. No one is trying to take this property away from him; but would it not be fair if the Government, under whose laws he was enabled to build this immense accumulation of property, should, after he has finished with it, take a portion of it to relieve the taxation of those who have not been thus favored?

Every economist of any repute concedes that the entailing of large fortunes, if unrestricted, will eventually bring hardship upon the country. The prevention of such accumulation ought to be the object of all legislative assemblies having jurisdiction of the question. The accumulation of the property of the country into the hands of a few brings additional toil and additional suffering into the homes of the many.

Moreover, there is a limit beyond which money can buy either comfort, luxury, or pleasure. The man who is worth a hundred million dollars can not possibly buy anything that will add to his happiness, his comfort, his pleasure, or his luxury that can not be equally and easily purchased by the man who has only a million dollars; and if one is to inherit an estate of $100,000,000, with the accumulation of which he had nothing to do, and who has therefore no legal right whatever to it, how can he complain if, instead of giving him $100,000,000, the Government, under whose laws it was possible to build up such a fortune, takes one-half of it, thus leaving him $50,000,000, which he can not possibly spend for any legitimate purpose during the longest lifetime known to history? He is still left with more money than he can possibly use—more money than anybody ought to have. It is more money than anybody ought to have, for it simply means that, because of the accumulation of so much money in the hands of one man, there are thousands of others who do not have enough to make both ends meet. The accumulation of wealth in such large amounts is unnecessary, contrary to good public policy, and, if unchecked, will eventually bring ruin to any country that permits it. It will not be long until a very few people will have all the property and the vast multitude of honest people will in effect be slaves. Frequently, too, the inheriting of large fortunes means dissipation, wicked living, drunkenness, and the spending of money for disgraceful and unpatriotic purposes. It destroys initiative and makes worthless citizens of many people who would otherwise help to make the world better and happier; and it is no answer to say that such disreputable and reckless living will of itself distribute the big fortunes. That is not the way they should be distributed. That is not the honorable way for cutting them up; but, on the other hand, it leaves in its wake disgrace and an example of selfishness and greed.

Mr. President, I wish to read some extracts into the RECORD from Mr. Mooring, who appeared before the House Ways and Means Committee, representing the American Farm Bureau Federation, which, as we all know, is the largest organization of farmers in the United States. It would be interesting indeed to read his argument in its entirety, but, since the time is limited and others perhaps desire to discuss this amendment, I will only read some extracts. For instance, he says:

Whenever a tax proposition or a tax question is considered by a farming interest almost always the first thought is, how will the incidence of that tax effect the general distribution of the tax burden? And that can be decided or determined only by considering the entire revenue system of the country. It is true that we have separate governments; the States are sovereign and separate from the Federal Government; but it is equally true that one citizenship must bear the entire burden of the tax. Hence, if you have in view the determination of the burden borne by the different classes of citizens you must consider all taxes—State, local, and Federal.

And in determining that general burden of taxation, you must fix some standard. That standard which we think is the correct standard is the ability to pay the tax measured by income. If that standard be used, and if all taxes be taken into consideration, we think that no one denies that the farmer is relatively bearing a greater burden of taxation than any other industrial class.

I think, Mr. President, that statement of this representative of the farmers before the committee is conceded by everybody—that, taking the taxing system as a whole, the income that has been received and the labor that is applied to produce the income, the farmers of the country suffer more from taxation than any other class of people.

Personally—

Says this representative—

I do not know of any scientific investigation or exhaustive investigation that has been made on this question but what has reached that conclusion. Probably all of you are familiar with the investigation made by the National Industrial Conference Board. That reaches that conclusion, and it certainly is not an organization prejudiced in favor of the farmer.

I conclude, then, without further discussion, that the farmer relatively is bearing at least a full share of the public burden of taxation.

Now, when that is true, what attitude would he naturally take toward the inheritance tax—not particularly at this moment as a Federal tax or as a State tax, but as a tax?

Excluding those who farm for recreation, and having in mind those who farm for a livelihood, the farmer pays almost no inheritance tax. If that tax is abandoned as a source of revenue it is a mathematical certainty that his relative burden must be increased. Therefore the farmer as a generalization, is in favor of an inheritance tax provided the inheritance tax is in itself a just tax, and provided it is a legitimate source of revenue.

In other words, he makes the argument, which can not be denied, that taking taxation as a whole, although the man who toils and farms for a livelihood under existing statutes pays but little inheritance tax as a matter of fact if this tax is removed from those who do pay it and those who can pay it, it must necessarily follow that all other classes, including the farmer, must in some way or other pay additional taxation. From that conclusion of Mr. Mooring I think there is no escape.

We think—

Speaking from the point of view of the farmers, now—

We think that an inheritance tax is a just tax for several reasons. In the first place, an inheritance, as an economic conception, is an income. It is true that the Federal Government does not treat the inheritance in the same tax law, exactly. It provides for it separately. But that does not alter the character of an inheritance. It is just as much income to the recipient as it would be if he got it from some other source, and it is unearned income, generally speaking. There are cases, of course, where a man's wife and his children have helped him accumulate what he has, but usually their peculiar position is taken care of by liberal exemptions.

The general proposition may be stated, therefore, that an inheritance occupies the place of an unearned income.

There is no fairer tax than a tax on unearned income. The farmer, the merchant, the manufacturer, the owners of railroad securities, and of public-utility securities all risk their money, give their time, and give their labor to earn what income they can. The recipient of an inheritance does not give anything. Now, it seems to us that if we must tax somebody we ought not to tax those who furnish all the labor and time and risk and let the man who does not do anything but receive go tax free.

So it seems to me that it can not be successfully disputed that an inheritance tax is eminently a just tax. It is a just tax for another reason. The intangible property, under the property-tax laws of the States, generally contributes but a very small amount to the cost of government. That has been a problem with State officials ever since I have been connected in any way with taxation—now more than a quarter of a century. It has been a problem how we could reach intangible property. It is a problem that has never been satisfactorily solved. It does not seem, then, more than simple justice that on the death of the owner of intangible property that property should, for once at least, contribute a fair share toward Government expense.

So I think, gentlemen, without going any further into that phase of the subject, that I am justified in concluding that the inheritance tax is a just tax and a legitimate source of revenue.

Let us stop right there and consider this farmer's argument and see how just, how fair, and how invincible it is. Speaking now of intangible property, he calls to our attention something that all students of the subject well know—the difficulty of taxing intangible property because of the practical impossibility of reaching it; and the result is that much of that property goes tax free. Every legislature in the Union, every civilized government in the world, has been trying to devise some means by which intangible property would be compelled to pay its just share of the expenses of government. Here is a method that, even without any hardship to the man who earned it, will provide for taxing intangible property at least once, and that is when the man is dead. Then this property comes to the surface.

Mr. President, I remember reading some time ago of four or five large estates, aggregating many millions, one of them over $50,000,000, in the great city of New York. They were being settled, and it was discovered that the man whose administrator or executor had gathered together more than $50,000,000 worth of property had been for years paying a tax on only $25,000 worth of property. If there were no inheritance tax, it would escape taxation forever. The inheritance tax, therefore, reaches property that everybody concedes ought to be taxed, and the ingenuity of civilized men from the beginning has been trying without success to devise a way to tax it. It is conceded, however, that an inheritance tax will reach it, and I do not understand how anyone can contest the proposition for a moment.

Mr. Mooring says, further on:

We believe, Mr. Chairman, that the States are utterly unable to handle the inheritance tax under present conditions. You have, of course, the example of Florida; the recent example, as I understand it, of Nevada; and possibly Georgia has modified its law since the Florida constitutional amendment was passed.

The CHAIRMAN. We have the District of Columbia also.

Mr. MOORING. We have the District of Columbia and Alabama already; yes, sir. And I might say, from my own home experience, that the action of Florida has already prevented Alabama taking into consideration, as it should do, the question of inheritance tax. The movement was started by me there a short while ago, and that was the objection that was there met with in the missionary work that I was trying to do, and that objection I was unable to answer. There is no probability at all of Alabama adopting an inheritance tax so long as its neighbor, Florida, is in the situation in which it is.

I think, Mr. Chairman, that about covers all that I had in mind to say. We believe that the Federal Government should retain the tax, and we suggest—which suggestion is, so far as I know, original with ourselves, but which, while we did not anticipate it, has already been brought to the attention of the committee—that the credit of 25 per cent be increased to not less than 75 per cent.

He reaches some conclusions later on. They are numbered and are as follows:

1. That under the combined tax systems of the States, their local government units, and of the Federal Government the farmer is bearing more than his fair share of the public burden;

2. That the abandonment of the estate tax, which falls more lightly on the farmer than on other industrial classes, would relatively increase the farmer's burden;

3. That the inheritance or estate tax is in itself just, is a legitimate source of revenue, and should be preserved at its highest degree of usefulness;

4. That it can be so preserved only through the aid of the Federal Government; and

5. That, therefore, the Federal estate tax should not be repealed.

Mr. President, I have here a great deal of testimony on this subject, which, if I have time, I can read; but I want at this time briefly to discuss the question of repealing this law because we want the States to handle it.

If that were practical I would not seriously quarrel with my brethren about it. If all property in the United States were fairly taxed and paid its just share, bore its fair burden, even though in one instance the tax were contributed to the State and in the other case to the Nation, if it were fair, if it could be equalized, I would not make any serious contention; but it seems to me, from the very nature of things, Mr. President, that there is only one power on earth that can levy a fair estate or inheritance tax, and that is the Federal Government.

The idea of getting uniform inheritance tax laws throughout the States is, to my mind, absolutely unworthy of serious consideration. To me it stands before us as an absolute impossibility. No man has yet devised any scheme or suggested any plan that has behind it any force that can induce all the States to levy the same inheritance tax.

The result will be that States will bid against each other for men of great wealth to settle within their borders, and we will have, as we have now in Florida and a few other places, a sort of millionaire tax-exempt refuge. We are going to establish, if we repeal this law, a refuge for untaxed millionaires, just as we have already provided by law a refuge for birds and animals where they will be safe from hunters. That means, therefore, that in self-defense the States will be compelled at least to lower, if not entirely to abandon, inheritance taxation as a method of raising revenue.

The newspapers have been full of accounts of men going from one State to another. I personally know quite a number of men who have gone to Florida and located there in their old age, principally, as some of them have admitted to me, in order to take with them their accumulations of a lifetime that they have acquired elsewhere, and let them be safe from the taxgatherer at the time of their deaths.

I am not now finding fault with the man who does that. I am not complaining. I never do complain when a man does something that is not in violation of law, that is legal. I could call to the attention of the Senate a great many instances where men have moved from one State into another to avoid the payment of high taxes, and often these men, after they have accumulated their fortunes, after they are about to retire from active business, gather together their property and go to one of these refuges of tax-exempt millionaires, just as the old lady or the old man goes to the home for the aged, to live and to die without paying anything at the time of death.

Do we want to do this, Mr. President? Do we want to encourage this contest between the States to see which can make itself most desirable as a place for men of great wealth to settle in order to escape taxation? Is there any other conclusion that can come from this kind of legislation?

Before this question came up at this session there was a great agitation all over the country for the repeal of the Federal inheritance tax. Tax clubs were organized everywhere. The governors of States, induced by the selfish idea that their States were going to lose something, went into the clubs. They came here by the dozens and appeared before the Committee on Ways and Means of the House of Representatives asking, to begin with, that the tax be repealed. Many of them knew but very, very little about the question, as the record will show. They were members of tax clubs. They could not tell who else were members or how the clubs happened to be organized, but there were such things as tax clubs, and the only thing they did know was that they wanted to have the Federal inheritance tax repealed. Many of them undoubtedly honestly believed that if we did repeal it their respective States would be gainers, and many of them, when their attention was called to what would happen if that were done, frankly admitted, in substance, that they did not understand it and that they had not before had called to their attention the results that would certainly follow if their requests were granted.

While I am on the question of the farmer, I want to have read at the desk an editorial which takes up that phase of the question, an editorial printed in the Nebraska State Journal, a paper of the great midwest, in which attention is called to the interest the farmer has in this particular proposed legislation. I ask that the clerk read the editorial.

The VICE PRESIDENT. The clerk will read.

The Chief Clerk read as follows:

A MANY ANGLED ISSUE

The Nebraska delegation to the Corn State conference will bear in mind, let us hope, that the equalizing of agriculture is not to be attained by any single measure. The conference will be mainly interested, no doubt, in devices for handling the farm surplus.

It is the export surplus that puts the farmer at the mercy of foreign competition. That surplus forces him to sell all his crop at the foreign price level while our tariff laws force him to take in exchange for his crops goods at the higher "American" price. This is the farmer's worst handicap. The conference will be right in giving this matter its main attention.

But this isn't all or nearly all. There are other ways of discriminating by law against agriculture, and one of these is in process at this moment. Congress is now engaged in shifting to agriculture a burden of Federal taxes which belongs on a stronger back.

The repeal of the inheritance tax which the Senate Finance Committee has voted is of this effect. This tax takes for public use, on the death of the owner, a share of the huge estates which have been built up in the fields of manufacturing industry and finance. Government policies have helped accumulate these estates. The agricultural sections of the country have been drawn upon along with the rest in accumulating these estates. Nothing could be fairer than a Federal tax on these estates. Yet Congress is threatening to repeal that tax. The taxes these estates are relieved from paying will have to be paid by somebody. Since at the same time Congress is drastically reducing the taxes on the higher incomes, the taxes thus removed from industrial shoulders will be shifted largely to agriculture through the heavy indirect taxes which agriculture pays.

With the nonagricultural districts deliriously prosperous and agriculture notably depressed, Congress moves to lift taxes from the stronger and lay them upon the weaker. Congress does not realize, perhaps, that it is doing this. It has been so long the habit of Washington to legislate from the viewpoint of industrial and financial interests that it may not know there are other interests to think of. The West itself has too long consented to be ignored. If the coming Corn State conference is to speak in spirit and in truth for the business interests subsidiary to agriculture, it will give Congress a jarring reminder of its oversight. Not only in measures for handling the farm surplus but in the pending antiagricultural tax legislation is agriculture interested.

Mr. NORRIS. I received through the mail this morning a criticism of something I said here, and also a criticism of what the Senator from Idaho [Mr. BORAH] said, about this bill. I send the letter to the desk and ask the clerk to read it. It deals directly with this question of the farmer and the inheritance tax.

The PRESIDING OFFICER (Mr. WHEELER in the chair). The clerk will read.

The Chief Clerk read as follows:

NEW YORK CITY, *February 9, 1926.*

Hon. GEORGE W. NORRIS.

DEAR SIR: What do you and Senator BORAH mean by saying that the tax reduction bill will not be of any benefit to the 30,000,000 living on our farms?

Do you not know that the $100,000,000 saving to the recipients of great incomes will enable those fortunate persons to establish at least 100 new golf courses, thus providing a use for many abandoned farms? Many of the former farmers will be able to get work as laborers on the work of constructing these courses, while their sons will get jobs as caddies.

Help the farmers? Of course the farmers will get lower railway freight rates, lower interest charges, and cheaper goods just as soon as the Mellon gang get rid of a large percentage of their taxes.

Very truly yours,

WHIDDEN GRAHAM.

Mr. NORRIS. Let me devote just a little time now to the retroactive feature of this amendment. As I stated in the beginning, this amendment not only repeals the inheritance tax, but it provides for repayments to the beneficiaries of estates where taxes have already been collected, and if they have not already been collected, then the forfeiting of one-half of them. To my mind that proposition is so astounding, so remarkable, and so revolutionary, that it can not receive serious consideration at the hands of any legislative body with a view to passing it. If we adopt this amendment we will write into the law an apology to dead men for having taxed their estates when they died. We propose to return millions and millions of money to their beneficiaries.

What excuse can we give for that provision? It was first put in by the Committee on Ways and Means, and there was such a rising storm of indignation among the membership of the House and over the country that the committee of its own accord took the provision out. In other words, we say to these large estates, "We are going to forgive you the money that you now owe." It is just the same, in legal effect, as though in our appropriation bills we provided for direct appropriations to these estates of millions and millions of dollars.

I have here a partial list of estates which would be affected by this. I will put the entire list into the RECORD, but I will read just a few of them, giving the name of the decedent in each case.

Frank E. Anderson, over $5,000,000; Frederick F. Ayer, over $10,000,000; Anne H. Benjamin, over $15,000,000; Norman Bridge, $5,000,000; William A. Clark, $41,000,000; Mai Rogers Coe, $16,000,000; another one of $9,000,000; James B. Duke, $75,000,000. All these are to get the money back.

Mr. BORAH. They did not pay $75,000,000, did they?

Mr. NORRIS. No; but they are taxed on that amount under the present law, and they will get back one-half of what they paid under this amendment we are to vote on at 4 o'clock.

I ask that this list be printed in the RECORD.

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

Partial list of estates exceeding $5,000,000 taxable under the act of 1924

Estate of—	Amount	Died
Anderson, Frank E	$5,727,736.48	Dec. 15, 1924
Ayer, Frederick F	10,463,973.68	June 9, 1924
Benjamin, Anne H	15,448,975.12	Sept. 8, 1924
Bridge, Norman	5,093,387.72	Jan. 10, 1925
Clark, William A	41,000,000.00	Mar. 2, 1925
Coe, Mai Rogers	16,238,000.00	Dec. 28, 1924
Corning, Ephraim	9,003,432.88	June 25, 1924
Duke, James B	75,000,000.00	Oct. 10, 1925
Evans, Henry	5,338,377.15	Aug. 29, 1924
Gardner, Isabella S	11,753,820.84	July 17, 1924
Hostetter, D. Herbert	10,844,986.44	Sept. 28, 1924
Huntington, A. D	22,163,687.13	Sept. 16, 1924
Johnson, Charles E	6,682,375.53	Sept. 4, 1924
Lauder, George	9,523,223.34	Aug. 24, 1924
Lawson, Victor F	19,550,000.00	Aug. 19, 1925
Morgan, George F	6,857,750.24	Feb. 6, 1925
Preston, Andrew W	6,933,702.18	Sept. 26, 1924
Sage, William H	8,453,973.83	Oct. 23, 1924
Slocum, Jeremiah J	6,188,167.87	Oct. 2, 1924
Spreckels, Adolph B	7,879,224.24	June 28, 1924
Towne, Henry R	5,321,064.45	Oct. 15, 1924
Wellington, Wm. H	5,794,303.81	Feb. 2, 1925
Winthrop, Kate W	13,274,638.45	June 7, 1925
Woolworth, Jennie	59,738,852.80	Nov. —, 1925

Mr. SIMMONS. Mr. President——

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

Mr. NORRIS. I yield.

Mr. SIMMONS. The Senator is entirely mistaken in saying that these taxes have been paid. As a matter of fact, if he will inquire of the actuary, he will discover that a very small part of these taxes have been paid.

Mr. NORRIS. That is what I said, that they are not all paid; but they are all due. It is all an asset of the Government. If a man owes the Government a million dollars, which he has to pay within the next year or so, and which belongs to the Government, which is one of the assets of the Treasury of the United States, I do not know that there is much difference between giving him back his note—for it is the equivalent of his giving a note—and appropriating that much money out of the Treasury, because that is what it would mean.

Mr. SIMMONS. I know the Senator does not wish to misstate the amendment, and I do not think he quite understands it. The amendment to which he refers applies to the act of 1924. The act of 1921 provided for a 25 per cent maximum. The act of 1924 provided for a 40 per cent maximum. The bill, as it passed the House, provides for a 20 per cent maximum. The Finance Committee proposes to put into operation, during the life of the act of 1924, the 1921 rates.

Mr. NORRIS. I understand. There is no dispute about the facts.

Mr. SIMMONS. I thought the Senator probably did not have that quite accurately in his mind.

Mr. NORRIS. I did not misunderstand it.

Mr. SIMMONS. I wish to say to the Senator that, so far as these estates to which he refers are concerned, there are but few, I am advised, the taxes of which have already been paid.

Mr. NORRIS. Very well.

Mr. SIMMONS. It is expected that the Government will collect under the provisions of the pending bill about $430,000,000 or $440,000,000. I do not remember the exact amount, but nearly all of it will be paid hereafter.

The Senator referred to the Duke estate. The Senator said the Duke estate would pay $75,000,000.

Mr. NORRIS. No; I did not say that. I did not say the Duke estate would pay $75,000,000. I answered a question of the Senator from Idaho by saying that the amount of the estate was $75,000,000.

Mr. SIMMONS. Probably that is correct. But the amount that the Duke estate would pay to the Federal Government, as I understand from the executors, of whom I inquired, would be about $15,000,000.

Mr. NORRIS. And with the pending amendment in the law it would be about $7,500,000.

Mr. SIMMONS. Oh, no, Senator. Under this amendment it would be about $15,000,000, as I understand it.

Mr. NORRIS. That the estate would still have to pay?

Mr. SIMMONS. Yes.

Mr. NORRIS. How much would the estate pay if we did not have the amendment in the law?

Mr. SIMMONS. It would pay the difference between 25 per cent and 40 per cent.

Mr. NORRIS. Can the Senator give it to us in dollars?

Mr. SIMMONS. No; I can not.

Mr. NORRIS. In other words, under the law as it existed when Mr. Duke died the estate was taxed at a maximum of 40 per cent?

Mr. SIMMONS. Yes.

Mr. NORRIS. Under the committee amendment the Senator said that the Duke estate would only pay 25 per cent.

Mr. SIMMONS. Yes.

Mr. NORRIS. That is all right. I think we understand the facts.

Mr. SIMMONS. I am not sure whether the figure which I gave applies to the 40 per cent rate or the 25 per cent rate. That is what I was told the Duke estate would pay.

Mr. SMOOT. I think it would be under the 40 per cent rate.

Mr. SIMMONS. I am inclined after reflection to think it is the 40 per cent rate. The Duke estate will also pay, I think it is, about $3,500,000 to the seven States in which Mr. Duke had his property.

Mr. NORRIS. Yes.

Mr. BORAH. That is the aggregate they would get under the 40 per cent rate.

Mr. NORRIS. There is no dispute about the facts. Now I want to ask the Senator from North Carolina a question. Under the will of Mr. Duke, as I understand it, there is a Methodist college in North Carolina that gets the residue?

Mr. SIMMONS. No; the Senator is mistaken.

Mr. NORRIS. What is that provision?

Mr. SIMMONS. The Methodist college of which he speaks is what is now known as the Duke University.

Mr. NORRIS. All right, Duke University. That is a Methodist institution, is it not?

Mr. SIMMONS. Yes; that is a Methodist institution.

Mr. NORRIS. That is the reason why I called it a Methodist college.

Mr. SIMMONS. But Duke University does not get all of it. That institution gets only a part of it.

Mr. NORRIS. I understand that.

Mr. SIMMONS. That institution gets only about 10 per cent of it.

Mr. NORRIS. The Senator must let me ask my question. He is not answering my question.

Mr. SIMMONS. I am trying to do so.

Mr. NORRIS. I want to have the Senator tell me how much more Duke University, if he prefers to call it that, would get if the amendment of the committee is agreed to than it would get if the committee amendment were rejected?

Mr. SIMMONS. My understanding is that the Duke Foundation fund would get about $3,000,000 or between $3,000,000 and $4,000,000. The university would get something like 10 per cent of that amount. Will the Senator permit me to explain that?

Mr. NORRIS. All right.

Mr. SIMMONS. The Senator said that this bequest is for a college. It is for an institution that was a college and is now a university.

Mr. NORRIS. It had to change its name because of a provision in Duke's will, did it not?

Mr. SIMMONS. No. Mr. Duke, during his lifetime, established an endowment fund of about $40,000,000. A good part of that fund went to a university into which Trinity College was converted—not all of it, but a good part of it. In Mr. Duke's will he provided that after all of his taxes were paid, Federal and State, the residue of his estate should go one-third to his daughter and two-thirds to the Duke endowment fund, and that 10 per cent of that endowment fund, as I remember it, should go to Duke University. A part of the balance of the endowment fund goes to the establishment in North Carolina and South Carolina of a great hospital. Another part of it goes to the establishment in various sections of those two States of hospitals or is to be distributed for the purpose of maintaining beds in hospitals for the sick. It is estimated that the fund will provide for 25,000 sick people at all times. Another part of that fund goes to superannuated ministers of all denominations, as I recall it.

Mr. NORRIS. And the whole fund as a matter of fact, if the committee amendment is agreed to, will go to the benefit of superannuated millionaires.

Mr. SIMMONS. I, of course, do not understand the Senator's observation.

Mr. NORRIS. I would like to have the Senator answer my question. How much more money would go to this college in dollars and cents if the amendment is agreed to than would go to it if the amendment were defeated?

Mr. SIMMONS. I have answered the Senator——

Mr. NORRIS. The Senator has not told the amount.

Mr. SIMMONS. I have answered the Senator that it was estimated, as I understood it, that the saving to the foundation fund by the adoption of the amendment would be between $3,000,000 and $4,000,000, and Duke University would get about 10 per cent of that fund. It is a matter of simple mathematical calculation. The balance of the fund goes to hospitalization for the sick and to superannuated and indigent ministers of the gospel.

Mr. WALSH. Mr. President, may I inquire of the Senator whether that provision likewise is restricted to North Carolina?

Mr. SIMMONS. No; it is restricted to North Carolina and South Carolina.

Mr. WALSH. To North Carolina and South Carolina?

Mr. SIMMONS. Yes; and if there is an additional fund or a surplus fund, it goes to any other State in which the directors of the foundation may see fit to send it.

Mr. WALSH. It is specifically provided that it shall go to the benefit of those classes in those two States?

Mr. SIMMONS. Primarily; yes.

Mr. WALSH. And in any other States where the directors may see fit to send it?

Mr. SIMMONS. If there is a surplus.

Mr. WALSH. So the fund is increased by something like $3,000,000 if the amendment is agreed to?

Mr. SIMMONS. Yes.

Mr. WALSH. And 10 per cent of it goes to the university?

Mr. SIMMONS. That arises in this way, if the Senator from Nebraska will pardon me the further interruption.

Mr. NORRIS. I do not want to take all of the time up to 4 o'clock, however. I hope the Senator will not consume it all, because it will be charged to me.

Mr. SIMMONS. Under all the laws we have enacted we have exempted from this tax bequests or donations to charity, education, and similar purposes. The burden of the whole tax upon the Duke estate is thrown upon the fund that is given to charity. The reduction of the rate to 25 per cent from 40 per cent would relieve this charitable fund of that much of the tax that it otherwise would have to pay.

Mr. NORRIS. Now, Mr. President, I would like to proceed. However, let me first ask the Senator whether this educational institution is not the Senator's alma mater?

Mr. SIMMONS. Yes; and likewise my colleague's.

Mr. NORRIS. I want to proceed just a little while now.

Mr. SIMMONS. If the Senator desires to make a personal matter of this——

Mr. NORRIS. Oh, no; not unless the Senator from North Carolina wants to do so.

Mr. SIMMONS. I have not since my entrance into the Senate indulged in accusations with reference to personal motives.

Mr. NORRIS. Oh, no. There is nothing personal in it with me, I will say to the Senator. He will find that out as I proceed. I have no feeling whatever about it.

Mr. LENROOT. Mr. President, may I say to the Senator that the Duke estate was $75,000,000, and the adoption of the Senate amendment will save the estate, or the beneficiaries of the estate, $10,000,000 in round numbers.

Mr. NORRIS. Did the Senator make a calculation as to how much the college gets?

Mr. LENROOT. If they are to have two-thirds, it would be about $6,000,000 to the foundation and 10 per cent of that to the college.

Mr. NORRIS. That would be $600,000.

Mr. SIMMONS. The Duke Foundation has to pay all of the taxes of the estate.

Mr. LENROOT. I did not understand that.

Mr. SIMMONS. Yes. It even has to pay the taxes upon the one-third that is given to the daughter.

Mr. LENROOT. Then the Duke Foundation will save the full $10,000,000.

Mr. NORRIS. It will save the full amount. The Duke Foundation will save $10,000,000.

Mr. SIMMONS. If the amendment is agreed to, it will pay 25 per cent instead of 40 per cent tax.

Mr. LENROOT. Assuming that $75,000,000 is the amount of the estate, the 40 per cent would apply to $65,000,000, which would be $26,000,000. On the 25 per cent rate it would be $16,000,000.

Mr. SIMMONS. But the Senator does not take into consideration, does he, that of the bequest to the Duke Foundation one-half is given to charity?

Mr. LENROOT. No; I did not know about that.

Mr. SIMMONS. And it has to pay no tax at all.

Mr. LENROOT. That is something I did not take into consideration.

Mr. SIMMONS. A large proportion of the $75,000,000 goes to charity and under the laws of the United States, which applied to Mr. Duke as they apply to everybody who gives to charity, that sum does not have to pay any tax at all.

Mr. LENROOT. I want to be fair. I did not take that into consideration at all.

Mr. SIMMONS. The executors are persons of very high standing.

Mr. NORRIS. I have no doubt of that.

Mr. SIMMONS. One of them is Mrs. Duke herself and the other two are leading business men. Both of them came originally from my State.

Mr. NORRIS. That is a good recommendation for them.

Mr. SIMMONS. They have told me that they made the calculation, and that is what the amount will be.

Mr. NORRIS. I am willing to concede they are perfectly honest, perfectly religious, perfectly moral, perfectly conscientious. I am making no charge against anybody, but the bare fact comes back to us that we are going to legislate here to forgive a tax against the Duke estate, and in round numbers several hundred thousand dollars of that benefit will go to the college. A couple of millions of it at least will go to the Duke Foundation, and will go there just exactly the same as though we made the direct appropriation from the Treasury of the United States. It is our money. It belongs to the Government of the United States whether it has been actually paid or not. If it has been paid, we are going to give it back. If it has not been paid, we are going to forgive the debt.

Mr. SIMMONS. Mr. President——

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

Mr. NORRIS. Yes; I yield.

Mr. SIMMONS. I think the Senator is doing an injustice. The Senator does not mean to state that the Duke estate is the only estate in the country that will get the benefit of this reduction? Besides, I remind the Senator that we have always exempted from this estate tax bequests to charity, education, and the like. How unjust appears therefore the Senator's strictures on this effort to relieve the charitable and educational bequests of Mr. Duke of a part of the highly excessive rates of the 1924 act, which were never before imposed and probably will never again be imposed. The Senator talks about the partial relief of the Duke bequests as if the Duke estate were the only estate to be affected.

Mr. NORRIS. I have not said anything of that kind.

Mr. SIMMONS. It is not alone the Duke estate that will get the benefit of the reduction.

Mr. NORRIS. I have not said anything of the kind. In fact, I was reading a list of estates, and when I got to the Duke estate the Senator interrupted me, and I have not been able to get any further from that time to this because he insists on talking about the Duke estate, and I am perfectly willing to talk about it, too.

Mr. SIMMONS. I interrupted the Senator because the Senator had made, as I thought, a misstatement about the amendment and had made a misstatement about the amount of taxes the Duke estate would pay. I understood him to say the amount the Duke estate would have to pay would be $75,000,000.

Mr. NORRIS. No; I did not say that. It only took a moment to correct that statement.

Mr. SIMMONS. If the Senator will pardon me further——

Mr. NORRIS. Yes; I will let the Senator go on. If I make a misstatement I want to be corrected, but it is not anything for the Senator to say, "Oh, there are other estates." Of course there are. If I could use all the time between now and 4 o'clock, when we are to vote, I could tell about a lot of others.

Mr. SIMMONS. I thought that the Senator was trying to make it appear that I am favoring the amendment because of the Duke estate.

Mr. NORRIS. No.

Mr. SIMMONS. I favor it on just the same principle that actuates me when I contend that when we make a reduction in the income tax for 1926 we ought to give the taxpayer the benefit of it on his income for 1925, the return for which he will shortly make.

There is no reason on earth why the charitable and educational bequests of Mr. Duke, who happened to die within the period between 1924 and 1926, should be compelled, as would be the case under the rates of the 1924 act, to pay a rate of Federal taxation higher than any ever paid before by any estate, and higher also, most probably, than any estate will ever pay hereafter within the lifetime of those who are now writing the Nation's laws.

The Senator does not seem to realize that we went to the very peak of taxation in the act of 1924; we went to 40 per cent. The House of Representatives is now proposing to cut that rate down to 25 per cent, and, Mr. President, I can not see why, under the practice which we have heretofore pursued with reference to these matters, we should not give the estate of decedents dying during that period some benefit of this reduction.

Mr. NORRIS. I have no objection to the Senator making the argument—that is a speech he has a right to make—but in all due courtesy he ought not to try to make it while I have the floor and have his time charged to me. I do not want to keep the floor until 4 o'clock, but the Senator will compel me to do it, because he insists on doing all the talking while I have the floor. I have not charged anybody with bad faith, and there would be no suspicion of bad faith unless Senators protest too much.

Mr. SIMMONS. Mr. President, I thought the Senator was trying to put me in a position of favoring this reduction on account of its effect upon the Duke estate, when the fact is I favor it on principle. Of course, the fact that the reduction will give a measure of relief to the charitable and educational bequests of Mr. Duke is welcome to me, for the reason that I know it is just and fair that such relief should be given.

Mr. NORRIS. Of course, I acquit the Senator entirely of any motive that is wrong as to the amendment which is here.

Mr. SIMMONS. I will not interrupt the Senator any further.

Mr. NORRIS. But the fact comes home to us, nevertheless, that this is what is taking place right here, and nobody can dispute it. If the Senator had not interrupted me, I would have read the list of many other millionaires; but he has taken up so much of my time that I am going to print the list in the RECORD without reading any further, and shall devote a little time, since the Senator has put such emphasis on it, to the Duke estate and talk about it a little, which I did not intend to do. I take it as a sample. I do not know how many others are in the same category.

Here is a college, the Senator's alma mater, down in North Carolina, which, if this amendment be adopted, is going to get several hundred thousand dollars of public funds, just the same as though we appropriated the money directly. Here is a coalition, a great big steam roller, that is putting this bill over; a coalition between Democrats and Republicans. We find under the bill that one of the great institutions, a Methodist institution this time, is going to benefit several hundred thousand dollars by an amendment, should it be adopted, which nobody has debated very much, and which many Members of the Senate do not now know has the effect I have indicated.

What right have we to appropriate money out of the public funds, several hundred thousand dollars, for a Methodist college down in North Carolina, even though it be the alma mater of the very able and eloquent Senator from North Carolina? What kind of a combination do we have here between the Republican leader and the Democratic leader to turn this money over to a Methodist institution? Why are we so partial to the Methodists? What is the reason why we stop at the Methodist colleges, if we are going to give public money to such institutions? How is it that the leaders of the coalition are confining the benefits of this particular legislation, that nobody seems to understand, to Methodists? Why do they leave the Mormons out? Why did not the Mormon Church get something? Can we conceive of the Republican coalitionist agreeing that the Democratic coalitionist should get this much for a Methodist college in the South and that there should not be at some time another agreement of equal right that would let the other church get something, too?

Of course, there is not any doubt but that it will give great satisfaction to the Methodists. I have no doubt that this Methodist college will soon be conferring honorary degrees upon these leading coalitionists; we shall have honorary degrees conferred upon the Senator from North Carolina [Mr. SIMMONS] and the Senator from Utah [Mr. SMOOT]. What kind of a degree will that college give those Senators? I think it will be "D. R. D. C.," which translated into plain English means "Doctor Republican-Democratic Coalition."

Why is it that we are going to take this money—it is just the same as taking money out of the Federal Treasury—to help out a college under the guise of giving something to a dead man?

What about the Presbyterians? And, Mr. President, how about the Catholics? While the Methodists are enabled to stick their hands into the big pocket of Uncle Sam, are you not going to let the Catholics put their fingers into his vest pocket, at least? And, then, where does the Ku-Klux Klan come in? If that great organization is founded upon the high principle that they do not want any religious institution to be mixed in the affairs of the Government, why are they not now at work here with their propaganda against the Methodists?

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

Mr. NORRIS. I yield to the Senator from North Carolina.

Mr. OVERMAN. The Duke foundation fund is not entirely for Methodist institutions; it is also for Presbyterian institutions and some colored colleges and orphan asylums. Under the residuary clause a portion of this fund is given not to any particular denomination, but is given to hospitals throughout North Carolina and South Carolina.

Mr. NORRIS. The Senator is talking about one thing and I am talking about another. I am talking about the three or four hundred thousand dollars that go to this college.

Mr. OVERMAN. Which college?

Mr. NORRIS. That Methodist college, the alma mater of the Senator. He knows what it is.

Mr. OVERMAN. They get a considerable sum——

Mr. NORRIS. That is what I am talking about.

Mr. OVERMAN. The Senator said he was talking about the Methodists, and I say the Presbyterians get some of it.

Mr. NORRIS. I have been told by the Senator's colleague that this was a Methodist institution.

Mr. OVERMAN. It is a Methodist institution.

Mr. NORRIS. Very well; then, I am right.

Mr. OVERMAN. The Senator is right so far, but when he says that the Methodists get it all, that is not correct.

Mr. NORRIS. They get all that goes to their college.

Mr. OVERMAN. They get what goes to the particular college in question.

Mr. NORRIS. That is what I am talking about.

Mr. OVERMAN. But other colleges get some of it. The Senator would have the Senate understand that the Methodists get it all.

Mr. NORRIS. I did not say that they got it all or anything of the kind.

Mr. OVERMAN. That is what I understood the Senator to say.

Mr. NORRIS. The Senator did not correctly understand me; but what the Methodist college will get will amount to several hundred thousand dollars; and they are getting what is equivalent to a direct appropriation from the Federal Treasury. That is what I am protesting against; and I protest against the exemption of these great estates from taxation after the owner of the estate is dead. Nobody questions the law under which a tax becomes due on that estate, but one of the Senators from North Carolina defends it on the ground that the law enacted prior to the bill now pending taxed at a less per cent, and, therefore, we ought to reduce it further. If that theory of government is true, then we must pay back all those who paid income taxes under a higher bracket than they are going to pay under the brackets provided in this bill, and make it retroactive.

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

Mr. NORRIS. Yes.

Mr. OVERMAN. My idea and information as to the fund of which the Senator is talking, and concerning which he says the Federal Government would lose if the tax upon inheritance should be repealed, is that it goes, in considerable part, to maintain free beds in the hospitals of the two States I have mentioned, and that without regard to denomination.

Mr. NORRIS. Before I got into it this far, the Senator's colleague explained what it was, and I took his explanation.

Mr. OVERMAN. I beg the Senator's pardon.

Mr. NORRIS. That explanation did not quite agree with the explanation of the junior Senator from North Carolina. This Methodist college—call it by any other name, if you desire—gets some of this money, and it gets money that it would not get from the Federal Treasury if we would refuse to approve the amendment that is now pending before the Senate. Every dollar that it gets comes from the Treasury of the United States, and if we are going to establish the precedent here of paying money out of the Federal Treasury to one institution of this kind, then there will be others, and there ought to be others, coming along to get their share.

Who made the Duke estate, Mr. President? Was it made by Methodists? Everyone who ever smoked tobacco helped to contribute something to that immense fortune, whether he lived in New Jersey or North Carolina; residence makes no difference. The society girl who smoked her cigarette made a contribution, and the laborer in San Francisco working in the sewer trench smoking his cob pipe had his little tribute levied, and paid it into the Duke estate. Perhaps he was a Catholic. Would it be right to take money from him to pay it into a Methodist institution without his consent? There are millions of men like him all over the United States who have been smoking "Duke's Mixture" ever since there has been a "Duke's Mixture," and every one of them has paid something to this estate. We would get back some of it under the law which we enacted, providing for an inheritance tax, in which every one of the contributors had an interest wherever he lived, but now we propose by this amendment to forgive the tax altogether. It will mean giving back to the Duke estate millions of dollars, and not only to the Duke estate but to other estates, amounting in the aggregate to many times the Duke estate. Are we going to do it? Can we justify our course? How many Senators know that that is in this bill? How many Senators who are going back for reelection, when they are confronted with the question, "You took money out of the Federal Treasury and paid it to a North Carolina college," will deny it?

Now, consider it from the other standpoint, according to the purpose to which the residue of the fortune is going to be devoted. It is said that it is going to be used to provide beds for sick people. If that is true, I suppose if I can make a showing when I come to pay my taxes that I have equipped some beds for poor people in the hospitals I will not be charged any tax; that I will have my tax forgiven. If I am a millionaire, and have enough money, and die, I presume the next Congress will come along and say, "Forgive the inheritance tax in this man's case, because, under his will, the money is going to charity; it is going to educational institutions; it is going to the alma mater of some Senator."

This is only an entering wedge. If you will give public money to a Methodist institution at this time you will give it to a Morman institution the next time and a Catholic institution the next time; you will go on and on. The law will say, "All we ask is that they leave the money to hospitals or leave it to schools or use it for charity." They would all be willing to do it, and they would all do it in good faith, I have no doubt.

But, Mr. President, we are dealing not with our money; we are dealing here with the money of the American taxpayer; we are dealing with their money in the case of the Duke estate, to which they contributed all over this land, and we ought to regard it as a sacred trust. We have no right to give it to a Methodist institution or to any other institution. It was collected, if it has been collected, according to a law that nobody questions, and because now we are going to say, "Why, that law is higher in rate than the law we are going to enact," we are going to make it retroactive, so they will not have to pay so much!

Mr. President, I presume this steam roller is going to go on over us, and we are going to repeal the inheritance tax. These coalition fellows are modest. They are too modest. If they are going to give back money that has been collected in taxes from millionaires' estates because the rate when they happened to die was higher than at some other time in history, then why should we not say, "After this law is passed there will be no inheritance tax"? And I suppose, to be logical, when the next tax bill comes in they will return all the money and say, "Why, that is only fair, because the fellow who died in one year had to pay a tax, but if he had just lived a little longer and died the next year he would not have had to pay any, therefore we will give it back." That is the theory, that we taxed them too high this year. The Duke estate, contributed by millions of American citizens, was taxed too high. The estates of these other people were taxed too high. What about the thousands of other people who were taxed in that other tax law? We are reducing the taxes on everybody else. Why do we not say in this law, "Let us make it retroactive and return the taxes that everybody paid, or a percentage of it, so as to put them on an equality?"

Mr. President, I wonder how long the American people are going to submit to laws of this kind. I wonder how long it is going to be before the American conscience will begin to be shocked. I wonder how long it is going to be before they will realize that big business is in the saddle in this country and that it is making demands of Congress and of everybody else to relieve itself of its just and fair share of taxation, and that Congress is obeying the mandate; and the people seem to think it is a good thing to do. It seems to be popular now. It seems to be popular to do anything that the millionaire wants to have done; and that runs from the President clear down to the janitor, including the legislative branch of the Government.

I give it as my judgment that the American people have no idea what is included in this amendment; and, although they may remain silent and never say a word, their consciences will be shocked if they ever find it out. They may never find it out. I do not know, because what I say will not reach them. The coalition between the two great political parties will prevent it from being spread, and they may never know it; but if they ever do find out the governmental sin, as I regard it, that is contained in this amendment, they will rise up in holy wrath and render judgment against any man who participates in it.

Here is another estate of Henry Adams, over $5,000,000; another one of Gardner, over $11,000,000; another one of Hostetter, over $10,000,000; Huntington, $22,000,000; Johnson, $6,000,000; Lowder, $9,000,000; Lawson, $19,000,000; Morgan, $6,000,000; Preston, $6,000,000; Sage, $8,000,000; Slocum, $6,000,000; Spreckels, $7,000,000. These estates are always more than the round sums; I am not giving the full figures. Here is the estate of Towne, over $5,000,000; Wellington, over $5,000,000; Winthrop, over $13,000,000; Woolworth, over $59,000,000, contributed by men and women and children who made 10-cent purchases, contributed by the poor of this country, contributed, as a rule, by those who are striving to make both ends meet; and then, after they with their small contributions had enabled this woman to obtain a net estate of $59,738,852.30, we are going to forgive the tax!

My God! Who paid that money, after all? It came from God's poor. It came from the homes and the firesides of those who toil and those who labor; and we propose to permit this estate to reach its heavy hand into Uncle Sam's pocket and

draw out millions and millions of money that they owed under the law, that it is conceded that they owed under the law. What excuse can be given for it, Mr. President?

Forget the Duke estate if you want to. That is only an illustration, upon which I talked much more than I intended to, and much more than I would have if it had not been for the interruptions. There seemed to be a sore spot when I mentioned the Duke estate.

Mr. OVERMAN. Mr. President, I want the Senator to be fair, as he generally is.

Mr. NORRIS. That is just what I am trying to be.

Mr. OVERMAN. The Senator has made statements that I do not think are accurate.

Mr. NORRIS. All right; let the Senator point out any of them.

Mr. OVERMAN. Mr. Duke had not a dollar of stock in the American Tobacco Co., as I am informed, the so-called Tobacco Trust. The Senator has just stated that he got his money out of the poor. His estate shows that he had not a dollar of stock in that company.

Mr. NORRIS. Where did he get his money?

Mr. OVERMAN. Why, he was a great pioneer in industrial development, the greatest in this country. He began it years ago and made his money in that way, and made it out of the people of North Carolina.

Mr. NORRIS. Did he ever deal in tobacco?

Mr. OVERMAN. He did in the past.

Mr. NORRIS. Why, of course. It is "Duke's Mixture." I have bought it many and many a time. I have contributed something to that fortune myself.

Mr. OVERMAN. No doubt the Senator has; but I say he sold out, and he did not own a dollar of it at the time of his death.

Mr. NORRIS. All right; he sold out, but that is where he got his start.

Mr. OVERMAN. He has given it all to charity.

Mr. NORRIS. All right; he has given it all to charity, and he had to pay some taxes, and you are paying that money back in order that it may be given to charity or to educational institutions.

Mr. OVERMAN. He has paid his taxes.

Mr. NORRIS. Why, of course he has, and here is a place where his estate owes some taxes that you are not going to collect when you pass this bill with this amendment in it.

Mr. OVERMAN. All the taxes in this bill are made retroactive, not simply this Duke estate tax; but the Senator is singling that out.

Mr. NORRIS. Oh, no; I have not singled out this estate. The Senators from North Carolina protest too much about Mr. Duke. I classed him here with a whole list of estates. They are all on the same basis.

Mr. OVERMAN. I do not like to hear a man denounced upon this floor because he has given about $80,000,000 to the different churches and hospitals in my State.

Mr. NORRIS. I do not either, and I have not denounced him. I have not heard anybody denounced yet.

Mr. OVERMAN. Every poor man in the State of North Carolina will have a free bed in a hospital under Mr. Duke's will.

Mr. NORRIS. Exactly; and the fellow out in San Francisco who is smoking a cob pipe contributed to it, and you are proposing to take out of the funds of the Treasury of the United States the money to make it good.

Mr. SHORTRIDGE. No, Mr. President; they smoke meerschaums there.

Mr. NORRIS. The Senator from California, of course, is a different kind of a laborer; but he has to smoke tobacco in his meerschaum, does he not? I never heard of Duke making pipes. I just used that as an illustration of the way people smoke tobacco. Some of them can not buy anything but a cob pipe; but the Senator, if he smokes a meerschaum, has contributed, to the extent of the tobacco he smokes, his share to it.

Mr. SHORTRIDGE. Mr. President, as a matter of historical importance, I wish to say that I do not smoke a pipe, and I have almost quit smoking cigars. I smoke only one at a time.

Mr. WALSH. Mr. President, will the Senator suffer an interruption?

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

Mr. NORRIS. I yield to the Senator.

Mr. WALSH. The people of my State have guarded against just such legislation as this denounced by the Senator from Nebraska by a provision in their constitution, as follows:

No obligation or liability of any person, association, or corporation, held or owned by the State, or any municipal corporation therein, shall ever be exchanged, transferred, remitted, released, or postponed or in any way diminished by the legislative assembly; nor shall such liability or obligation be extinguished, except by the payment thereof into the proper treasury.

Mr. NORRIS. I thank the Senator. If we had that kind of a provision in the Federal Constitution this amendment could not become law.

I want to say just a word now to my friend from North Carolina who recently interrupted me. I have not denounced Mr. Duke. I have not said a word against Mr. Duke. The Senator has just said that I was denouncing Mr. Duke. I have not denounced a single one of these millionaires. I wish I were a millionaire myself. I have not anything against Mr. Duke; but I do not want Mr. Duke's estate to get some money that I think belongs to the Federal Treasury. I am just as jealous about any of these other estates as I am about Mr. Duke's. I have not denounced any of them. The men who accumulated them are all dead; and I am willing to admit that every one of them is a saint now and that they have worn out a dozen harps apiece in the presence of St. Peter. I find no fault with them. There ought to be, however, some way in which we could communicate with the souls in eternity and let these dear millionaires know that while we did not do it until after they were dead, we have put an apology into the law taxing them and their estates. They may never find it out.

I do not think the Senator from North Carolina is justified in alleging here that I am denouncing Mr. Duke or denouncing anybody else. That is furthest from my intention.

Mr. OVERMAN. Mr. President, I want to say for the Senator from Nebraska that I have always said that he is one of the fairest men on this floor and would not take an advantage, but it seems to me he has done so in this case.

Mr. NORRIS. I do not know where I have taken an advantage.

Mr. OVERMAN. When the Senator was talking about some money Mr. Duke made out of tobacco.

Mr. NORRIS. I spoke of that; but he made it properly.

Mr. OVERMAN. Did he not make it honestly?

Mr. NORRIS. Yes.

Mr. OVERMAN. That is all right, then.

Mr. NORRIS. Certainly he made it honestly. Where did I say anything that intimated that he had made a dollar of it dishonestly?

Mr. OVERMAN. The Senator did not say "dishonestly," but he has been arguing——

Mr. NORRIS. I never said anything that anybody could construe, it seems to me, into such an intimation. It was a perfectly honest way of making money, so far as I know. He might have been honest or dishonest; I do not know anything about it. I am assuming that he was honest.

Mr. COPELAND. Mr. President——

Mr. NORRIS. I yield to the Senator from New York.

Mr. COPELAND. Does not the Senator think that it really is a pity to wait until a man dies to take from him large sums of money which might be used in the support of the Government?

I frankly say to the Senator that I never have been able to reconcile myself to the idea of the inheritance tax A man passes along the path of life——

Mr. NORRIS. Mr. President, I do not want the Senator to make a speech on the inheritance tax at this time, because I want to quit. I do not want to take up all the time. I should be glad to listen to the Senator.

Mr. COPELAND. I will do it in my own time.

Mr. NORRIS. Yes; I should prefer that the Senator would do that. The Senator has not been here during all of my remarks, or he would have heard my ideas, at least, as to why an inheritance tax is the best tax in the world. There has never been anything devised that is equal to it; and I called attention to a great many instances where nothing but an inheritance tax would reach the accumulation. It is a tax that never can be passed on. It is a tax which for that reason is very desirable. It is a tax that costs less to collect than any other tax in the world. It is a tax that imposes no burden upon anybody.

Look at Mr. Astor, for instance, who came into an estate of $75,000,000, in round numbers. He had never so much as crooked his finger to make a dollar of that estate; but every man who labored, every man who built a home, every man who wrote a book, every man who did anything in the great city of New York, helped to make that property valuable and to build up his estate.

When Astor died, he had it. Such a tax could not hurt him. He left a son and a wife, and I think his will gave the wife $10,000,000. If we had taken 50 per cent of the estate, that would have left over $30,000,000 to the son, if we had had that kind of a tax. Would such a tax have been an injury to him? It would not hurt the dead man. He was beyond the reach of the tax gatherer. It would not hurt the man who got the estate, because he got it for nothing. Should he not pay something for getting it? In reality, it was part of his income.

Let us just take two people who go out together into the business life. Suppose the Senator from New York and myself, both good men, start out side by side. But I am lazy, I am thoughtless, and I do not work; I do not do anything. But the Senator becomes a great physician, and he sends his word of encouragement to millions of homes in the country; he gets a little something for doing that, and in time he builds up a fortune. He dies. He gives that fortune to somebody like me, who never did anything. I get it for nothing, have never paid a tax on it, never did anything toward its accumulation. The Senator has had to pay his taxes, it is true, as he has gone on. Some other man laboring and working, compared with me, who does not work, makes an income equal to the amount of money that I get from the Senator's estate He has to pay a tax on it. He has worked for it. He has toiled, and in one year, we will say, he has made $10,000. He has to pay an income tax to the Government. But I, inheriting from the Senator from New York $10,000,000, do not pay a red cent. Is that just? Is that fair? Is there any equality in that?

Mr. COPELAND. Mr. President——

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

Mr. NORRIS. I yield.

Mr. COPELAND. I do not think the Senator has put the case quite fairly. Suppose the charming wife of the agreeable Senator helped him build up his fortune.

Mr. NORRIS. Very well. I will answer that. I have answered it once, but I will answer it again, and I will cut it short, because other Senators want to speak, and I have not yet gotten halfway through.

The situation the Senator speaks of is taken care of in any just inheritance-tax law by a liberal exemption. I will not quarrel, no matter at what figure that exemption may be put. I do not care if it is made $200,000. And let me say that while it is sometimes true that the wife helps build up the fortune, it is very seldom true in the case of a big fortune. I do not know of any such case, though I suppose it would be possible. The wife sometimes toils and helps the husband to accumulate the fortune, but not in instances where we find $50,000,000 or $60,000,000 in the estate. It is in the little estates, where $10,000, or $12,000, or $25,000 would be the maximum. The fear that the poor widow is to be treated unjustly when she helped to build up the estate is mostly founded on sympathetic air.

Consider any of the big fortunes of to-day, that of Rockefeller, or of Ford, or of any other of the rich men. How much did their wives contribute to building up the great fortunes they have accumulated? It may be that they contributed a great deal, but we relieve them entirely if we give them a liberal exemption, not taxable, then on the next million or the next five million a very small tax, which would not hurt anybody, which could be paid with perfect ease. Nobody would be hurt. They would have more money than they could spend in a lifetime if they lived a hundred years, and they could live in perfect luxury.

As I said a while ago, some of the material I wanted to use I shall not be able to use without cutting somebody else's time short.

Mr. OVERMAN. Mr. President, I want to ask the Senator one more question. I said he was unfair, but I know the Senator is a fair man. I have been out of the Chamber in attendance on a meeting of the Committee on Appropriations, and I would like to know why the Senator selected a Methodist college from which my colleague [Mr. SIMMONS] and I graduated as the object of his remarks, when other greater institutions in this country have been the recipients of great gifts, as much as that to Trinity College, I dare say. It looked to me——

Mr. NORRIS. I may say to the Senator that I was reading this list, and I had gotten down to the Duke estate, when immediately the Senator's colleague interrupted me and took more than 35 minutes in discussing the Duke estate. So I just laid aside the balance of the list and took him up on the Duke estate. That was only a sample.

Mr. OVERMAN. The Senator can see why I interrupted him. It was because I have been out of the Chamber, in a meeting of the Appropriations Committee. The Senator has always been so fair that I felt it my duty to interrupt him.

Mr. NORRIS. Mr. President, I have quite a number of things which I intended to read, and I ask unanimous consent that I may have printed in the RECORD, as part of my remarks, without reading, several quotations from different economists and public men.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and leave is granted.

The matter to be inserted in connection with the remarks of Senator NORRIS is as follows:

INHERITANCE TAX

[From the annual message of President Roosevelt to the Senate and House of Representatives, dated December 3, 1906]

The question of taxation is difficult in any country, but it is especially difficult in ours with its Federal system of government. Some taxes should on every ground be levied in a small district for use in that district. Thus the taxation of real estate is peculiarly one for the immediate locality in which the real estate is found. Again, there is no more legitimate tax for any State than a tax on the franchises conferred by that State upon street railroads and similar corporations which operate wholly within the State boundaries, sometimes in one and sometimes in several municipalities or other minor divisions of the State. But there are many kinds of taxes which can only be levied by the General Government so as to produce the best results, because, among other reasons, the attempt to impose them in one particular State too often results merely in driving the corporation or individual affected to some other locality or other State. The National Government has long derived its chief revenue from a tariff on imports and from an internal or excise tax. In addition to these there is every reason why, when next our system of taxation is revised, the National Government should impose a graduated inheritance tax, and, if possible, a graduated income tax.

The man of great wealth owes a peculiar obligation to the State, because he derives special advantages from the mere existence of government. Not only should he recognize this obligation in the way he leads his daily life and in the way he earns and spends his money, but it should also be recognized by the way in which he pays for the protection the State gives him. On the one hand it is desirable that he should assume his full and proper share of the burden of taxation; on the other hand it is quite as necessary that in this kind of taxation, where the men who vote the tax pay but little of it, there should be clear recognition of the danger of inaugurating any such system save in a spirit of entire justice and moderation. Whenever we as a people undertake to remodel our taxation system along the lines suggested we must make it clear beyond peradventure that our aim is to distribute the burden of supporting the Government more equitably than at present; that we intend to treat rich man and poor man on a basis of absolute equality; and that we regard it as equally fatal to true democracy to do or permit injustice to the one as to do or permit injustice to the other.

I am well aware that such a subject as this needs long and careful study in order that the people may become familiar with what is proposed to be done, may clearly see the necessity of proceeding with wisdom and self-restraint, and may make up their minds just how far they are willing to go in the matter, while only trained legislators can work out the project in necessary detail. But I feel that in the near future our national legislators should enact a law providing for a graduated inheritance tax by which a steadily increasing rate of duty should be put upon all moneys or other valuables coming by gift, bequest, or devise to any individual or corporation. It may be well to make the tax heavy in proportion as the individual benefited is remote of kin. In any event, in my judgment, the pro rata of the tax should increase very heavily with the increase of the amount left to any one individual after a certain point has been reached. It is most desirable to encourage thrift and ambition, and a potent source of thrift and ambition is the desire on the part of the breadwinner to leave his children well off. This object can be attained by making the tax very small on moderate amounts of property left, because the prime object should be to put a constantly increasing burden on the inheritance of those swollen fortunes which it is certainly of no benefit to this country to perpetuate.

There can be no question of the ethical propriety of the Government thus determining the conditions upon which any gift or inheritance should be received. Exactly how far the inheritance tax would, as an incident, have the effect of limiting the transmission by devise or gift of the enormous fortunes in question it is not necessary at present to discuss. It is wise that progress in this direction should be gradual. At first a permanent national inheritance tax, while it might be more substantial than any such tax has hitherto been, need not approximate, either in amount or in the extent of the increase by graduation, to what such a tax should ultimately be.

This species of tax has again and again been imposed, although only temporarily, by the National Government. It was first imposed by the act of July 6, 1797, when the makers of the Constitution were alive and at the head of affairs. It was a graduated tax; though small in amount, the rate was increased with the amount left to any individual, exceptions being made in the case of certain close kin. A similar tax was again imposed by the act of July 1, 1862, a minimum sum of

$1,000 in personal property being excepted from taxation, the tax then becoming progressive according to the remoteness of kin. The war revenue act of June 13, 1898, provided for an inheritance tax on any sum exceeding the value of $10,000, the rate of the tax increasing both in accordance with the amounts left and in accordance with the legatee's remoteness of kin. The Supreme Court has held that the succession tax imposed at the time of the Civil War was not a direct tax but an impost or excise which was both constitutional and valid. More recently the court, in an opinion delivered by Mr. Justice White, which contained an exceedingly able and elaborate discussion of the powers of the Congress to impose death duties, sustained the constitutionality of the inheritance-tax feature of the war revenue act of 1898.

[From the annual message of President Roosevelt to the Senate and House of Representatives dated December 8, 1907]

When our tax laws are revised the question of an income tax and an inheritance tax should receive the careful attention of our legislators. In my judgment, both of these taxes should be part of our system of Federal taxation. I speak diffidently about the income tax because one scheme for an income tax was declared unconstitutional by the Supreme Court; while in addition it is a difficult tax to administer in its practical working, and great care would have to be exercised to see that it was not evaded by the very men whom it was most desirable to have taxed, for if so evaded it would, of course, be worse than no tax at all; as the least desirable of all taxes is the tax which bears heavily upon the honest as compared with the dishonest man. Nevertheless, a graduated income tax of the proper type would be a desirable feature of Federal taxation, and it is to be hoped that one may be devised which the Supreme Court will declare constitutional. The inheritance tax, however, is both a far better method of taxation and far more important for the purpose of having the fortunes of the country bear in proportion to their increase in size a corresponding increase and burden of taxation. The Government has the absolute right to decide as to the terms upon which a man shall receive a bequest or devise from another, and this point in the devolution of property is especially appropriate for the imposition of a tax. Laws imposing such taxes have repeatedly been placed upon the national statute books and as repeatedly declared constitutional by the courts; and these laws contained the progressive principle, that is, after a certain amount is reached the bequest or gift, in life or death, is increasingly burdened and the rate of taxation is increased in proportion to the remoteness of blood of the man receiving the bequest. These principles are recognized already in the leading civilized nations of the world. In Great Britain all the estates worth $5,000 or less are practically exempt from death duties, while the increase is such that when an estate exceeds $5,000,000 in value and passes to a distant kinsman or stranger in blood the Government receives all told an amount equivalent to nearly a fifth of the whole estate. In France so much of an inheritance as exceeds $10,000,000 pays over a fifth to the State if it passes to a distant relative. The German law is especially interesting to us because it makes the inheritance tax an imperial measure, while allotting to the individual States of the empire a portion of the proceeds and permitting them to impose taxes in addition to those imposed by the Imperial Government. Small inheritances are exempt, but the tax is so sharply progressive that when the inheritance is still not very large, provided it is not an agricultural or a forest land, it is taxed at the rate of 25 per cent if it goes to distant relatives. There is no reason why in the United States the National Government should not impose inheritance taxes in addition to those imposed by the States, and when we last had an inheritance tax about one-half of the States levied such taxes concurrently with the National Government, making a combined maximum rate in some cases as high as 25 per cent. The French law has one feature which is to be heartily commended. The progressive principle is so applied that each higher rate is imposed only on the excess above the amount subject to the next lower rate; so that each increase of rate will apply only to a certain amount above a certain maximum. The tax should, if possible, be made to bear more heavily upon those residing without the country than within it. A heavy progressive tax upon a very large fortune is in no way such a tax upon thrift or industry as a like tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes which would be affected by such a tax; and as an incident to its function of revenue raising such a tax would help to preserve a measurable equality of opportunity for the people of the generations growing to manhood.

ROOSEVELT ON INHERITANCE TAX

[Roosevelt's letter to Senator Lodge, from Washington Herald, January 22, 1925]

As you know, I believe we should have a Federal inheritance tax, aimed only at the very large fortunes, which can not be adequately reached by State inheritance taxes, if they are sufficiently high and the graduation sufficiently marked. Offhand it would seem to me that a tax on the net receipts of corporations would be the best way out of the income-tax business.

[Letter to Senator Lodge, printed in Washington Herald January 23, 1925]

A heavily progressive inheritance tax—national (and heavy) only on really great fortunes going to single individuals—would be far preferable to a national income tax. But whether we can persuade the people to adopt this view I don't know.

[From the address of President Roosevelt at the laying of the corner stone of the office building of the House of Representatives, April 14, 1906]

It is important to this people to grapple with the problems connected with the amassing of enormous fortunes, and the use of those fortunes, both corporate and individual, in business. We should discriminate in the sharpest way between fortunes well won and fortunes ill won; between those gained as an incident to performing great services to the community as a whole, and those gained in evil fashion by keeping just within the limits of mere law honesty. Of course, no amount of charity in spending such fortunes in any way compensates for misconduct in making them. As a matter of personal conviction and without pretending to discuss the details or formulate the system, I feel that we shall ultimately have to consider the adoption of some such scheme as that of a progressive tax on all fortunes beyond a certain amount, either given in life or devised or bequeathed upon death to any individual—a tax so framed as to put it out of the power of the owner of one of these enormous fortunes to hand on more than a certain amount to any one individual; the tax, of course, to be imposed by the National and not the State government. Such taxation should, of course, be aimed merely at the inheritance or transmission in their entirety of those fortunes swollen beyond all healthy limits.

[From hearings before the Committee on Ways and Means, House of Representatives, on revenue revision, 1925]

Mr. RAMSEYER. Three years ago, when we collected $211,000,000 Great Britain—composed of England, Wales, and Scotland—collected in that year $231,000,000. Now, get that. The combined collection of the Federal Government and the various States here was $20,000,000 less than Great Britain collected in that year; and you can only get the significance of this statement when I tell you that the national wealth of Great Britain is from a third to a fifth of what the national wealth of the United States is. So the burdens imposed upon the estates in Great Britain must be at least three to five times greater than they are in this country.

Following 1920, for two or three years I read the annual reports of the Chancellor of the Exchequer. In those reports the chancellor explained the workings of the different revenue laws and what they were producing, and made recommendations as to changes. In those two or three reports that I read there was not a single criticism of the workings of the inheritance tax laws of Great Britain. Evidently, from what your chairman tells me, in view of the fact that they have increased them recently, they must still regard that as an equitable, fair, and just means of raising revenue. And what was it they added? Fifty million dollars more,

The CHAIRMAN. They added $50,000,000 more.

Mr. RAMSEYER. Add this $50,000,000 more to $231,000,000, raised three years ago, makes it $281,000,000. In this country, if the gentleman from Tennessee's figures are correct, we got something like $184,000,000 last year, or a little over half what they are raising in Great Britain. And, mind you, with at least three times more wealth in this country than they have in Great Britain. (House hearings, p. 408.)

Andrew Carnegie, in his Gospel of Wealth, said:

"* * * The growing disposition to tax more and more heavily large estates left at death is a cheering indication of the growth of a salutary change in public opinion. The State of Pennsylvania now takes, subject to some exceptions, one-tenth of the property left by its citizens. The budget presented in the British Parliament the other day proposes to increase the death duties, and, most significant of all, the new tax is to be a graduated one. Of all forms of taxation this seems the wisest. Men who continue hoarding great sums all their lives, the proper use of which for public ends would work good to the community from which it chiefly came, should be made to feel that the community, in the form of the State, can not thus be deprived of its proper share. By taxing estates heavily at death the State marks its condemnation of the selfish millionaire's unworthy life.

"It is desirable that nations should go much further in this direction. Indeed, it is difficult to set bounds to the share of a rich man's estate, which should go at his death to the public through the agency of the State, and by all means such taxes should be graduated, beginning at nothing upon moderate sums to dependents and increasing rapidly as the amounts swell, until of the millionaire's hoard, as of

Shylock's, at least 'the other half' comes to the privy coffer of the State.

"This policy would work powerfully to induce the rich man to attend to the administration of wealth during his life, which is the end that society should always have in view as being by far the most fruitful for the people. Nor need it be feared that this policy would sap the root of enterprise and render men less anxious to accumulate, for, to the class whose ambition it is to leave great fortunes and be talked about after their death, it will attract even more attention, and, indeed, be a somewhat nobler ambition to have enormous sums paid over to the State from their fortunes." (House hearings, p. 414–415.)

Professor Adams, of Yale University, said:

"* * * I think that we ought to get from death dues in this country more than we get at present. I think that we should raise from this source enough revenue to measurably relieve the farmers and the general taxpayers." (House hearings, p. 462.)

Doctor Seligman, economist, of New York:

"* * * One of the arguments for the withdrawal of the Federal Government, for which I think certain members of the Treasury, at all events, stand, seems to me to be doubtful, because if that argument were pursued to the extreme it would mean the abolition of all estate taxes, Federal and State as well.

"I am referring to the objection that was made, I think, before your committee a few days ago that an estate tax is in itself wrong; that it is not democratic; that it is a tax on capital; that it is therefore going to destroy the goose that lays the golden eggs.

"And yet all know, as a matter of fact, that if that argument were true all of our States would have to abolish estate taxes or the inheritance tax. In other words, some of the arguments at least that have been propounded in order to induce the Federal Government to relinquish the estate tax go too far, because they would mean no inheritance tax at all.

"I need not point out to you that that is an erroneous point of view, both theoretically and practically. As estate tax is the result of one of the modern democratic movements in the world, it is found wherever we have democracy. It was introduced first in Australia, then in Switzerland, then in England, and then it came to this country. Wherever we have democracy we have two things—an income tax and an inheritance tax. The arguments in favor of one are just about as good as the arguments in favor of the other.

"There are two kinds of taxes on capital. One kind is a tax levied according to capital, but which is paid out of the income of the capital; the other kind is a tax like the capital levy that they are talking about in France to-day, and have in Italy, which is a tax not alone levied according to capital but supposed to be paid out of capital. Our estate duty is really neither the one nor the other. It is not a capital levy, and it is not paid out of capital. A proper kind of inheritance tax, which is not so high as to take all of an estate or the greater part of it will usually be paid out of the income of the estate. We have five years in which to pay it in this country; in some countries the period is even longer. If you look at the statistics carefully you will find that the tax on all the estates in this country constitutes only a small part of the income from those estates during those years.

"* * * In the second place, the argument that it is a tax on capital, through which you are going to kill the goose that lays the golden eggs, is erroneous, because it assumes that all governmental expenditure in unproductive. The argument is based on the idea that the capital taken from the taxpayer is destroyed.

"* * * You gentlemen are concerned with public expenditure; you have to raise money for Federal expenditures, and our expenditures are supposed to be and ought to be for productive purposes. If so, this whole outcry against an estate tax, because of the destruction of capital idea, seems to me to be bordering on the absurd.

"* * * You remember what Andrew Carnegie said. Carnegie favored the inheritance tax, but went too far in his attitude toward the income tax. He said, "Give me any kind of inheritance tax; for the community, as a whole, it is better to have an inheritance tax than an income tax." In that he was wrong, but it would take me too far astray to say why he was wrong. I should have to go into the question of the influence of taxation upon savings, and I do not want to go into that. All I want to point out is that the so-called capital argument advanced for this Government giving up the inheritance tax is very weak.

"Assuming, then, that an inheritance tax is in itself a desirable and legitimate form of taxation in a democratic community, we come to the question before the committee at the present time, and that is, Ought it to be a Federal tax or a State tax, or ought it to be a combination of the two?" (House hearings, pp. 477, 478, 479.)

Estate tax compared to income tax in England and France by Doctor Seligman:

"* * * I raise the question as to whether it would be safe for the Nation to abandon all the revenue that would come from so rich a source. In England before the war they got from their death duties 60 per cent of what they got from their income taxes. In France they are getting a great deal more than that, and here it is proposed that we abandon it.

"* * * The next claim is that this is naturally a State resource and unnaturally a Federal resource. Let me point out a few reasons which I consider constitute the weakness of that argument.

"In the first place, the first time we ever had an inheritance tax it was a Federal tax in time of peace. That was when Hamilton developed the idea and arranged for something like the probate duty in England. The Federal Government entered the field first and there was no complaint on the part of the States.

"* * * Moreover, during the nineteenth century, with a few insignificant exceptions which were utterly without any fiscal importance, the States never imposed any inheritance taxes. Louisiana had a little one on foreign heirs, and there were one or two others, but they never got anything out of it. It was not until the end of the century that the States entered the field.

"It was not until the nineties. It was rather in the middle of the nineties, which is about the same time that the Federal Government entered it again.

"In the meantime the Federal Government had considered it during the War of 1812. If that war had lasted a few days longer we should have had a Federal tax then. We did not need it then. In the Civil War we had it and in the Spanish War we had it.

"The States have developed it very largely in the last 20 years, because the Federal Government did not need it. But, on the score of priority or anything that is in the nature of things, why does the estate tax belong to the States and not to the Federal Government?

"If you talk of priority and the nature of things it is the income tax rather than the inheritance tax which belongs to the States. The income tax was in the States long before the Federal Government took it up. We had an income tax—I do not want to go into the history of it—but we did not have it in the Federal Government until the Civil War. But Massachusetts had it already in the eighteenth century. The States had the income tax first. * * *

"When a man in your State or city is called upon to pay the local tax upon unimproved property he has got to pay it out of capital. He does not get any income out of it. He may have a piece of land that is worth a million dollars, as there are in some of our cities, and he does not get one cent of income out of it. That tax is as much a capital tax as any estate tax. But whether it is paid out of capital or out of income, it is a tax on wealth. In the same way we have got to look at all these death duties as an attempt to tax wealth rather than to tax expenditures. In one case you tax the wealth of a living man; in the other case the wealth of a dead man." (House hearings, pp. 484, 485, 486, 487.)

"* * * As a matter of fact, they are lower than in all other countries at the present time—I will not say very much lower. They are lower than in England, because England levies, in addition to a 40 per cent estate tax, a tax running up to 10 per cent, or a little more, on shares, so that the maximum would be about 50 per cent. In Germany it runs up to 70 per cent and in France up to 80 per cent.

"* * * If we had the rates and exemptions they have in England we should be raising to-day more from the inheritance tax than we raise from our personal income tax. England last year raised about $250,000,000, and the English wealth or income, as you know, is not one-third of ours. It is less than one-third of ours. Our capital wealth was estimated, you will remember, in the last census at $32,000,000,000, and England's is not one-third of that. If we had the English rates the inheritance tax with us would be by far our most important tax. Therefore, my conclusion is that you should not deal lightly with this subject." (House hearings, pp. 494, 495.)

Dr. Thomas S. Adams, of Yale University, and formerly financial advisor to the United States Government, in discussing the question of taxation has further said (from statement of Mr. J. S. Mooring before the Committee on Ways and Means, Saturday, October 24, 1925):

"The death duty is assigned to raise money, but to raise it from persons who have not earned it. In my opinion the death duty is popular as a form of taxation primarily because it lays the tax on so-called unearned wealth. When we tax the farmer on his farm, the manufacturer on his plant, equipment, and materials, the public utility on its entire property * * * we are taxing the people who not only do the work but who risk their time and capital. But it involves no great risk to receive a legacy or inheritance. * * * It seems to me simple truth to say that a large estate or inheritance represents to the typical beneficiary, in material part or degree, something essentially akin to unearned wealth. * * * I merely insist that if we must tax, it is better to tax him who merely receives than him who earns. The justification of the death duty is essentially similar to the justification of the discount on earned income, only stronger.

"* * * We live and work under an industrial and commercial system which combines marvelous productivity with extreme concentration in the ownership and control—particularly in the control—of wealth. Politically, the major forces at work make for equality. Commercially, the greater forces make for concentration and inequality

of power. The two forces—democracy and capitalism—are irreconcilable without some corrective machinery, such as progressive taxes. * * * The fortunate, the successful, the wealthy, must make special contributions to the State under which and because of which they enjoy success and wealth. Such, roughly, are my reasons for the belief that progressive income and inheritance taxes are here to stay.

"* * * Such persons desire to see the Federal estate tax abolished in order that the State death taxes may be whittled down by interstate competition. They expect Florida, Alabama, and the District of Columbia, by offering isles of refuge to the retired rich, to discredit the State inheritance tax in the long run or to hold it within very narrow limits.

"* * * I am not in favor of attempting to repeal the Federal estate tax. My reasons are, briefly, as follows: First and principally because it would not stay repealed. No inheritance tax is now imposed in Florida, Alabama, or the District of Columbia, and there are a few States in which the rates are very low. If the tax should be repealed and thereafter the very wealthy should flock in droves, as they would, to those havens of refuge, the situation would furnish an irresistible argument for the reintroduction of a Federal tax. * * *

"I do not believe in leaving this source entirely to the States, because, by themselves, they can not realize its legitimate possibilities."

THE ESTATE TAX IS NOT A WAR TAX

[Editorial from the Portland News, of Portland, Oreg., issue of November 10, 1925]

NOT A WAR TAX

"The inheritance tax was a war measure, and the emergency is now past."

You hear this assertion frequently from the forces who are working for the repeal of the estate tax law.

The truth is that the inheritance tax law was passed by Congress September 8, 1916. We were not at war then. Two months later we reelected Woodrow Wilson on the ground that he had kept us out of war. It was seven months preceding our entry into the war; the country in general and Congress in particular did not then anticipate our entry.

We were waxing fat and prosperous. The war in Europe was making a fine new crop of millionaires in America. No emergency had arrived—or, at least, none that was officially recognized.

The inheritance tax was not the outgrowth of an immediate necessity. It was the result of a steady development of taxation intelligence over many years; it resulted from the same process of thinking that had brought about the income tax after wearing down decades of opposition on the part of the very wealthy. Disinterested students of taxation had long been practically unanimous that the fairest of all taxes would be an inheritance tax. In university classrooms it was so taught.

Congress happened to catch up with the idea seven months before we got into the Great War; it wasn't seeking money to carry on our part in that war.

Nothing, indeed, could be more ridiculous than an inheritance tax for emergency purposes. Its collection depends on the death of persons possessing wealth. That is no way in which to meet an emergency. With dire disaster confronting us, we couldn't sit around waiting for John D. Rockefeller, Andrew W. Mellon, and our other wealthiest citizens to die. No matter how patriotic they are, they probably would fail to die in time.

The value of the inheritance tax is only realized over the years. As one generation succeeds another this tax returns to the whole country a small part of the great accumulations of wealth that have come into a few hands.

But it is a peace-time tax, not a war-emergency measure.

[From the Nebraska State Journal, February 21, 1925]

COOLIDGE ON INHERITANCE TAX

STEP TOWARD SOCIALISM—PRESIDENT SAYS INHERITANCE TAX IN SOME CASES AMOUNTS TO CONFISCATION

WASHINGTON, February 19.—Declaring that in some instances the Federal inheritance tax, when added to similar State levies, amounts to virtual confiscation, President Coolidge, in an address to-day opening the national inheritance and estate tax conference, urged the gradual retirement by the Government from this field of taxation.

Representative GREEN of Iowa, chairman of the House Ways and Means Committee, addressing a night session of the conference, which was called by the National Tax Association, took an opposite view, asserting that without a Federal inheritance tax, similar taxes imposed by the States would inevitably fail.

"If we are to adopt socialism," Mr. Coolidge said in his address, "it should be presented to the people of this country as socialism and not under the guise of a law to collect revenue."

He added that there was competition between the States to reach, through the inheritance tax, not only the property of its own citizens but that of citizens of other States.

Greater economy in the collection of revenues also was recommended by the President.

INHERITANCE TAXES

The wealth of the United States is estimated at upward of $300,000,000,000. At an average interest rate of 5 per cent this would imply an income for the owners from interest alone of about $15,000,000,000. If this wealth were evenly divided among 3,000,000 families, each would have an income without productive work of $5,000 a year.

This would mean that about 15,000,000 of the hundred-odd millions of people in the United States could live without producing. For the use of the lands and machinery owned by but not produced by the 15 per cent the 85 per cent would support the 15 per cent and their heirs forever.

This exact situation could not arise, of course, but the substance of it could and does. A system of unobstructed inheritances, coupled with the modern tendency to centralization of ownership of wealth, develops and perpetuates a class absolved from self-supporting labor. This means a hereditary economic and social aristocracy as definitely in America as has been the case in feudal Europe.

Instinctive opposition to such a system in a country pledged to democracy and to equality of duty and opportunity accounts for the present tendency toward rather drastic inheritance taxes. President Coolidge, looking at the economic rather than the social and political aspects of the case, decries the tendency. He considers it socialistic. He wants the Federal Government to cease taxing inheritances at all.

The country at large, thinking of the political and social desirability of well-distributed wealth, will in the long run disagree with the President. It is even a question whether taxing inheritances is as socialistic in ultimate effect as not taxing them. Anything that encourages concentration of wealth and perpetuation of economic privilege hastens the day of socialism. The passing of economic power into a few hands is regarded by all socialists as a necessary preliminary of the establishment of socialism. Wide distribution of wealth, on the other hand, is an insuperable barrier to socialism. The inheritance tax, touching the small fortune but lightly and the overgrown fortune heavily, is calculated to maintain such a wide distribution of the Nation's wealth as to insure the permanency of the institution of private property.

Mr. LA FOLLETTE obtained the floor.

Mr. TRAMMELL. Mr. President, the Senator from Wisconsin will pardon me for asking whether he contemplates taking more than an hour?

Mr. LA FOLLETTE. Yes, I do; and I have no apologies to make for it. I was ready to go on last evening; in fact, I have been ready to go on since the pending amendment came up for consideration. But I was prevailed upon by the Senator from Utah, in charge of the bill, and other Senators not to object to the unanimous-consent agreement proposed last evening. I shall go forward as rapidly as I can with my speech. I have no desire to shut anyone out; but I call attention to the fact that the fixing of unanimous-consent agreements on such very important questions always produces a situation of this kind in the Senate. I have never seen it fail. I will say to the Senator that I shall drive right along as rapidly as I can.

Mr. TRAMMELL. I did not desire to find any fault with the Senator from Wisconsin at all. I heartily agree with him that such unanimous-consent agreements usually interfere very much with the proper consideration of questions of the importance of those found in a tax bill. I desire during the limited time remaining to make only a brief address of some 20 or 30 minutes, and I hope that those who are opposing the committee amendment will allow me at least 20 or 30 minutes before we close the debate, at 4 o'clock.

Mr. LA FOLLETTE. I will say to the Senator that, as far as I am concerned, I shall get through as soon as possible, because I realize that the votes are here and that this proposition is to be put through. But, as far as I am concerned, I want to register my protest on the record, and I intend to do so.

Mr. HARRIS. Mr. President——

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

Mr. LA FOLLETTE. Mr. President, I have just promised the Senator from Florida that I would get through as quickly as I could.

Mr. HARRIS. Just a moment. The Senator from Wisconsin is to speak an hour; and I think he is right in insisting on going ahead, because he tried to get the floor yesterday.

The Senator from Florida wants to speak about 20 or 30 minutes. The Senator from North Carolina wants to speak for a while. I think we should limit the speeches, after the Senator from Wisconsin shall have finished, to 15 minutes. Therefore I ask unanimous consent that, after the Senator from Wisconsin concludes his remarks, the time of any one Senator be limited to 15 minutes.

Mr. LA FOLLETTE. I shall have to object to that, in all fairness to other Senators, and I must decline to yield further with regard to this question. Senators should consider these matters before they enter into such unanimous-consent agreements, and not afterwards.

The PRESIDING OFFICER. The Senator from Wisconsin has the floor and will proceed.

Mr. LA FOLLETTE. Mr. President, it is a significant fact that neither the Republican nor the Democratic platforms of 1924 made any mention of the repeal of the estate tax. As a matter of fact, the Republican platform did not even declare for the Mellon plan of tax reduction. After declaring for a progressive tax reduction through tax reform this general pledge appears:

> We pledge ourselves to the progressive reduction of taxes of all the people as rapidly as may be done with due provision for the essential expenditures of the Government administered with rigid economy and to place our tax system on a sound peace-time basis.

The Democratic platform does not mention the estate tax. After reviewing the burden placed upon the consumer through the Fordney-McCumber Tariff Act the Democratic platform of 1924 has this to say.

I apologize to some of the Democrats for stirring up these bones, because the party which wrote this platform seems to have died between the time this was adopted and the present coalition between the Republican and Democratic leaders on the pending measure. Nevertheless, the platform had this to say:

> And although the farmers and general consumers were bearing the brunt of tariff favors already granted to special interests, the administration was unable to devise any plan except one to grant further aid to the few. * * * The President still stands on the so-called Mellon plan, which his party has just refused to indorse or mention in its platform. * * *

I am afraid Senators will misunderstand what I am reading from. I am reading from the Democratic Platform of 1924. It goes on to say:

> We refer to the Democratic revenue measure passed by the last Congress as distinguished from the Mellon tax plan as illustrative of the policy of the Democratic Party. * * * We denounce the Mellon tax plan as a device to relieve multimillionaires at the expense of other taxpayers, and we accept the issue of taxation tendered by President Coolidge.

I shall not digress long enough to enlarge upon what may have occurred between that time and this to cause the party on the other side of the aisle to out-Mellon Mellon; I shall go on.

Following his election, President Coolidge made two attacks upon the revenue act of 1924, neither of which was justified by any declaration in the Republican platform upon which he had been elected. First, in his message to Congress he attacked the provision for publicity of income-tax returns. This feature of the law had been won after a hard fight in the Sixty-eighth Congress.

Next, President Coolidge, in an address to the National Tax Association, held in Washington, D. C., made an extraordinary arraignment of the estate tax which had been established in 1916. The inheritance or estate tax is regarded by the highest authorities as a most equitable form of raising revenue. President Coolidge, however, proposed that this field of taxation should be abandoned by the Federal Government and turned over to the States in so far as employed at all for raising revenue.

Florida had passed a constitutional amendment forever prohibiting an estate tax. The other States were considering ways of meeting Florida's competition to secure the citizenship of multimillionaires eager to be released from any form of inheritance tax whatever.

The proposal of the President to abandon the Federal inheritance tax and leave it to the States was a move in the direction of abandonment of this just and effective method of taxation altogether.

PRESIDENT COOLIDGE DENOUNCES ESTATE TAX

In his address to the National Tax Association, which met in Washington, D. C., in February, 1925, President Coolidge said:

> If we are to adopt socialism it should be presented to the people of this country as socialism and not under the guise of a law to collect revenue.

He introduced this new socialistic interpretation of the inheritance tax with the remark:

> I do not believe that the Government should seek social legislation in the guise of taxation.

Professor Patterson, able economist, has this to say on the argument that the estate tax is socialism:

> To those who declare the estate tax socialistic no reply can really be made, since their terminology is so careless as to prevent clear argument.

And in order to clinch the point and make certain beyond a doubt the protection of these great fortunes—so well able to protect themselves—President Coolidge further declared:

> Personally, I do not feel that large fortunes, properly managed, are necessarily a menace to our institutions and therefore ought to be destroyed. On the contrary, they have been and can be of great value for our development.

Commenting on this address of President Coolidge on the estate tax, Senator La Follette, in the March, 1925, issue of his magazine, said:

> Just what is the meaning of the President's taxation policy?
>
> It means that, having concealed from the American people during the campaign the true purposes of the Republican Party, the administration proposes at the next session of Congress to exempt great wealth from its fair share of the war debt and the running expenses of the Government.

I will say that at that time there was no anticipation on the part of Senator La Follette that the minority party in this Chamber would join the majority party in carrying out such a program.

> A large portion of this burden has already been shifted from the very rich to the taxpayers of moderate incomes through the abolition of excess-profits taxes and the reduction of surtaxes.
>
> Thus, the men who own and operate the great corporations of the country have been freed, during their lifetime, from the necessity of contributing a just proportion of the revenues of the Government.
>
> The inheritance tax alone remains as an instrument through which the people may recover a small portion of the billions wrung from themselves and from the Government through extortionate prices in peace and war and under fraudulent war contracts.
>
> This administration would protect and perpetuate, after the death of those who amass them, the gigantic fortunes which have been piled up by monopoly control over the necessaries of life.
>
> Repeal of the inheritance tax is simply a part of the program of this administration to intrench the private monopoly system above and beyond the control of the people. If it is embodied into law, the policy will create a dynasty of wealth, invested with the kingly power—passed on from one generation to another—to tax the people for the enrichment of a privileged class, continuing to dictate, as it now does, the policies of the Federal Government.

It seems to be an obsession with President Coolidge that prosperity is dependent on the favor and good will of organized wealth, and that moneyed interests must not be disturbed or offended. He feels no menace to our institutions in "great fortunes properly managed." His worship of business, his fear of the effect of interference with the workings of the monopoly system, cause him to go great lengths.

Although nearly all the States in the Union, including Massachusetts, have adopted some form of inheritance or estate tax, although the conservative governments of Europe have also long effectively employed this method of raising revenue, President Coolidge, in his speech to the National Tax Association on February 20, 1925, branded the inheritance tax as socialism.

ESTATE TAX DEMOCRATIC

Prof. E. R. A. Seligman, of Columbia University, a foremost authority on economics and taxation, says:

> An estate tax is the result of one of the modern democratic movements in the world; * * * wherever we find a democracy we find two things, an income tax and an estate tax.

He calls attention to the fact that in England before the war, in time of peace, they had a 40 per cent estate tax; that in England it was introduced by a tory government, a conservative business administration, and that in England nobody has for a moment "made any of those arguments against it that have been made in this country." He does not specify just what arguments, but it is fair to imply such arguments as "socialism," "confiscation," and so forth.

In a democracy every phase of tax collection and expenditure partakes in a degree of the character of "social legislation." Protective tariff is especially indicted in this charge of the President.

As early as 1832 John Quincy Adams, in a letter to the Speaker of the United States House of Representatives, expounded at great length the principle "that the power of Congress to protect our manufactures and domestic industry of the country by taxation is contained in the article of the Constitution to lay taxes, duties, imposts and excises, to pay the debts, and to provide for the common defense and general welfare of the Union." Thus, early in our history and on such

high authority was the exercise of the taxing power justified for the general welfare.

In more recent years the protective tariff has been defended in this country on the theory that it was for the benefit of the workers—to maintain American standards of living, a full dinner pail, happy homes, children free from labor, exploitation, and so forth. Whether under the private monopoly system the manufacturers benefit more than the workers from the protective tariff is not the point.

The New England beneficiaries of the tariff would be loath to abandon this "guise" of taxation and approach the tariff question solely and directly as a means of collecting revenue, as they must if they carry out to its logical conclusion the argument advanced by President Coolidge. It would be approaching a tariff for revenue only, for free trade. Carried to its logical conclusion, President Coolidge's standard of taxation as set down for inheritance taxes would abolish the oleomargarine tax and all other forms of taxation which have any other object than revenue.

In 1886, when the Congress invoked the taxing power for the protection of the dairy industry against the oleomargarine fraud, my father, then a Member of the House of Representatives, found this fundamental constitutional argument of John Quincy Adams's, which I have cited, very effective in securing the passage of the oleomargarine law.

HIGH AUTHORITIES ADVOCATE ESTATE TAXATION

There are high authorities who advocate the use of the inheritance tax to serve the ends of "social legislation," if that is the right name for it. As far back as 1889 Andrew Carnegie in an essay entitled "The gospel of wealth," said:

It is difficult to set bounds to the share of a rich man's estate which should go at his death to the public through the agency of the State, and by all means such taxes should be graduated, beginning at nothing upon moderate sums to dependents and increasing rapidly as the amounts swell, until the millionaire's hoard, as of Shylock's, at least the other half comes to the coffer of the State.

In his message to Congress in December, 1907, President Roosevelt said:

A heavy progressive tax upon a very large fortune is in no way such a tax upon thrift and industry as a light tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes that would be affected by such a tax.

The platform of the Progressive Party, upon which ex-President Roosevelt ran in 1912, contained this declaration:

We believe in a graduated inheritance tax as a national means of equalizing the obligations of holders of property to government, and we hereby pledge our party to enact such a Federal law as will tax large inheritances, returning to the States an equitable percentage of all amounts collected.

The Democratic campaign textbook of 1916 contains the following statement with regard to the estates tax:

It is a tax which is universally conceded to be just and cheap of collection. It affords a consistent and regular yield of revenue.

I submit that these are not socialists speaking.

ESTATE TAX NOT A WAR TAX

If the Federal estate tax is socialistic, then it had its origin early in the history of this Republic. There was the first Revolutionary War tax from 1797 to 1802. It was again inaugurated during the Civil War and also in the Spanish-American War. It is not, however, a war plan of taxation. The present tax was enacted on September 8, 1916. It was not enacted at this time as a means of providing revenue for war purposes.

President Wilson won his election in 1916 upon the sole issue that he was going to keep us out of the war. Would any Democratic Senator rise in his place in the Senate and argue that he went out in the campaign of 1916 and misled the people? I submit that no Democratic Senator would advance that argument. It has always been contended by the Democrats that the war which we entered in 1917 was brought on by events which transpired after the enactment of the Federal estates tax.

The fundamental purpose underlying the enactment of the estates tax was to restrain in some measure the growth of estates and the ever-increasing concentration of wealth in the United States. It was upon this broad ground of social justice that the progressive Democrats and progressive Republicans in the Congress joined hands in securing the original enactment of this tax in 1916.

It was not regarded by the Democratic Party nor by the progressive Republicans as a war measure or an emergency tax, but rather as a permanent tax for peace purposes. In the 1924 revenue bill the Democrats and progressive Republicans increased the rates of taxation upon estates not on the theory that it was a war measure. As a matter of fact, the estates tax is perhaps the poorest of all forms of taxation for war purposes. In the first place, it is exceedingly slow in operation, because long periods must necessarily be allowed for the settlement of estates and for the proper adjustment to permit the payment of taxes. In the second place, the estates tax does not increase in proportion to the accumulation of war profits, and therefore is one of the most inelastic of all forms of taxation.

CONCENTRATED WEALTH INHERITED

The concentration of wealth in this country has been increasing very rapidly. In 1915 the United States Commission on Industrial Relations stated the following facts:

The rich, 2 per cent of the people, own 60 per cent of the wealth; the middle class, 33 per cent of the people, own 35 per cent of the wealth; the poor, 65 per cent of the people, own 5 per cent of the wealth.

It does not require a scientific investigation to prove that wealth has concentrated rapidly since the report made by the Industrial Relations Commission. An interesting review of a few of the great American fortunes printed in the New York Times of May 11, 1924, is in point. I summarize as follows:

John D. Rockefeller, sr., has already given two billions of wealth to his children. He has to-day in his own right five hundred millions, and it is estimated that his son, John D. Rockefeller, jr., has an income of $40,000,000 a year.

The Pratt fortune, also of Standard Oil origin, has increased from ten millions to over three hundred millions in a little over 30 years.

The Harkness fortune, derived from Standard Oil, was estimated to be less than fifty millions when Stephen V. Harkness died. It is now estimated that the aggregate wealth of this family is more than four hundred millions.

Meyer Guggenheim died in 1905, leaving a fortune estimated at fifty millions. He had nine children. This fortune has increased so rapidly in the past 20 years that if divided among the children it is estimated that each of them would have a greater fortune than the total left by the elder Guggenheim to all of them.

The fortune left by Alexius du Pont was estimated at thirty millions. It is now estimated that the 40 descendants of Alexius du Pont in the fourth and fifth generation are each worth more than the original founder of the fortune.

Other great fortunes whose names are equally familiar show the same tendency. The list might be greatly augmented, Marshall Field, Archibold, Payne, Flagler, Astor, Vanderbilt, showing the same tendency of concentration and accumulation, instead of being broken up and reduced in size by distribution among heirs, as Secretary of Treasury Mellon argues, they are likely to be.

AVERAGE CITIZEN GROWS POOR AS PRIVILEGED GROW RICH

Mr. President, people generally may spend more recklessly and demand more comforts or even luxuries than heretofore; our standards of living may be rising and expanding—I hope they are—but it can not be said that the average are relatively better off in the distribution of wealth to-day than before. The practice of mortgaging future earning power through time payment, has produced a situation which one day will demand a reckoning. The struggle to keep expenses within the income is just as hard, if not increasingly difficult. It is everywhere recognized that the farmer is suffering severely and most disastrously under the monopoly management of business and Government. Surely when so large and so basic an element of the population is losing out in the struggle it can not be maintained that prosperity is safely grounded. Nor are the wage earners or the great armies of salaried men and women able to keep abreast of the high cost of living and in the meanwhile provide for the future.

Under the system of plutocratic government which fosters and protects trusts and mergers whose control is more and more concentrated in the hands of bankers the average citizen is losing ground from an economic standpoint while the favored few amass greater wealth.

A statement printed some time ago in the Wall Street Journal and accredited to the American Bankers' Association is as follows:

At the age of 25 we find in this country 100 men, all strong and vigorous. They have started life physically fit and on a plane of equality. Ten years later 10 are wealthy, 10 are in fair circumstances, 40 are men of moderate means, while 35 still have saved nothing.

At the age of 45 the number of wealthy persons has fallen to 3, 65 are merely supporting themselves, while 16 have passed into the discard—they are no longer self-supporting.

At the age of 55, 20 men have died, only 1 is very wealthy, only 6 are self-supporting, while 54 are dependent upon their children, upon relatives, or upon charity for support.

At the age of 75, 63 are dead; of those 60 left no property at all, 3 are well-to-do; 34 are dependent upon their relatives, children, or charity for support; 95 per cent of them will not have sufficient means to pay their funeral bills.

Out of 100 able-bodied men, after 50 years of hard labor, 60 died and left nothing to their children, 34 are still alive and possess less than nothing, while only 3 had been able to save anything out of their wages. Of the 100, 3 had become wealthy and 97 were either dead or dependent upon others for their support.

WAR PROFITS SHOULD PAY THEIR SHARE OF TAXES

Mr. President, the estate tax provides a means of reaching the fortunes augmented or created by war which escape taxation by evasion or clever manipulation. It can not be denied that the late war created enormous fortunes. In fact, many of the great fortunes in the United States, as in other countries, have had their foundation in the excessive profits of war. Many of the fortunes already existing were enormously swollen by war profits.

The du Pont fortune is a noteworthy example. Until the war that fortune was almost entirely confined to the manufacture of munitions. As a result of the war and of the war profits made, the du Pont fortune was so swollen that it burst the bounds of the munitions industry and is now to be found in a dominant position in many other commercial fields; automobiles, chemicals, dyes, hotels, and real estate are only a few of the fields in which the du Pont wealth is now invested.

It is only just that a share of this war-created wealth should be taken by the Government in the form of a tax upon these great estates to pay the war debt.

Mr. President, do you realize that the per capita debt of this country before we went into the war was about $12 and that to-day the per capita debt is approximately $180?

As has been suggested by the junior Senator from Nebraska [Mr. HOWELL] the war is not over as far as the payment of the debt is concerned. High rates of taxation should be maintained upon those war-built fortunes, at least, until the war debt has been paid. Those who received the principal benefits of the war boom should pay the largest share of this debt and thus relieve the burdens of those who did the fighting and generations as yet unborn which will be carrying this staggering load, if the policy of taxation advocated by the Republican and Democratic coalition goes into the statute law of this land.

TAX-EXEMPT SECURITIES

Mr. President, the way arguments are shifted around in this debate to suit the situations of those sponsoring this bill would be almost amusing if the stake were not so large.

When the surtax is up for discussion we hear about how the tax-exempt securities are responsible for wealth escaping its taxes, and for that reason we must lower the surtax brackets. The argument, in my judgment, was exploded by the facts shown by the Senator from Michigan [Mr. COUZENS] when he stated that only 7½ per cent of the income of individuals reporting income of $100,000 was derived from tax-exempt securities, but the argument was used by those advocating the hamstringing of the surtax.

Now the shoe is on the other foot. The committee reports in favor of repealing the estate tax. What has become of the argument about the tax-exempt bonds? Where are those fourteen billions of bonds that we heard so much about? Have they disappeared overnight? If those who thundered against the tax-exempt bond really meant business we would hear them now supporting the estate tax. The estate tax is the only tax by which all of those tax-exempt bonds can be reached for taxation purposes, but now those supporting this bill are strangely silent about the tax-exempt bonds. Having been used as an argument for the reduction of the surtaxes they have served their purpose.

NOT A CAPITAL TAX

President Coolidge and Secretary Mellon have advanced the argument that the Federal estate tax is a tax upon capital, which depletes the capital assets of the Nation, thus crippling industry and curbing prosperity. At the same time they have maintained that their object was not to deprive the States of the right to levy such taxes. If the argument is sound as against a Federal estate tax it is, of course, equally sound against a State tax of the same character. I submit that to advance such an argument either indicates that the real purpose is to eliminate taxation of estates and inheritances altogether, or that it is not advanced in good faith.

I maintain, however, that the estate tax is not in any true sense a levy upon capital. Carried to its logical conclusion this argument condemns the levying of all property taxes.

The direct tax upon unimproved real estate, for example, must be paid either out of the capital value of the property or out of other income of the taxpayer. Whether the estates tax is paid out of income or out of capital assets, it involves no destruction or loss of property so far as the Nation is concerned. At most, it involves merely a transfer of ownership, even if the taxpayer is forced to sell some of the property in order to secure ready funds with which to pay the tax.

In this connection a quotation from the treatise upon the present tax situation by Prof. Ernest Minor Patterson, Wharton School of Finance, University of Pennsylvania, appearing in the New Republic, November 4, 1925, is directly in point:

* * * If the tax receipts are used for productive purposes there is, of course, no community loss.

A glance at a few facts shows how groundless such fears are. Professor Seligman made this forcibly clear at the national conference on inheritance and estate taxation last February when he pointed out that capital values in the United States are some $320,000,000,000. In 1922 Federal and State inheritance taxes combined yielded only about $200,000,000.

I repeat, Mr. President, that upon capital values which Professor Seligman estimates to be $320,000,000,000 the Federal and State taxation of estates and inheritances yielded only $200,000,000.

I continue to quote:

Gross estates subject to Federal taxation (both resident and nonresident decedents) were $2,937,000,000. As Professor Seligman points out, a 5 per cent rate on this sum for one year would yield nearly $147,000,000. The net estates subject to tax at 5 per cent would have returned $83,642,000. In the first case one and one-half years' and in the second two and one-half years' interest would have paid the entire State and Federal taxes. Since payments may in cases of undue hardship be delayed five years, there certainly need be no fear that such taxes are a drain even on the capital of the beneficiaries.

But even if they did prove to be paid by actual reduction of the capital holdings of the beneficiaries, either on the average or in certain specific cases, it does not follow that there is any diminution of the capital of the community. If the liquid funds of the taxpayer are inadequate for the purpose and he is compelled to sell some of his properties in order to pay taxes, what happens? Nothing important, for the purchaser merely takes a payment out of his own liquid funds, which must be a part of the current income of the community. Only on the absurd and crude assumption that the Government seizes the physical properties and then burns or otherwise destroys them can we imagine this tax being a drain on the country's capital. With a national or social income of sixty billions or more each year there is no ground for fear that the present inheritance and estate taxes will make any inroads upon our accumulation of capital.

Appearing before the House committee, Doctor Seligman said further with regard to this subject:

The argument that it is a tax on capital through which you are going to kill the goose that laid the golden eggs is erroneous, because it assumes that all Government expenditure is unproductive. * * * As a matter of fact, however, what does the Government do with it? Suppose the Government builds roads; suppose the Government builds schoolhouses, suppose the Government builds Panama Canals. You are not destroying any capital. You are merely taking it from the hands of private individuals and converting it into another form of capital. * * *

STATES ALONE NOT SUCCESSFUL

The argument that the inheritance-tax field should be abandoned by the Federal Government in favor of the States falls, it seems to me, of its own weight. The economists who appeared before the House committee opposed the withdrawal of the Federal Government from this field of taxation.

The States alone can not reach successfully the great estates. Estates of this kind are very diversified and ownership of properties situated in other sections of the country is the rule. It is difficult for any State to reach such widely distributed property, and it is almost impossible for any State to levy taxes upon property located outside its own borders. In attempting to reach such property by taxation multiple taxation results. This problem is even more difficult of solution from the point of view of the States when we take into consideration the enormous increase in the investments in foreign securities. The argument advanced by those who advocate the repeal of the Federal inheritance tax law that great multiplication of taxation is now in vogue and will be benefited by the repeal of the Federal inheritance tax is fallacious and it seems to me gives away their entire case. As a matter of fact, the withdrawal of the Federal Government from this field will complicate the problem should the States attempt to maintain their estates tax, which discloses the real objective, namely, ultimate repeal of all forms of taxation upon estates.

This discloses, it seems to me, the real objective, namely, the ultimate repeal of all forms of taxation upon estates.

Much has been said in this debate of the testimony of the governors appearing before the House committee. The governors of the several States who testified before the Ways and Means Committee in favor of the gradual elimination of the Federal estates tax were forced to admit that the example of the State of Florida, which has adopted a constitutional amendment against estate taxation, would necessarily create a situation which would in the end result in the repeal of the State laws providing for inheritance taxation.

Governor Walker, of Georgia, testified:

* * * My State has practically abolished the inheritance tax. I want to say I think it was following the lead, the artificial lead, and the spirit, which I do not approve, of the State of Florida. (Hearings, 1925.)

Governor Whitfield, of Mississippi, testified:

Mr. CAREW. Did it ever occur to you what would happen if we turned this field of inheritance taxation over to the States——

Governor WHITFIELD (interposing). Yes, sir; I think I do. I think the States would vie with each other in passing laws that would attract the most capital and the most people to the State, and we would have chaos and confusion. (Hearings, 349-350.)

Governor Trinkle, of Virginia, testified:

The CHAIRMAN. To make my position clear, I think that if the Federal inheritance tax were absolutely repealed many wealthy citizens of your State—and there are many of them—would take up a nominal residence in Florida, and you would not only lose the inheritance tax but the income tax. You could not enforce either one against them. If you made the tax any more you would have a general exodus of them.

Governor TRINKLE. Yes.

Mr. GARNER. There is no other power that could reach Florida in this situation except that of the Federal Government.

Governor TRINKLE. None that I know of; no, sir. (Hearings, p. 358.)

Governor McLeod, of South Carolina, testified:

Mr. RAINEY. Would you not like to have relief from that situation as soon as possible?

Governor McLEOD. Yes; except for this competitive entrance of the States in connection with the repealing of the inheritance tax. I am frank to say that beginning with Florida they are coming along up—

That is, they are following the lead of Florida and abolishing the inheritance tax—

and I understand they will do that in Georgia and other States, except in South Carolina. We can not afford to enter into that competition. (Hearings, p. 369.)

HAVEN OF REFUGE

It was for this reason, set out in the testimony from which I have quoted briefly, that all of these governors strongly favored the retention of the Federal tax provision if sufficient credit was allowed to the States to permit them to secure needed revenue from this source. Almost without exception they strongly favored the Federal Government remaining in this field of taxation for the purpose of curbing the competition for repeal initiated by Florida.

It was for exactly the opposite reason that the advocates of great wealth appearing before the committee favored repeal of Federal estate taxation as a means of creating what they were pleased to call "havens of refuge" for the rich.

Mr. Gottlieb, the so-called tax expert of the National Industrial Conference Board, testified as follows:

Chairman GREEN. Will you tell me how the several States, even those who want to impose an inheritance tax, are going to make it work in any substantial amount?

Mr. GOTTLIEB. I do not know.

Chairman GREEN. I do not think anybody else does. * * *

Mr. GOTTLIEB. This is probably one of the benefits of a federation of States. A person can, if he feels that one State is exacting undue burdens from him, go to another State. There is a haven of refuge for him.

Chairman GREEN. Your last statement is very true, and I am glad to get the basis of your position—that there should be a place where the wealthy can escape from taxation, but this is a new theory of economics. * * * (Hearings, p. 476.)

Before going into the subject of taxation of intangible property I desire to read briefly from a telegram sent me by the attorney general of Wisconsin, who is now conducting a case in behalf of the State against the estate of John I. Beggs, lately deceased, of Milwaukee, Wis. This case is a concrete example of what these wealthy men will do if the Federal Government retires from this field of taxation and we have oases or havens of refuge, as Mr. Gottlieb called them, in the several States where they can escape from this form of taxation.

The telegram is as follows:

In reply to your request of to-day in re estate of John I. Beggs, who died at Milwaukee last October, facts disclosed show deceased left more than $20,000,000, largely accumulated from Wisconsin enterprises; that on affidavit to Missouri that he was a resident of Wisconsin, and to Wisconsin that he was a resident of Missouri, he escaped taxes as a resident in both States. He made a will, and immediately before death a codical, declaring residence in Florida. We have ample proof that at the time of death and before he was a resident of Wisconsin, and that there is due Wisconsin a large undetermined amount of income taxes and upward of $2,000,000 inheritance taxes, payment of which will be largely offset against 25 per cent credit on Federal inheritance tax of nearly $7,000,000.

I believe that sentiment in Wisconsin unanimously sustains collection of this inheritance tax. To repeal or substantially weaken the Federal estate tax would be to put the seal of approval on Florida as an asylum for tax avoiders, and saddle property and small taxpayers with added burdens.

(Signed) HERMAN L. EKERN,
Attorney General, Madison, Wis.

ESTATE TAX REACHES INTANGIBLE WEALTH

The insuperable problem for the States seeking to impose inheritance taxes is that of reaching intangible wealth in the form particularly of stocks and bonds. It is notorious that the attempts of the States to tax such securities during the life of the owners is a farce which results merely in imposing undue burdens on comparatively honest taxpayers who make truthful returns on their holdings. The great mass of security owners apparently have no conscience about the concealment of such property.

The Federal Government can reach such intangible wealth, at least upon the death of the owner, but the States can not. This situation was very graphically described by one of the witnesses before the Ways and Means Committee. Mr. E. D. Chassell, representing the Mortgage Bankers' Association, which is vigorously opposed to the repeal of the Federal estate tex, testified:

We are developing in this country a class of what you might call suit-case millionaires. They have secured large amounts of tax-free securities and can readily transport them from one State to another where the inheritance taxes are more to their liking. A man can not move his farm. A man who owns a farm in Illinois and moves down to Florida and obtains a residence down there must leave his land, factory, or store in Illinois still subject to the inheritance tax, although he may avoid the payment of inheritance taxes on bonds and other personal property that is removed. (Hearings, p. 444.)

REPEAL UNFAIR TO SOUTH AND WEST

The repeal of the Federal inheritance tax is a rank injustice to the taxpayers of the Western and Southern States. This arises by reason of the fact that although a large part of the wealth is created in the West and South, it flows to the owners who live in New York and other Eastern States, or who have expatriated themselves and live abroad beyond the reach of any agency except the Federal Government.

The cotton mills of the South produce enormous wealth, but their dividends and profits flow to the owners who live primarily in New York and New England. The copper mines of Michigan, Montana, and Arizona have yielded enormous fortunes, but the owners of those fortunes as a rule do not live in the States where their wealth is produced. Michigan copper pours its dividends into Massachusetts. A southern Senator told me the other day of an instance where in his own State much of the property of one of the great public utilities is owned in a Northern State. Arizona and Montana copper mines pour their wealth into the coffers of the New York magnates. The only way by which these and other States can reap any benefit from wealth that has been taken from within their borders and concentrated in the great cities of the East is to permit the Federal Government to levy a heavy tax upon these great fortunes through an estate tax and use the proceeds for the development of roads and other needed public improvements in those States.

This is strikingly shown by tables placed in the record of the Ways and Means Committee, page 394, by Mr. Delano, chairman of the committee which recommended ultimate repeal of the Federal estate tax. These figures show that during the nine years that the Federal estate tax has been in operation a total of $863,000,000 has been collected. Of this amount, $308,000,000 came from the State of New York. This is more than one-third—35.7 per cent—of the total receipts from estate taxes during the period.

Mr. President, Senators may not remain in the Chamber to hear arguments upon this question, but they will have to face these arguments in their campaigns. I promise them that.

On the other hand, in each of the eight States of Arizona, Idaho, Montana, Nevada, New Mexico, North Dakota, Oklahoma, South Dakota, and Wyoming the receipts were less than one-tenth of 1 per cent. In other words, these eight States together have not had enough wealth in the form of large fortunes to pay one thirty-fifth of the tax paid by the great estates of New York.

The three States of New York, Pennsylvania, and Massachusetts have paid 52.8 per cent of all the revenue derived from the taxation of estates during the nine years the Federal tax has been in operation. That is not because the residents of these three States have been unjustly taxed, but because the owners of great fortunes have taken up their residence in those States and thus brought approximately one-half of the wealth of the country under their control.

If I had time, I could go on for an hour telling of these great fortunes which have been created like the fortune of Andrew W. Mellon, Secretary of the Treasury. The fortune which he has amassed has taken its tribute from every hamlet in every county in every State of the Union. Yet, if this bill shall be enacted, when he dies those States will not get back for their citizens any of the money which they have contributed to the amassing of this enormous and unconscionable fortune.

Faced by this situation, which can not be denied, it is a rank injustice, particularly to the Southern and Western States, to repeal the Federal Tax. It means that the farmers, business men, and professional men of these States are going to have to bear heavier tax burdens in order to relieve the great estates which are concentrated in the eastern cities from just taxation. When the people of these States learn the effect of the repeal of this tax they are going to view with unfriendly eyes those who voted for its repeal and demand the election of Representatives and Senators who will stand firmly for its reenactment.

The Federal estate tax, which the committee's report proposes to repeal, amounted to $65,900,050 on the unaudited returns filed in 1924. [NOTE.—This is exclusive of additional assessments which in 1923 amounted to more than $45,000,000. The total above is the only one available which is distributed by States.] This is the latest year for which the Treasury has published its final "Statistics of income."

In the table below, prepared at my request by the People's Legislative Service, there is presented the official figures showing the amount of Federal tax reported by estates of decedents resident in each State of the Union, covering returns filed from January 1, 1924, to December 31, 1924, and the corresponding percentages for each State. These percentages measure the relative tax reduction which may be expected to accrue to estates of decedents in the different States if this section of the present law is repealed.

There is no assurance that death will keep just these same proportions as between the different States next year or the year after, for the number of taxable returns of estates of decedents is small—only 9,338 altogether in 1924. However, the proportions, in all probability, will not change materially in most of the States.

Federal estate tax reported on estates of resident decedents distributed by States and Territories with percentages (returns filed January 1, 1924, to December 31, 1924)

State or Territory	Tax	Proportion of total
1. New Mexico	$505	Less than 1/1000 of 1 per cent.
2. Nevada	655	Do.
3. Idaho	1,646	2/1000 of 1 per cent.
4. Arizona	4,444	7/1000 of 1 per cent.
5. Utah	8,929	1/100 of 1 per cent.
6. Wyoming	28,530	4/100 of 1 per cent.
7. Oklahoma	34,902	5/100 of 1 per cent.
8. South Dakota	35,249	Do.
9. Montana	36,811	6/100 of 1 per cent.
10. North Dakota	38,494	Do.
11. Vermont	43,411	7/100 of 1 per cent.
12. Delaware	50,256	8/100 of 1 per cent.
13. Hawaii	56,017	9/100 of 1 per cent.
14. Oregon	59,590	Do.
15. Mississippi	66,159	1/10 of 1 per cent.
16. New Hampshire	93,630	Do.
17. South Carolina	110,794	2/10 of 1 per cent.
18. Arkansas	112,192	Do.
19. Washington	126,113	Do.
20. Tennessee	128,019	Do.
21. Florida	142,109	Do.
22. North Carolina	167,885	3/10 of 1 per cent.
23. Virginia	215,524	Do.
24. Kentucky	219,864	Do.
25. Nebraska	222,885	3/10 of 1 per cent.
26. Alabama	236,996	4/10 of 1 per cent.
27. Georgia	240,048	Do.
28. Kansas	267,869	Do.
29. Iowa	364,371	6/10 of 1 per cent.
30. Rhode Island	451,311	7/10 of 1 per cent.
31. Colorado	464,309	Do.
32. West Virginia	470,128	Do.
33. Texas	$628,174	1 per cent.
34. Indiana	702,202	1.1 per cent.
35. Missouri	780,681	1.2 per cent.
36. Louisiana	871,708	1.3 per cent.
37. Minnesota	1,125,641	1.7 per cent.
38. Maryland (including District of Columbia).	1,552,800	2.4 per cent.
39. Wisconsin	1,962,288	3 per cent.
40. Illinois	2,119,063	3.2 per cent.
41. Ohio	2,545,813	3.9 per cent.
42. Connecticut	2,839,077	4.3 per cent.
43. California	3,402,982	5.2 per cent.
44. Maine	3,573,015	5.4 per cent.
45. Michigan	3,658,532	5.5 per cent.
46. Massachusetts	4,973,690	7.5 per cent.
47. New Jersey	5,052,470	7.7 per cent.
48. Pennsylvania	5,332,027	8.1 per cent.
49. New York	20,278,242	30.8 per cent.
Grand total	65,900,050	100 per cent.

This table shows that in 1924 the Federal estate tax reported by estates of decedents resident in New York was $20,278,242, or 30.8 per cent of the entire Federal estate tax. The repeal of the estate tax is a benefit primarily to the families of great wealth in New York.

The benefit to the wealthy in this one State, New York alone, outweighs the benefits to 42 other States, Hawaii, and the District of Columbia combined. The aggregate Federal estate tax coming from all these 42 States, Hawaii, and the District of Columbia was $19,629,092 against the $20,278,242 from New York.

The rich families of New York and three other Eastern States—Massachusetts, New Jersey, and Pennsylvania—together will get more than half the entire benefit of the repeal.

One of the results of the repeal of the Federal estate tax upon fortunes of large sizes will be to increase the burden of taxes upon the farmers in New York and other States who are now paying from 30 to 40 per cent, not upon their estates when they die, but out of their meager income while they are alive.

In 1924 the estate tax from these four States amounted to $35,636,429, or 54.1 per cent of the total; in 1923 it was $40,685,227, or 60 per cent of the total for that year; in 1922, $67,947,275, or 59 per cent.

Contrast with this the fact that in 1924 in 31 States, mostly in the West and South, estates taxes were less than 1 per cent of the total. The proportion in these 31 States, as shown by the table, ranged from "less than one one-thousandth of 1 per cent" for New Mexico and Nevada to "seven-tenths of 1 per cent" for West Virginia.

In 13 other States the proportion ranged from 1 to 5½ per cent only.

The following summary table, also prepared by the People's Legislative Service, pictures the meaning of this repeal, which is designed to benefit principally Eastern States in which wealth is concentrated, and from which predominantly come the campaign contributions to the Republican Party:

	Estate tax reported in 1924	Proportion of total
Aggregate of 31 States and 1 Territory where proportion was less than 1 per cent—New Mexico, Nevada, Idaho, Arizona, Utah, Wyoming, Oklahoma, South Dakota, Montana, North Dakota, Vermont, Delaware, Hawaii, Oregon, Mississippi, New Hampshire, South Carolina, Arkansas, Washington, Tennessee, Florida, North Carolina, Virginia, Kentucky, Nebraska, Alabama, Georgia, Kansas, Iowa, Rhode Island, Colorado, West Virginia	$4,501,645	6.8
Aggregate of 13 States and District of Columbia (proportion ranging from 1 to 5½ per cent)—Texas, Indiana, Missouri, Louisiana, Minnesota, Maryland, District of Columbia, Wisconsin, Illinois, Ohio, Connecticut, California, Maine, Michigan	25,761,976	39.1
Subtotal of 44 States, Hawaii, and District of Columbia	30,263,621	45.9
Aggregate of Massachusetts, New Jersey, and Pennsylvania (proportion, 7.5 to 8.1 per cent)	15,358,187	23.3
New York (proportion, 30.8 per cent)	20,278,242	30.8
Total, Massachusetts, New Jersey, Pennsylvania, and New York	35,636,429	54.1
Grand total	65,900,050	100.0

The Federal tax reported by estates of decedents resident in the four States of Massachusetts, New Jersey, Pennsylvania,

and New York in 1922 and 1923, and their proportions of the total Federal estate tax for those years, which have been above referred to, are shown in the following table in contrast with all other States:

Estates of decedents resident in—	1922[1]		1923[2]	
	Federal-estate tax paid	Per cent	Federal-estate tax paid	Per cent
New York	$32,813,786	28.3	$24,365,380	35.8
Pennsylvania	20,567,357	17.8	9,879,626	14.5
New Jersey	5,035,980	4.4	3,233,958	4.8
Massachusetts	9,530,152	8.2	3,206,263	4.7
Total, 4 States	67,947,275	58.7	40,685,227	59.8
All other States, Hawaii, and District of Columbia	47,891,678	41.3	27,405,039	40.2
Grand total	115,838,953	100.0	68,090,266	100.0

[1] Statistics of Income for 1921, Treasury Department (p. 33).
[2] Statistics of Income for 1922, Treasury Department (p. 73).

New York's proportion of the benefit of the proposed repeal of the estate tax will be 30.8 per cent on the basis of the 1924 returns; 28.3 per cent on the basis of the 1922 returns; and 35.8 per cent on the basis of returns for 1923. In other words, it will average about one-third of the total benefit.

On the basis of the average of the returns for these three years the annual tax reduction accruing to the wealthy families of these four States, citadels of Eastern wealth, will be as follows:

Average annual tax reduction by repeal of Federal estate tax (1922–1924)

Estates of decedents resident in—	
New York	$25,819,136
Pennsylvania	11,926,337
Massachusetts	5,903,368
New Jersey	4,440,803
Total, 4 States	48,089,644
All other States, Hawaii, and District of Columbia	35,186,779
Grand total	83,276,423

ESTATE TAX A LIGHT TAX ON GREAT FORTUNES

From the date of its enactment in 1916 until December 31, 1924, there were 86,551 returns filed under the estate tax law. These returns showed gross estates of $16,719,000,000. The net taxable value of these estates, owing to the generous provision for deductions, was only 60 per cent of this amount, or $9,834,000,000. Upon this the estate tax levy was only $610,000,000, or about 6 per cent of the net and less than 4 per cent of the gross estates. (Statistics of Income, 1923, p. 53.)

Considering only the latest returns for which statistics are available—those filed in the calendar year 1924—we find that the average tax upon all estates filed was only $5,313, or 5 per cent of the average net estate. Even in the highest bracket—over $10,000,000—the average tax was only 19 per cent. (Statistics of Income, 1923, p. 42.)

It is ridiculous for the propagandist of the repeal of the Federal estate tax to denounce it as an excessive burden. Contrast the 19 per cent paid in 1924 upon net estates of over $10,000,000 with the heavy taxes that are being paid by the farmers in their section of the country. Representative OGDEN L. MILLS, of New York, one of the most active opponents of the Federal estate tax, stated in the hearings before the House Ways and Means Committee that in the State of New York—

> something like 30 or 40 per cent of the net income of the best agricultural sections is now being consumed in taxes. (Hearings, p. 484.)

He based this statement upon the official report of the New York Joint State Tax Committee, of which he was apparently a member.

Much propaganda has been distributed about the terrible shrinkage of estates due to the Federal tax. Examination of the estate tax returns for 1924 show that the Federal tax was only a minor part of the cause of shrinkage. The total tax paid upon all estates was only $65,900,050. Compare this with $269,368,312 for debts, notes, mortgages, and so forth, and with $97,239,049 for funeral and administrative expenses. The lawyers, trustees, and undertakers took 50 per cent more out of the estate than the Federal Government.

The total Federal estate tax of $65,900,050 was almost exactly equal to the amount of charitable bequests—$65,928,022 (Statistics of Income, 1923, p. 36.) In other words, the owners of these estates voluntarily gave away as much as the total tax levied by the Federal Government.

ESTATE TAX SCIENTIFIC AND SOUND

Economists and experts generally agree that the principle of a Federal inheritance tax is scientific and sound and meets the demand of a wise system of taxation.

Dr. Thomas S. Adams, professor of political economy, Yale University, in the hearings before the House Ways and Means Committee said of the estate tax:

> I think we ought to get from death dues in this country more than we get at present. I think we should raise from this source enough revenue measurably to relieve the farmers and general taxpayers.

Here are some remarks taken at random from Professor Seligman's testimony at these same hearings:

Addressing the committee, he said:

> You, as legislators, are, always of course with due regard to the constitutionality of a measure, concerned with its social and economic consequences.
>
> In England, before the war, they got from their death duties 60 per cent of what they got from their income taxes. In France they are getting a great deal more than that, and here it is proposed to abandon it.
>
> We do not get much out of it * * *; we might get a great deal more, as other countries do.
>
> It should be one of our regular sources of income. I think it should be one of the regular sources of revenue in every self-respecting democratic community.

I quote from Professor Patterson on the question of lowering taxes:

> If taxes are lowered particular taxpayers will gain. Their expenses will be lessened, their profits will increase. But it does not follow that the country as a whole would gain. Instead it will lose, first, in its failure to liquidate the national debt as rapidly as is wise; second, in a less equitable distribution of tax burdens if the reductions now proposed are put into effect. But before pushing on it is worth while to repeat that American business is on the whole not suffering from high taxes or from anything else; there is new capital available in enormous amounts; tax-exempt securities are not absorbing a serious percentage of these new funds; heavy taxation for debt liquidation does not take funds from private control, but merely shifts them from one group to another; the general price level is holding fairly steady; and such changes as are occurring bear no apparent relation to the tax level and logically can have no relation to it; and finally, the argument that lowered tax rates will bring larger revenues is not supported by experience to date.

WEALTH RUNNING RIOT UNDER THIS ADMINISTRATION

The policy of taxation as presented in this bill, and particularly with regard to the repeal of the inheritance tax, was not presented to the American people in the election of 1924. As pointed out, the Republican platform did not even indorse the Mellon plan of tax reduction. The Democratic Party denounced it. Now they have formed a partnership to put over this bipartisan bid for big campaign contributions. The issue as presented in that campaign by the Republican Party was "Coolidge or chaos." That issue, together with economic pressure, turned the tide of the election. The leaders of the Republican Party have misinterpreted the result. They take the majority given to the present administration as an order signed in blank by the American people which they may fill in at the dictates of the great interests of this country. Wealth, arrogant in its power, is running riot; the commissions created to regulate monopoly and to curb its abuses are being packed with individuals who are opposed to the regulation of monopoly and to the curbing of its abuses. Gigantic mergers are on foot. They are being formed without check or hindrance by the Department of Justice, Federal Trade Commission, or the Congress.

I have noted with a great deal of satisfaction the fact that the Government has at last moved against the Ward Food Products Corporation. An important part in this program of giving wealth what it wants is the repeal of the estates tax, which means ultimately its abandonment as a means of collecting taxes from these great estates in this country. Without presenting this issue to the people the principle of estates taxation is to be abolished. This tax, which, as Doctor Seligman testified, is found in every democratic country, is to be wiped out.

The coalition between the Democrats and Republican leaders makes this reactionary step possible. The fact that both the leaders of the majority and the minority parties have joined hands in repealing the inheritance tax will not absolve them from responsibility to the American people for their action. A day of reckoning will come. I appeal to independent Senators on both sides of the Chamber to repudiate this concession to the demand of the rich for the repeal of the estate tax.

Mr. TRAMMELL. Mr. President, it is not my object to occupy a great deal of time upon the pending amendment, but in view of the fact that almost every speaker, whether in opposition to the amendment proposed by the committee or in favor of the amendment, has taken occasion to make reference to the State of Florida and the policy of my State in dealing with the question of the inheritance tax, I feel it my duty, as well as my privilege, to speak in behalf of my State upon this most important subject.

The provision of this bill as passed by the House requiring a refund of 80 per cent of the Federal inheritance taxes to taxpayers in States having a State tax apparently was actuated and brought about on account of the action of the State of Florida, acting within its rights, in having adopted a constitutional amendment providing that no inheritance tax should be levied in that State.

The history of the situation is that we had never imposed an inheritance tax in the State of Florida. Neither had my State adopted the policy of the imposition of an income tax. Surveying the situation as to avenues through which the State could obtain revenue for its support, Florida has elected to maintain her State government by the imposition of an ad valorem tax upon realty and by the imposition of certain license and occupational taxes, and more recently, since the automobile has become so generally used, necessitating a large consumption of gasoline, the State has imposed a gasoline tax, which brings in a large revenue.

We maintain that we have the right to select our own form and system of taxation within the State, just as is true of all other States of the Union. Any policy on the part of the Federal Government seeking to control or to dominate a State in its taxing policy is unwarranted under our system of government, is undemocratic, and absolutely reprehensible and indefensible. Yet the provision of the bill as it passed the House has in contemplation doing by indirection that which the Federal Government has no right to do by direct legislation. I believe, in preference to any effort to control and to dominate the States, that a wiser policy and a more equitable and just policy would be the entire repeal of the Federal inheritance tax. By that repeal we would leave to the States the field for estate taxes. We would then allow the States, if they so desired, to impose such taxes without any interference on the part of the Federal Government.

It is true that in my State we did not adopt the policy of an estate tax, but in most of the States of the Union an estate tax is imposed as a State policy, the States probably considering that that is a wiser policy than the exemption of estates from taxation, as we believe in Florida, and which is a matter purely within the power and the privilege of the States, respectively. Feeling as I do, I shall vote for the amendment proposed by the Senate committee to strike out the House provision and to repeal the Federal inheritance tax.

The House, by its policy of adopting an amendment providing that 80 per cent of the revenue collected by the Federal Government shall be refunded to a taxpayer in a State if in the State the estate tax amounted to as much as 80 per cent of the amount of the Federal tax, to a degree at least recognized that a condition exists wherein it is the part of wisdom and justice to allow the States the field for the imposition of estate taxes. If it is right to have 80 per cent refunded, why is it not right to repeal the Federal inheritance tax entirely and leave this field of taxation entirely to the States?

Furthermore, by the amendment returning 80 per cent we would cut down the amount received from the Federal inheritance tax to almost an inconsequential sum that would come into the Federal Treasury. I know there has been some dispute about the amount involved. It is contended by those who are quite well informed upon the subject that the revenue derived under the bill as it came to the Senate from the House would amount to only $10,000,000 in round figures that would come into the Federal Treasury. If Congress succeeds in the purpose that seems to be in the minds and hearts of some of its Members, both of the Senate and of the House, of coercing and forcing the States to adopt tax policies that, forsooth, seem to please Senators and Congressmen, then certainly the Federal revenue would be reduced to a point where the Federal Government would only derive some $10,000,000 or perhaps less from the estate tax.

If that is true, why should we impose a Federal inheritance tax at all? Why not leave this field entirely to the States, leaving them free to impose such estate tax as they deem proper, just as we do in regard to any other tax? If it is right for Congress to say that a State must do this or that in connection with one particular character of tax, the Congress would have the privilege of exercising that same prerogative in regard to many other subjects—for instance, that of dealing with the legal rate of interest. Some States provide a high rate of interest as an inducement to capital to come there for investment. Congress might say, "We think, because certain other States only pay 4 or 5 per cent interest, there is too much money going to Florida, where they pay 8 per cent, and we think we must by some device write into the law a provision that will not permit people in Florida to pay more than 4 per cent interest, because it is taking some capital from some other State or some other locality." Or they might try to prevent money going to the West, where the rate of interest is high, and say that people who have capital to invest and who desire to make loans must be stopped from transferring a considerable part of their fortunes to Western States, where their money would bring 8 per cent or perhaps 9 or even 10 per cent, in comparison with an interest rate of 4 or 5 or 6 per cent in the Eastern States from where the money might be transferred. There would be just as much equity, just as much justice, in the Federal Government seeking to control and dominate interest rates so as to try to make everybody keep their money where it is, and to prevent them from exercising their liberty and freedom in their own affairs and placing their capital wherever they desired, or to move and live wherever they might prefer.

If the Federal Government could go into the question of State income taxes, it might provide by some device that none of the Federal funds should be used for certain purposes unless the States, as suggested by some Senators yesterday, maintain the same character of school systems that are maintained in some other States. It is an infringement of the rights of the States when the Federal Government attempts to dominate and control the system of taxation that shall prevail in the respective States, whether we do it by indirection or whether we attempt it by direct specific legislation controlling such taxation.

I contend that the provision for a refund of 80 per cent of the estate tax is reprehensible and indefensible and should be stricken from the bill. If it is the desire of Congress to reduce inheritance taxes 80 per cent, or if it is the desire to reduce them 50 per cent or 60 per cent, why not in justice write into the bill the schedule that is desired and specify the amount of inheritance taxes to be paid instead of trying, by this provision for a refund of 80 per cent, to coerce the States into requiring a State inheritance tax?

Such an effort, I think, is unprecedented and unheard of. It is true the present revenue law contains a 25 per cent refund clause, but, of course, a 25 per cent refund clause is so inconsequential in amount that it could not be considered as a direct effort to control the States in the matter of an inheritance tax. When, however, the refund is increased to 80 per cent—and almost every Member of Congress who advocated it had to say something about Florida not having any inheritance tax—it is very plain to anyone who can see very far beyond his nose what the object and purpose of any such provision is. I insist that any such provision as that should be stricken from the bill.

If the majority of Congress acknowledges that we only need $10,000,000 from the Federal estate tax, then the entire inheritance tax on the part of the Federal Government may as well be repealed and entirely abolished, leaving the question of estate taxes to the respective States.

Mr. LENROOT. Mr. President, will the Senator from Florida yield?

The PRESIDING OFFICER (Mr. JONES of Washington in the chair). Does the Senator from Florida yield to the Senator from Wisconsin?

Mr. TRAMMELL. Certainly, I yield to the Senator from Wisconsin for a question.

Mr. LENROOT. I should like to know who acknowledges that we shall only get $10,000,000 or that that is all that we need? I have not heard that statement made by anyone who is in favor of the estate tax.

Mr. TRAMMELL. If I am not mistaken, the Senator from North Carolina [Mr. SIMMONS] made that statement.

Mr. LENROOT. But the Senator from North Carolina is in favor of its repeal.

Mr. TRAMMELL. I know he is in favor of its repeal, but he said that this proposal would reduce the revenue to approximately $10,000,000.

Mr. LENROOT. The fact is it only cost $2,000,000 to collect $100,000,000.

Mr. TRAMMELL. But the Government is not going to get $100,000,000 if it refunds 80 per cent to the States.

Mr. LENROOT. It is not going to cost more to collect $20,000,000 than it does to collect $100,000,000.

Mr. TRAMMELL. But it is proposed to reduce the rate and then to refund 80 per cent to the State, when we are now only refunding 25 per cent to the States.

Mr. LENROOT. But if it costs $2,000,000 to collect $100,000,000, and there is an estimate of $22,000,000 under the reduced rate, it would leave $20,000,000 to the Treasury, would it not?

Mr. TRAMMELL. I am quoting the statistics furnished by the Senator from North Carolina on the proposition, and I have found that he is about as well informed on this tax question as is any Member of the Senate.

Mr. LENROOT. May I say that I have my figures from the Treasury expert.

Mr. TRAMMELL. The whole trend of the discussion shows, Mr. President, that the 80 per cent refunding provision has been advocated and adopted for the purpose of trying to influence the States on the question of estate taxes. That is very plain, and the provoking cause seems to be Florida. We contend that we have a right to adopt our own taxation system. Florida has been progressing nicely under the policy which she has adopted and which she has followed throughout her history, from 1845, when she was admitted to the Union. We are proud of the fact that Florida is a State without any bonded indebtedness; we are proud of the fact that in our State treasury there is approximately a balance of $7,000,000, and that we are able to meet our expenses and our demands without any hardship being imposed upon the people of the State by the system of taxation which we have adopted.

While the exemption of inheritances from taxation may have induced some capital to come to Florida—and I hope that it has done so—that has not been the principal and moving cause for the rapid expansion and development of Florida, not only during the past few years but for the last quarter of a century. Some persons have a mistaken idea that Florida has just all at once begun to grow and develop. Florida has been making a steady climb and a rapid growth for at least a quarter of a century and more. Its population has been rapidly increasing throughout those years. There has been remarkable development during that time. In 1924, prior to the adoption of the constitutional amendment in Florida, we had a most remarkable period of prosperity and development and growth in that State. I know a number of towns where the building program was very extensive. For years there has been a rapid development throughout the entire State. Those who are informed know that at the time of the outbreak of the great World War Florida was growing more rapidly than was any other State in the Union. At that time we had not written into our constitution an exemption of inheritances from taxation. It is true that we had not imposed such a tax, but it was not prohibited by constitutional amendment at that time.

There are advantages which are attracting people to Florida and which have been attracting them there for the last quarter of a century and more. While the exemption of inheritances from taxation has contributed more or less, of course, to the bringing of capital to that State, her other attractions and advantages have offered the primary and principal inducements leading people to go to Florida as pleasure seekers, as home seekers, and for profitable investment.

We not only have our sunshine and our attractive and beautiful country, which are sources of enjoyment to the millions who go there seeking pleasure and comfort during the winter months, but we have there wonderful opportunities and untold resources. Our resources are far beyond what many are aware of who are not acquainted with the State. When I tell you, Mr. President, that the products of the soil, citrus fruits and vegetables, bring something like $180,000,000 to Florida annually; that our phosphate resources produce an income of something like $10,000,000 per annum; that our fish bring in something like $20,000,000 per annum; that the products of the sawmills of the State are valued at $45,000,000 per annum; that we have there the greatest sponge market throughout all the United States; and when I mention that our manufacturing industries are producing something like $275,000,000 of commodities per annum, you may realize that there is something to Florida other than its wonderful climate and its wonderful possibilities for the pleasure seeker. Of course, we are very proud, however, of that feature of our State.

During the past few years there has been a remarkable increase in our bank deposits and our resources in every respect. During the year 1925 the bank deposits of the State increased from approximately $250,000,000 to approximately $1,000,000,000. That is the amount of deposits at the present time in the National and State banks of Florida. Our railroad construction has surpassed that of any State in the Union during the past three years, something like 700 or 800 miles of new railroads having been constructed and some are now in the course of construction in certain localities of the State.

We have made marvelous progress in the construction of hard roads. One can drive anywhere in Florida between its principal cities on as good roads as the best streets in Washington. If one were in Jacksonville and wanted to go to Miami, 380 miles away, he would have only a day's travel by automobile before him on most excellent roads. If he were at Lake City, Fla., in the northern part of the State, and desired to go to Tampa, 330 or 340 miles away, he could speed on his journey within in a day on as good roads as the best of the highways in the country. Surrounding the towns throughout the State there are being put in a veritable network of hard-surface roads.

With this rapid development and progress, with its wonderful location, with its 1,500 miles of seacoast, with its 30,000 beautiful, sparkling, mirrorlike lakes dotted here and there throughout the State, with its beautiful river scenery, with its rolling, hilly section, as picturesque as is to be found anywhere in the United States, and its remarkable resources and opportunities for the man who wants to go there for the purpose of making a living, Florida has, we are proud to say, been enjoying a most phenomenal growth and development, and is going to continue to do so. Neither Representatives in the other House nor Senators who may by a Federal law attempt to check the progress of that State will succeed. It is a useless undertaking, and certainly everyone must realize that it is a very reprehensible undertaking for Congress to attempt to hamper a State by writing a provision in a Federal law to interfere with its State taxation system.

Florida is not the only State in the Union that would like to induce newcomers or induce capital, and other States have different ways of trying to do it. Some States do not tax real property for State purposes. They say, "If we do not tax real property and support our State government by license taxes, that is the best way in which to build up and develop the State."

They have all kinds of methods by which they endeavor to induce newcomers and capital to come into the respective States. I do not blame them for that; but in Florida we have the same right and the same privilege, and no petty jealousy should actuate or cause any American citizen to try to interfere with the development of another State, its growth, and its progress when that growth and progress are the result of the natural advantages of the State and the result of honest and legitimate efforts to assist those natural advantages in building a more wonderful and a greater State.

I think that the 80 per cent provision should certainly be stricken from the bill and that we should fix definitely the amount of inheritance tax, if we desire to continue it; but in the situation in which the proposed legislation is at the present time, I am going to vote to repeal entirely the inheritance tax, and I feel that Senators and Members of the House who are actuated by a fair spirit toward all other States should not try by such methods as have been attempted here to control and to interfere with the system of taxation in the State of Florida, for that is plainly the effort here attempted through the provision of the 80 per cent refund to the States.

As I have said, Mr. President, this exemption has not caused our growth and development. We have been growing and developing for years. Men with vision more than a quarter of a century ago saw the advantages and the future and the possibilities of Florida. When some 35 or 40 years ago Henry B. Plant went to the west coast of Florida and built his little narrow-gauge railroad some people thought he was a dreamer, a crazy man. Now all think of him as a wise man of wonderful foresight. To-day, however, that once little narrow-gauge railroad is one of the most profitable railroad systems within the United States. It is now called the Atlantic Coast Line, a considerable portion of its mileage being in Florida and its greatest source of revenue being from business to and from Florida.

Thirty or thirty-five years ago, when Flagler wandered off to Florida and had a vision, saw the possibilities on the east coast of Florida, and began building gradually, little by little, a railroad system penetrating into the wilderness, some of his friends said, and one of them told me this not long ago: "Why, we always thought Flagler was a man of judgment, but he has gone wild, he has gone crazy, going down there and building a railroad into the wilderness."

Then he extended it on and undertook what seemingly was the impossible task of building a railroad across 90 miles of water, extending the East Coast Railroad from Homestead—a little village at that time, now a pretty good-sized little city—a distance of 90 miles to Key West, bridging 90 miles of Gulf or waters flowing into it. Certain people thought that was

impossible; that Flagler had but a wild dream; and yet to-day all up and down that system of railroad is a veritable paradise, a place of pleasure and of amusement, and many towns and cities with their development and progress that is unequaled in any other part of the United States; and the East Coast Railroad, which some people thought 30 or 35 years ago was an indication of the dream of Flagler, and a wild dream at that, is one of the most profitable railroad systems within the United States. At the present time the railroad is being double-tracked; the double-tracking is almost entirely completed for over 500 miles, and it is one of the most prosperous railroad systems in the United States.

That is in Florida, my friends; and the present development in Florida and its prosperity are going ahead, and the man of vision is going to be like unto Flagler and to Plant and other pioneers in the development of the State. He is not going to think that this is a little temporary affair in Florida. He is going to realize, from the evidences of the development of the State up to the present time and what is now going on, that Florida has an assured future, regardless of the question of its taxation plan.

Why, last month the building permits in 21 towns and cities of the State amounted to $23,000,000. Last month, according to an article that I read in this morning's paper, the city of Tampa surpassed all other cities within the United States in its increase in postal receipts. The city of Tampa had an increase of 56 per cent in its postal receipts for January, while the next city in the United States had an increase of only 26 per cent. I believe that was Springfield, Ill. This progress and this development are going on, and the exemption of inheritances from taxation is contributing only in a minor way. Of course, it may contribute, it may assist, just as other inducements contribute that are offered by various States to people to come and locate and settle there. But Florida's greatest assets, Mr. President, are her wonderful climatic conditions and the opportunities that are being offered there for those who desire to seek two or three or four months of pleasure and recreation during the wintertime, and then her resources and opportunities for those who desire to go there to earn a livelihood.

I read only a day or two ago that the average net yield per acre of agricultural products in the United States per acre is $15, while in the State of Florida the average net yield per acre is $225. That shows that there is a pretty good opportunity for a farmer in Florida. There is no other State in the Union where a farmer can go with as little capital and with as little energy and industry and make a living and make money and, in some cases, grow rich as in the State of Florida.

We have those advantages there; and those advantages are contributing very largely to Florida's progress and her development, as well as Florida being, we say, not only the playground of the United States but the playground of the world.

Mr. HARRIS. Mr. President, the people of my State are very much interested in the development of our neighbor State, Florida, and they are glad of the advertising it is getting all over the country. Some of the best citizens of Georgia have moved there temporarily. The advertising has attracted people from all over the country to visit Florida and try their fortunes, and they have to go through Georgia. We know that no intelligent person, after seeing our people and State, will pass through Georgia and go to Florida to live for more than a few weeks in a year. We know that they will come back to Georgia even if they go to Florida and remain awhile. We are greatly interested and are glad of the boom and development in Florida.

What I do not like to hear, though, from my friends, the Senators from Florida, whom I admire greatly, is this talk of the Federal Government coercing their State. The coercion started with the State of Florida. Inheritance taxes have existed for only a comparatively few years in any of the States; but Florida a short while ago put the whole country on notice that they would collect no income or inheritance taxes. One of the arguments made in securing the adoption of the constitutional amendment exempting inheritances and income taxes was that the wealthy men from other States would come there to escape these taxes. That action on the part of Florida coerced my State legislature so that last year they were ready to repeal the inheritance tax and the income tax, which was because of Florida's coercion. If Georgia had followed Florida, Tennessee and South Carolina and other States would have followed next to keep the people of their States from leaving and building homes in Georgia or Florida or Alabama so as to evade paying income and inheritance taxes. Then the adjoining States would have followed in repealing these taxes, and soon there would have been no inheritance taxes or income taxes in any of the States of the United States.

That is what was intended by the tax commissions that came to Washington and tried to influence the Members of Congress to do away with the inheritance tax. A delegation came from my State; they are good men and are my friends, but I do not think they understood the matter thoroughly. The biggest lobby and probably the best lobby that has been here since I have been a Member of the Senate was the representatives of these tax clubs. It was a paid propaganda to get away from any income tax or any inheritance tax, first by repealing the Federal tax and then getting the States to follow Florida in repealing the State tax on incomes and inheritances.

Mr. FLETCHER. Mr. President——

Mr. HARRIS. I will ask the Senator to wait until I get through, then he can ask me any questions he wishes.

Mr. FLETCHER. I just wanted to call attention to one fact.

Mr. HARRIS. I shall be very glad to have the Senator do that when I get through.

It was admitted in the House hearings, by the men who came here pretending to represent tax commissions, that their expenses here were paid by bankers and men of large wealth. There is not any doubt in the world about it.

Mr. TRAMMELL. Mr. President——

Mr. HARRIS. I will ask not to be interrupted.

The Senator from Connecticut [Mr. McLEAN] yesterday said that this inheritance tax would hurt the farmers. I never saw anyone who seemingly was so interested in the farmers' tax being reduced as he seemed yesterday; but last Saturday, when we were trying to keep the farmers' mutual insurance organizations from being taxed to death, the Senator from Connecticut voted against those of us who were trying to help the farmers. Of course he is not trying to put them out of business because of the big insurance companies in his State; he opposed it for other reasons. I am not criticizing the able Senator from Connecticut, but his statement shows how little he knows about the financial condition of the farmers of the United States. There is not one farmer in 50,000 that will pay a dollar of inheritance tax; very few have as much as $50,000, and no tax of this kind is paid on less amounts; but the Senator says that if we pass this bill it will mean that the farmers in the Northwest, who are suffering so much, will have to pay higher taxes. Here is his language. I will read it:

> Now, Mr. President, if we insist upon this inheritance tax and deprive the States of resorting to it, it seems to me that the farmers throughout this country are bound to suffer by an increase of direct taxes upon their real property.

I do not think there is a farmer in the United States who can be fooled by any such statement as that. The farmer does not know much about taxes, except the heavy taxes on his property, and with his losses on farming the past few years he has had trouble paying any tax. He does not know much about inheritance taxes, as they are levied only on the rich. He knows that his neighbors have not paid any. He is less able all the time to pay taxes because of the financial suffering he is undergoing. I wish the Senator from Connecticut would help us assist the farmer in a substantial way when there is some legislation before the Senate that will really benefit the farmer.

In my State there are three large systems of railroads, and their property values run into many millions. I understand that over half of one of those railroads is owned by a citizen of Connecticut. I am not against the large wealth of the country where it has been made honestly. I have no criticism against it, but the wealth in those Georgia railroads was created by the people in my State. They have paid high passenger and freight rates, and they have paid for other things that have enhanced the value of these railroads. That railroad property in Georgia has made the holder of these bonds or stocks in Connecticut and others wealthy. When he dies, the property ought to help pay the inheritance taxes in the State where it is located, where the wealth was created that has made the man in Connecticut wealthy; but, if he died, all of the inheritance tax would go to the State of Connecticut instead of to the State where the property is located. This same condition is true in many States, particularly in the West and in the South. If the owner of a railroad in Georgia or any other State lives in another State and pays no inheritance tax to the State his property is located in, it is only fair and just that he pay the Federal Government an inheritance tax on his millions of bonds and stocks and tax-exempt securities, which would lessen the burden of taxes of all citizens in Georgia and elsewhere. Mr. President, the large fortunes running into hundreds of millions are a menace to our country, and the holders of these millions are, in my judgment, making a great mistake in trying to evade the payment of an inheritance tax. It is the fairest tax of all and can not be passed on to the

poor, who must labor to live and support their families and are already too heavily taxed by the high protective tariff, which increases the cost of living so much.

Mr. McLEAN. Mr. President——

Mr. HARRIS. I will ask the Senator not to interrupt me until I get through.

Mr. President, I am a believer in States rights, but I notice that when the constitutional lawyers can not answer an argument, they always talk about State rights, or coercion on the part of the States, and some other things; and, of course, they have had to resort to it in the case of this measure, because the object of this proposal, in my judgment, is simply to get rid of any inheritance tax in any of the States and in the United States.

Mr. TRAMMELL. Mr. President, just one question: Is there an inheritance tax in Georgia at the present time?

Mr. HARRIS. We have an inheritance tax now; but the State legislature last summer, because of the coercion of the State of Florida in putting it in the constitution to bait our wealthy men to move there, was ready to repeal the inheritance tax, and would have repealed it except for the Federal inheritance tax law.

Mr. TRAMMELL. You did not stop them from going to Florida, though; did you?

Mr. HARRIS. The only amount of inheritance tax in Georgia is what the Federal Government levies and what they allow us credit for.

Mr. FLETCHER. Mr. President, the Senator will recall that it was not merely last year or year before that Florida took the position that he has mentioned with reference to inheritance taxes and income taxes. Florida never has had an income tax law, and never has had an inheritance tax law; so, why have not the people of Georgia been flocking to Florida all these years, instead of waiting until recently?

Mr. HARRIS. The Senator is one of the ablest men in this body, and I am proud that he was born in my State. He knows very well the difference between a constitutional amendment and a law, because a majority of the legislatures could repeal the law and have an inheritance tax imposed at any time; but he knows that it is a very difficult thing to change the constitution of a State.

Mr. BORAH. Mr. President, I am opposed to the repeal of the inheritance tax law. I think it a fair and an equitable tax, and collected with perhaps as little expense as any tax we could lay. It is a sound tax, economically speaking.

I favor an inheritance tax, not that I desire to distribute property by means of taxation but because, I think, under the circumstances and conditions which now confront us and with which we have to contend, it is a fair way to realize a portion of the revenue which we must have. It is placing a part of this great burden where it should be placed in justice to other taxpayers.

We now have a national debt of some twenty or twenty-one billion dollars. Upon that debt we are paying between eight and nine hundred million dollars a year interest. That entire debt, with the exception of something less than $1,000,000,000, was incurred by reason of the late war. We have an annual budget of something like three and a half billion dollars, and in my opinion it will be four billion before it is less than three and a half billion. It is true that we have made some considerable progress in the last few years in reducing expenditures along certain lines, but we seem to have reached the low point in the matter of reduction of expenses and are now upon the upward grade.

Last year, according to the figures which I have been able to gather, the people of the United States paid in the way of taxes—State, county, and national—something over $7,000,000,000. The per capita taxation in the United States now is about three times what it was 10 years ago.

I observe that the first 124 years of this Government cost the taxpayers something like $26,000,000,000. The last 10 years have cost something over $60,000,000,000.

Under these conditions it seems to me entirely equitable and wholly just to call upon those who distribute large estates to meet their proportion of the tax burdens.

The contention is made that we have not heretofore called upon the inheritance tax except in time of war. Technically speaking, I presume that is true, so far as this country is concerned, although in a great many countries it has become an established permanent tax, and particularly so in democratic countries. But we are really now meeting war conditions and paying war taxes. The entire national debt which we are carrying, with the exception of less than $1,000,000,000, is a war debt, and the great increase in the National Budget is by reason of the war, and we are yet meeting the conditions superimposed upon us by reason of the war. If we justify the tax alone as a war tax, certainly these taxes are all war taxes.

I can not understand upon what theory we can remove the inheritance tax, even if it be considered a war tax, until the actual burdens of war have been reduced to some reasonable figure, and we are now meeting the burdens of the war quite as effectually as if the war were still in progress, so far as taxation is concerned.

I am not concerned in the least with the proposition which has been debated here to such a great extent, and particularly to-day, as to the effect of a repeal of the tax upon the attitude of the States toward this subject. I am perfectly willing to permit the States to have their own system of taxation, without interference upon the part of the National Government. I see no reason, however, why the National Government should not levy its inheritance tax at a reasonable rate and permit the States to enjoy it or not, as they see fit. I certainly am not in favor of using the taxing system to coerce a State into adopting a system it does not like. But that has very little to do with the fundamental proposition that the National Government itself is entitled to an inheritance tax, and particularly under the conditions which now confront the National Government.

I observe that the argument against the inheritance tax which is most persistently urged upon the part of those who started the campaign against an inheritance tax would repeal the laws in the States quite as effectively as the law of the National Government. It is true that there are those who lay particular stress upon the fact that the right to impose such a tax belongs to the States, but in reading the arguments which have been advanced from time to time, particularly by clubs which have been organized for the purpose of spreading propaganda for a repeal of the tax, I have noticed that the arguments which they advance apply to the inheritance tax and reject it upon principle; that is to say, for reasons which have no relation either to State governments or to the National Government.

In my judgment, if the National Government removes the inheritance tax, to a very marked extent the campaign will be continued for its removal in the States, and particularly in a large number of the States which think they may derive some advantage by reason of the proposition.

The tax which is now in existence has been referred to constantly as a 40 per cent tax. I want to read a statement from Professor Patterson, which throws some light upon the practical construction and application of the statute. He said:

> The rate of the estate tax is most often described by referring to the 40 per cent maximum rate imposed on large estates in the law of 1924. In discussing the income tax we noticed that such references are often misleading and the same caution should be exercised here. The law of 1924 actually prescribes this high rate in the following words: "Forty per cent of the amount by which the net estate exceeds $10,000,000." Moreover the law contains the following important provision as section 301 (b):
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> "The tax imposed by this section shall be credited with the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or Territory or the District of Columbia, in respect of any property included in the gross estate. The credit allowed by this subdivision shall not exceed 25 per cent of the tax imposed by this section."
>
> With this wording one should not expect to find that the Federal Government is really taking 40 per cent of the large estates, but something considerably less. The nominal rates in the law of 1921 ranged from 1 per cent to 25 per cent while actual payments made in 1923 under the law of 1921 ranged from 1.03 per cent on net estates under $50,000 to 21.67 per cent on net estates of $10,000,000 and over. The average tax paid was 5.05 per cent of all the net estates subject to tax. In 1922 the range was from 1.03 per cent to 22.36 per cent with an average of 7.15 per cent for all sizes of estates. * * *
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> We are thus not concerned with actual payments of 25 per cent on large estates in 1923. None in 1923 were higher than 21.67 per cent and the average was only 5.05 per cent. This seemingly low average is due to the fact that most of the estates are small. The returns show that 99.26 per cent of the returns filed were for estates of $1,000,000 or less and hence would be subject, in the present law, to a nominal maximum rate of 12 per cent or less. Rates higher than 12 per cent would affect less than 1 per cent of the estates which must file returns.

But notwithstanding the rate, in the practical working of the statute, as stated by Professor Patterson, we realized in 1924 from the inheritance tax law $102,996,761. It has been estimated that we will get between $100,000,000 and $125,000,000 for 1925.

This is the very small stipend called for from the large estates of this country to help meet the stupendous burden of

taxes now resting upon the American people, a debt, as I have said, of some $21,000,000,000, and an annual budget of some three and a half billion dollars.

It is certainly not inequitable, it is certainly not unjust, it is certainly not socialistic, it is certainly not communistic, to call upon these great estates to help meet the burden which has been imposed upon us, as much certainly for the benefit of those who have accumulated this wealth as for anyone else who was interested in our country during the time these expenses were being incurred.

In my opinion, as I have stated, this is not a fight between the States and the Federal Government. This is an attempt to get rid of the inheritance tax; and I venture to say that the campaign will continue after we have passed on the question quite as forcibly as it has been conducted during the time it was here for our consideration.

I think, therefore, that we ought to pause before relieving these estates of this burden and deliberately passing it on to some one, because whatever is taken off their backs will be passed to the load of some one else.

In my opinion, that is the progress which is going forward in the tax system of this country. It has not been very long since we repealed what was known as the excess-profits tax. Next came vast reductions in what is known as the surtax; and I venture to say that the next time we deal with a tax bill the surtax will be reduced to 10 per cent, or perhaps eliminated entirely. It is now proposed that we relieve the great estates from the inheritance tax. Inside of 10 years I expect to see the vast burden of taxation growing out of the war passed to the common taxpayer of this country, and the vast wealth of the country will be relieved entirely of its portion under the fundamental law of taxation—that people should pay in accordance with their ability to pay. Every move—the whole plan—is to make the average citizen carry this great debt and relieve the exceptionally wealthy.

Certainly until we are from under the burdens of war, until we are from under the load which has been placed upon us for the common good of the country, that rule—that people should meet their taxes according to their ability to pay—should not be abrogated, particularly not in behalf of those who are so exceptionally able to pay.

I do not intend to go into an extended discussion of the inheritance tax. It would serve no useful purpose at this time after this long debate. But, in view of some of the arguments which have been advanced that this is only a war tax, I want to read first a paragraph from Professor Seligman in a book lately out on taxation. He says:

> The inheritance tax is to-day found primarily in democracies like those of England, Switzerland, Australia, and America; and in other countries its development has gone hand in hand with the spread of democratic ideas. * * * Because the tax has frequently been urged by those who are opposed to large fortunes, it has usually been overlooked that it may be defended on purely economic grounds as in complete harmony with the general principle of equitable taxation.

Again, he says:

> The inheritance tax to-day scarcely needs defense. It is found in almost every country; and the more democratic the country the more developed is the tax.

Mr. Gladstone, in the great debates on this subject in the House of Commons years ago, declared:

> The carrying property in perfect security over the great barrier which death places between man and man is perhaps the very highest achievement, the most signal proof of the power of civilized institutions. * * * And an instance so capital of the great benefit conferred by law and civil institutions upon mankind and of the immense enlargement that comes to natural liberty through the medium of the law, that I conceive nothing more rational than that, if taxes are to be raised at all, the State shall be at liberty to step in and take from him who is thenceforward to enjoy the whole in security that portion which may be bona fide necessary for the public purpose.

Eighteen years ago Colonel Roosevelt, speaking at Provincetown, had this to say:

> The materialism of such a view, whether it finds expression in the life of a man who accumulates a vast fortune in ways that are repugnant to every instinct of generosity and of fair dealing, or whether it finds expression in the vapidly useless and self-indulgent life of the inheritor of that fortune, is contemptible in the eyes of all men capable of a thrill of lofty feeling. Where the power of the law can be wisely used to prevent or minimize the acquisition or business employment of such wealth and to make it pay by income or inheritance tax its proper share of the burden of the Government, I would invoke that power without a moment's hesitation.

Mr. President, this is a fair tax, a just tax, an economically sound tax, and it is signally unjust to the average taxpayer of the United States to continue this program of relieving exceptional wealth from its proportion of our burden. I close with the words of Benjamin Harrison, who, after his retirement from the Presidency, speaking upon the obligations of wealth, said:

> Men who have wealth must not hide it from the tax gatherer and flaunt it on the street. Such things breed a great discontent. All other men are hurt. They bear a disproportionate burden. A strong soldier will carry the knapsack of the crippled comrade, but he will not permit a robust shirk to add so much as a tin cup to the burden.

Mr. WALSH. Mr. President, referring to the propaganda, if that term may be used for the abolition of the estate tax, mentioned by the Senator from Idaho, I submit a telegram received by the State board of equalization of the State of Montana from the general counsel of the American Bankers' Association, as follows:

NEW YORK, N. Y., *January 21, 1926.*

STATE BOARD OF EQUALIZATION,
Helena, Mont.:

In view of the elimination of Federal estate tax by the Senate Finance Committee in reporting revenue bill to Senate, which is in accord, I understand, with the desires of tax commissioners and State tax authorities, that such source of revenue be left to the State, and as the American Bankers' Association favors the elimination for like reasons, we respectfully beg leave to suggest that the time is now opportune for urging Members of Senate to support such elimination and asking Members of House to request their conferees when appointed to consent to elimination.

THOMAS B. PATON,
General Counsel American Bankers' Association.

The general counsel for the Bankers Association evidently mistook the position of the board of equalization of the State of Montana, for they answered in a letter setting forth what I think are conclusive reasons why the tax should not be repealed. In lieu of a speech on the subject I ask that the letter be read at the desk.

Mr. HARRIS. Mr. President, may I interrupt the Senator before the letter is read?

Mr. WALSH. I yield to the Senator from Georgia.

Mr. HARRIS. It is my understanding that the American Bankers' Association repudiated the crowd who were trying to use the organization for this purpose.

The VICE PRESIDENT. The clerk will read as requested by the Senator from Montana.

The Chief Clerk read as follows:

STATE OF MONTANA BOARD OF EQUALIZATION,
Helena, January 27, 1926.

Hon. THOMAS J. WALSH,
United States Senate, Washington, D. C.

DEAR SENATOR: We are inclosing herewith copy of a telegram received from Thomas B. Paton, general counsel for the American Bankers' Association. In this telegram it is urged that our board immediately ask the Montana representation in Congress to favor the elimination of the Federal estate tax from the revenue bill. In order that there may be no misunderstanding of our position, and in order to call this matter to the attention of our representation as requested, we wish to state that we are emphatically opposed to such elimination, and are just as emphatically opposed to the methods used by the opponents of the Federal estate tax to influence Congress in its consideration of the revenue bill.

We believe the Federal estate tax as passed by the House is a just and fair tax, and that the Federal Government should not retire from this field of taxation. While it is true that in some cases estates are required to pay taxes in more than one jurisdiction, it is also true that with the elimination of the Federal estate tax, estates could be exempted from all taxation. It is fallacy to believe that with the elimination of the Federal estate tax all States will adopt a uniform method of taxation. While taxing authorities may agree that such a condition should be brought about, the individual States have always been extremely jealous of their rights and have passed revenue laws to meet local needs and conditions. The elimination of the Federal tax will not in our opinion hasten the enactment of uniform inheritance tax laws by the several States, but will create a rivalry in the bidding for capital, which may eventually cause a repeal of all State inheritance taxes. With the rapidly increasing amount of tax-exempt securities outstanding, owners of great wealth may escape all contributions toward the support of Government by establishing residence in States which do not tax inheritances, and thereby withdraw necessary capital from States in need of development where inheritances are taxed. A fair Federal estate tax with liberal exemptions for State taxes would equalize and regulate this condition and reduce the attractiveness of tax-exempt securities as an investment.

We have heard it stated that the Federal estate tax is an attempt by the Government to coerce the States that now exempt inheritances from

taxation to adopt State inheritance tax laws. We do not believe this is a sound argument for the elimination of the Federal estate tax. The small minority of States that do not now tax inheritances should not be in a position to make it necessary for the balance of the States to repeal their inheritance tax laws in order to retain the domicile of their wealthy citizens.

The greatest single argument we have heard for the elimination of the Federal estate tax is that the Government should retire from this field in favor of the several States. From our investigation we find that the great majority of advocates of State rights are also opposed to State inheritance taxes. If the Government repeals the estate tax we are very much afraid that the principle of taxing inheritances in any form will be set aside as unsound and an entering wedge will be provided for the repeal of State inheritance taxes.

It is generally admitted that tangible property bears too large a proportion of the burden of government. With the rapid increase of interstate business the problem of State taxation is becoming more difficult. Business of all kinds that in past years was local in character and management is rapidly becoming a part of large corporations doing business in more than one State. State lines are rigidly maintained for purposes of taxation, while the intangibles and profits of these concerns escape taxation to a great extent by conflicting State revenue laws. Havens or sanctuaries for the rich should not be provided by the States; neither should the Federal Government allow this condition to exist. If the Government must repeal the Federal estate tax, a method should be found to compel owners of tax-exempt securities and intangibles to contribute proportionately toward the support of Government. Having supervision over the State inheritance tax law of Montana, we find that nearly all large estates are owners of tax-exempt securities. If the principle of income and estate taxation is sound, and we believe it is, it seems to us that the owners of such securities should not be allowed complete exemption during their life and their estates to escape taxation upon their death. Protection of property rights is just as great, if not greater, to owners of wealth as it is to owners of small means, and their contributions to society should be to a great extent commensurate with the privileges enjoyed.

In order to relieve tangible property from an unjust burden it is necessary that we as a State maintain our inheritance tax, and we can not subscribe to a policy that may eventually deprive us of this source of revenue.

Very truly yours,

STATE BOARD OF EQUALIZATION.
J. W. WALKER, *Chairman.*
O. A. BERGESON,
JAS. H. STEWART,
Members.

Mr. REED of Pennsylvania. Mr. President, in a very few minutes I desire to call attention to one or two features of the problem that I think have not been touched upon, or at least have not been stressed in the discussion thus far. I want to preface what I have to say with the statement that I believe in inheritance taxation. I believe that the right to transmit immunity from labor from one generation to another is an uncommon privilege, a very high privilege accorded to a citizen, and that it is a very proper subject of taxation. One saves his earnings primarily that he and those of his immediate family may enjoy life by immunity from labor at a time when old age or affliction makes labor difficult or impossible. But to pass that immunity on to a subsequent generation, to enable one who himself has not exercised thrift to live throughout his existence upon the efforts of others is a privilege which all governments may properly consider a subject for increasing taxation. That much for my fundamental belief on the subject.

We come to the provision in the bill that is before the Senate to-day, and I think I can say without fear of successful challenge that it is the most unfair system of inheritance taxation that can be found in any civilized country to-day. Taxes are paid by live men, not by dead men. Some one called this a tax on a dead man's estate, but actually the United States is taking the money from some surviving individual who would have it if the United States were not to take it. If that be so, and it seems to me it can not be successfully contradicted, then we ought to take from live men in the same proportion according to their circumstances. It is not fair to take from this live taxpayer ten or fifty times as much as we take from that one on the same amount of inheritance received, and yet that is what the bill proposes. I can explain my point by an illustration.

If I inherit the whole of a $100,000 estate, my tax under the provisions of the bill as it came from the House is $500. Out of the entire $100,000 estate that I get the tax is $500. But if my brother receives $100,000 from a $5,000,000 estate the tax which is deducted from his inheritance is $19,000. Now, what system of taxation is it that accomplishes such results? Two men receiving each the same amount are taxed, one of them $500, the other $19,000, not because of anything that they have done or left undone, but because the dead men from whom the inheritances are derived happened to be unequally wealthy.

Mr. BORAH. Mr. President, may I ask the Senator a question?

The VICE PRESIDENT. Does the Senator from Pennsylvania yield to the Senator from Idaho?

Mr. REED of Pennsylvania. I am glad to yield.

Mr. BORAH. That feature of the situation has been dealt with pretty successfully in England, has it not?

Mr. REED of Pennsylvania. I am not aware how they dealt with it there. I think they tax the amount received by each beneficiary. We have dealt with it pretty successfully in Pennsylvania, because we tax the amount that is received by each beneficiary. The Senator from New Mexico [Mr. JONES] urged that system when the 1924 tax bill was being considered. The Senator from Rhode Island [Mr. GERRY] urged it with great force, and I believed in it, as others did, and we offered an amendment in behalf of the Finance Committee when the bill in 1924 was being considered, the purpose of which was to correct this inequality.

Mr. SMOOT. Also in 1921.

Mr. REED of Pennsylvania. Yes; also in 1921. The one I am more familiar with is the 1924 law. We realized the inequity of the thing. It is shocking. We offered that amendment, but it went out in conference; we could not hold it. I believe that most of the Senators have not realized what a hideous unfairness this provision works out in its application to different classes of taxpayers. Senators may believe in an inheritance tax all they please. They may believe the Federal Government ought to levy it. They may believe that we ought to refund to the States the way the bill tries to do. But I defy them to defend such discrimination as that.

In another way I think the bill as it came from the House is unfair in its application to various States.

Mr. WALSH. Mr. President——

Mr. REED of Pennsylvania. I am glad to yield to the Senator from Montana.

Mr. WALSH. Does the Senator believe that if that system were substituted for the House provision it would be any more successful in conference this time?

Mr. REED of Pennsylvania. I doubt very much whether it would be. I am pointing out successively the defects as to which I think the bill is subject to criticism. I think the House attitude in all these years has been the wrong one in that respect and I think the Senate was right.

Now I come to another element of unfairness. We have heard much talk about the States that do not impose inheritance taxes for the reason that they wish to attract people to come and live within their borders. We also hear about States that do not have income taxes because they want to attract people to live within their borders. Does it not seem obvious to everybody that the expenses of running those States have got to be realized from the population of the State and, whether they adopt the method of inheritance taxation or income taxation or tax gasoline or the bread the people eat, the cost of operation of the States, the service of their loans must come out of their population in the long run. It is almost a false argument for a State to urge people to come and establish their domicile within its borders on the theory that because they have abstained from one branch of taxation the population of that State has a peculiar advantage. In the long run the money comes out of the people who live there, and whether it be taken by one form or another, they end in paying substantially the same amount.

Mr. BORAH. That is, the people as a whole.

Mr. REED of Pennsylvania. Yes; the people as a whole; and, of course, if the tax system among the people as a whole is not fair it is up to them to correct it; it is not up to us.

Mr. BORAH. I agree with that.

Mr. REED of Pennsylvania. Now let me illustrate the way this works, bearing that factor in mind. We say to Florida, for example, "You have taken no inheritance tax from your citizens, so we will charge your wealthy men 20 per cent." Is it not obvious that the citizens of Florida, taking them collectively, are paying to us the full 20 per cent rate, and that they are also paying all the expenses of running their State government besides? Therefore, by this bill we are imposing a double tax on the citizens of Florida, because we do not like the method adopted by Florida for raising her revenue from her citizens, while, on the other hand, as to some other State which adopts a method which we like we tax her citizens only once because their inheritance taxes are rebated by the Federal Government, all because we, sitting here in Congress, say it is for the best interest of Arizona or Washington or Florida or any other State that they adopt this method of taxation instead of some other.

We are taxing Florida five times as heavily on the inheritances of her citizens as we are taxing Pennsylvania, perhaps. What possible justification can we find for such a course of action as that?

Mr. BROOKHART. Mr. President——

The VICE PRESIDENT. Does the Senator from Pennsylvania yield to the Senator from Iowa?

Mr. REED of Pennsylvania. I yield.

Mr. BROOKHART. Conceding, as I do, that there ought to be no distribution of this tax back to the States, is it not a fact that most of the great fortunes that pay the large inheritance taxes are made in interstate and foreign commerce anyway?

Mr. REED of Pennsylvania. I do not know how they are made. Some of the biggest fortunes of which I know that I think most deserve taxation have been made by buying real estate and letting it grow in value from other people's efforts.

Mr. BROOKHART. Real-estate values are made very largely through connection with interstate and foreign commerce.

Mr. REED of Pennsylvania. I think they are made, to a considerable extent, by the desire of people to go to the theater at the same time in a few blocks in New York City, for instance.

Mr. BROOKHART. That is largely because of interstate traffic.

Mr. REED of Pennsylvania. I suppose so, in some cases.

Mr. BROOKHART. It being interstate traffic, should not the Government keep it all? What is the occasion for distributing it among the States? Is not the remedy to cut out the 80 per cent provision rather than to use that as an argument against the justice of an inheritance tax?

Mr. REED of Pennsylvania. I think the Senator from Iowa is exactly right. If there is any justification for this tax, we ought to keep it all.

Now let me come to the next point; and I am not unmindful of my promise to try to be brief. The only justification for levying a tax in this bill is that it brings in money to the United States to help pay its governmental burdens. We are all mindful of the great burden of $20,000,000,000 of the Federal debt, to which frequent reference has been made. The only excuse for levying a tax is that it will bring us in more money than it costs to raise it.

Here is what this does: If this bill is successful in clubbing the States into adopting a uniform tax policy, we are going to return 80 per cent of this 20 per cent maximum to the taxpayer.

We are only going to get 4 per cent net from the largest estates. We talk like rabid radicals, and yet we impose one of the smallest inheritance taxes by this rate that is known in the United States—4 per cent on the richest men. The average estate will not pay anything like that; it will not pay as much as 1 per cent. An estate of $100,000 will pay net to the United States one-tenth of 1 per cent after we have made the 80 per cent rebate. The tax is nominally $500, but we rebate $400 of that to the State. After all its effort to collect, after all its audits and appraisals of the estate of the taxpayer, the United States gets a gross income, then, of $100; and the cost of collection, as we all know, will run many times that amount. Looked on as a money raiser, it is hopelessly unproductive; and if we are proposing to enact this bill, as its title says, "to provide revenue," we are going about it in a mighty poor way.

Now, finally, the factor of clubbing the States has been talked about. I am a Calhoun Democrat in the matter of State rights. I believe that the invasion of State rights by the American Congress in recent years has been absolutely unpardonable, and if persisted in will break down the structure of our Government. Many of us believe that, and yet we argue, as the Senator from Idaho argued with such ability a few minutes ago, that if we repeal this tax we will see a campaign started in the various States to get them to repeal their inheritance taxes. Well, if my conception of government is right, what business is it of ours whether a campaign like that is started? What business have we got to concern ourselves with what campaign is started in the State of Idaho to make the people there change their taxes?

Mr. BORAH. Mr. President, I was addressing myself to the proposition that the contention that this was a fight between the Federal Government and the State governments is not the real contention here at all. The real force back of the repeal of this tax is the force that will be back of the repeal of any inheritance tax. While as a Senator I may not be interested in the State of Florida, as a citizen I am interested in maintaining an inheritance tax, and I was arguing against the principle which is assumed in this fight.

Mr. REED of Pennsylvania. Mr. President, I began my remarks by explaining that my own feelings are exactly the same; that I believe in inheritance taxation; but I do not believe for one moment that the Congress of the United States has a right to say to my State what it shall or shall not do on that subject, and that is what we are frankly attempting to do in this bill.

Mr. BORAH. I quite agree with the Senator upon that proposition, and so stated, that the Congress should not undertake to club the States into doing anything; but is the only remedy for that situation to repeal the law entirely?

Mr. REED of Pennsylvania. Of course that is not so. We can eliminate the 80 per cent rebate.

Mr. BORAH. Exactly.

Mr. REED of Pennsylvania. Does the Senator expect to propose such an amendment?

Mr. BORAH. No; I do not; I am not a member of the Finance Committee; but what I am asking is, why, if the Senator's argument be sound—and in some respects I think it is sound—why did the Finance Committee undertake to meet this in no other way than by a complete repeal of the inheritance tax? Why was not this iniquity of which the Senator first spoke as between brothers adjusted by a proper provision upon which we could vote?

Mr. REED of Pennsylvania. We tried that in 1921, and we tried it in 1924.

Mr. BORAH. And now the Senator's remedy is to repeal the tax entirely; that is what we have here. Instead of adjusting what the House provided, all we have is a complete repeal, with a refund to those who have been obligated to pay.

Mr. REED of Pennsylvania. Absolutely; because it is better to have no Federal effort than to impose the inequalities and unfairness which have been handed to us by the House in this case, and we know we can not get a fair one through.

Mr. WADSWORTH. Mr. President, will the Senator suffer an interruption at that point?

Mr. REED of Pennsylvania. I am glad to yield to the Senator from New York.

Mr. WADSWORTH. I might suggest to the Senator from Idaho that if the 80 per cent rebate—we will call it—is eliminated, or any per cent of rebate is eliminated, we instantly run into another dilemma, that dilemma resulting from the imposition of a Federal tax without rebate squarely on top of the State tax without rebate, or several State taxes. I assume that there was one motive in the minds of those who suggested this rebate, and that was to attempt to stop this pyramiding of inheritance taxes.

Mr. BORAH. I know it is said that the States are actually "clubbed," but there is very little pyramiding; and the Government collected $102,000,000 from estates.

Mr. WADSWORTH. There is very serious pyramiding; on certain classes of estates it becomes practically a confiscation. So, whichever road you take, you run into a dilemma, and it is due to the fact that the Federal Government has invaded the field.

Mr. BORAH. The State might levy a reasonable inheritance tax and the National Government levy a reasonable inheritance tax without any regard to the question of clubbing at all. I think these estates are capable of paying some kind of tax; everybody else pays. There is an immense amount of double taxation, when we come to consider it, as between the States and the National Government.

Mr. WADSWORTH. That is perfectly true. May I suggest, then, that if the National Government levies the biggest tax, without rebate, on inheritances or estates, the result of that is to cramp the States themselves in increasing their own rates, which many of them have wanted to do.

Mr. BORAH. According to the figures which the able Senator from Pennsylvania gave us a few moments ago as to the percentage that was actually levied, it could not cramp any State to amount to anything.

Mr. WADSWORTH. He was giving the figures in connection with the 80 per cent rebate.

Mr. BORAH. Exactly; but taking them and putting them together, what do they amount to?

Mr. SMOOT. Mr. President, some of the States have a maximum of 40 per cent; I know two States that have such a maximum.

Mr. BORAH. We have a maximum on the statute books of 40 per cent in the case of inheritance taxes, but when the refund is allowed it makes the rate only about 21 per cent.

Mr. SMOOT. Not unless the inheritance is for a charitable purpose.

Mr. REED of Pennsylvania. Mr. President, since we adopted that 40 per cent tax the Supreme Court of the United States held that it is competent for the States to provide in their tax laws that the Federal tax shall not be deducted before calculating the State tax. That is provided in the law of some

States; so that our 40 per cent must be added to the 35 or 40 per cent that obtains in the State to get merely the tax at the place of domicile; and when it is considered that stock in the New York Central Railroad Co., for example, can not be transferred until a tax has been paid in six States, that stock in the Chicago & North Western Railway Co. can not be transferred until a tax has been paid in three or four States, that stock in the Atchison, Topeka & Santa Fe Railway can not be transferred until a tax has been paid in almost every State along its line from the Mississippi to the Pacific, it can be realized that the pyramiding, as the Senator from New York well says, has become intolerable. That is a strong reason for our getting out of this field.

Mr. President, I promised to quit promptly, and with only a half hour left before we vote, I think I ought to yield the floor.

Mr. BORAH. Mr. President, I should like to ask the Senator one more question. The argument of the Senator, therefore, after all is for a complete repeal of this tax.

Mr. REED of Pennsylvania. This tax ought to be repealed because of the reasons that I have given. Even if we did believe in continuing the tax, we ought not to continue this one, and it is incapable of amendment in any way that we can get the House to accept.

Mr. NORRIS. Mr. President, let me ask the Senator a question before he takes his seat. It appears to me that the only way to get rid of all of this pyramiding, if we are going to have any estate tax at all, is to provide a Federal estate tax, because even the repeal of the Federal estate tax would not prevent the pyramiding which has been described by the levying of different State taxes.

Mr. REED of Pennsylvania. Precisely.

Mr. NORRIS. The only remedy, it seems to me, is to rely on the Federal tax, which is the same all over the United States.

Mr. REED of Pennsylvania. But we can do our share of remedying it by getting rid of the inequalities of the Federal tax, and leaving it to other legislatures to do their work in the same way.

Mr. NORRIS. That is true; I concede that to be logical if we are to proceed on the theory that we ought to have no estate tax anywhere, either State or Federal; then what the Senator says would be good logic, it seems to me.

Mr. WALSH. Mr. President——

Mr. REED of Pennsylvania. I yield the floor, unless the Senator from Montana wishes to ask me a question.

Mr. WALSH. I should like to ask the Senator a question. I was unable to follow the figures given to us, interesting as they were, by the Senator a little while ago. I do not make the calculation that the Senator does at all, and it may be that I do not understand the provision of the House bill found on page 173. That provision reads:

(b) The tax imposed by this section shall be credited with the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or Territory or the District of Columbia, in respect of any property included in the gross estate.

My State imposes a tax of 4 per cent, and we will assume that 20 per cent is the rate here, although, of course, it may be reduced; so that if the State is credited with all the State estate tax it will still pay 16 per cent to the Federal Government. Then, however, it is provided:

The credit allowed by this subdivision shall not exceed 80 per cent of the tax imposed by this section, and shall include only such taxes as were actually paid—

And so forth.

Mr. REED of Pennsylvania. Precisely.

Mr. WALSH. So that the 80 per cent would apply only, it seems to me, in case the State rate were higher than the Federal rate. If the State rate were 25 per cent, credit could be given only for 80 per cent of the 25 per cent, which would be 20 per cent.

Mr. REED of Pennsylvania. No, Mr. President; I think the Senator misunderstands it, or else I do. The 80 per cent limitation is calculated on the Federal tax.

Mr. WALSH. Exactly.

Mr. REED of Pennsylvania. The rebate can not be more than 80 per cent of the Federal 20 per cent tax.

Mr. WALSH. Exactly.

Mr. REED of Pennsylvania. That is to say, in other words, that 16 per cent out of the 20 may be rebated if the State tax is that high.

Mr. WALSH. If the State tax is that high; but if it is not that high, the State gets no benefit whatever from it. That is to say, no State gets any benefit at all from this provision unless its rate is higher than 80 per cent of 20, or, in other words, higher than 16 per cent. Any State whose inheritance tax law imposes a tax less than 16 per cent gets no benefit whatever from this law.

Mr. REED of Pennsylvania. That is exactly so. I still will yield the floor in a moment, but I want now to answer that point.

The obvious effect of that upon the States is this: Each State legislature says to itself: "Our citizens are going to pay so much inheritance tax. If we put our rates up to 16 per cent, we will get the money and keep it here in our State treasury. If we do not do that, the money goes out from our citizens just the same, but it goes to Washington." So they are going to do just what my State did last year, in 1925. It passed a law providing in substance that our inheritance tax should be the maximum amount that was allowed under the Federal law to be rebated to the taxpayer; and every other State will take that maximum, because it knows that the citizen has to pay the money, and it would rather get it for the State treasury than have it come here.

Mr. WALSH. I rose merely to say that in my judgment the basis of the computation of the Senator was not in accordance with the provisions of the House bill.

Mr. REED of Pennsylvania. The Senator refers to my adding the 40 per cent of the Federal tax to the 40 per cent of the State tax in that illustration?

Mr. WALSH. The Senator was explaining how little the Government of the United States got out of this by reason of this 80 per cent provision; but I am insisting that it gets all there is.

Mr. REED of Pennsylvania. Oh! Now, I understand the Senator's point. I did not know which figures he referred to.

Obviously, in the case of the largest estates, the Federal rate of 20 per cent will not all come to the Government of the United States, because 80 per cent of it is rebated to the taxpayer.

Mr. WALSH. No; that, I think, is an entirely erroneous statement. The estate simply gets credit for the amount which it paid to the State; that is all.

Mr. REED of Pennsylvania. Precisely.

Mr. WALSH. If the State rate is 4 per cent, and the Federal rate is 20 per cent, the Federal Government gets 16 per cent, and the State gets its 4 per cent.

Mr. REED of Pennsylvania. We were talking at cross-purposes, then. When the States put up their tax rates, as every one of them will do, for the reasons that I have outlined, then the payments to the State will be credited against the Federal tax and will diminish it to a maximum of 4 per cent.

Mr. WALSH. Let me remark that I do not think that conclusion will follow at all. Our State is now considering that; but there is an exemption here of $50,000, and that will embrace 99 per cent of the estates in my State, and they will not stand for a rate of 16 per cent. Consequently, there is not any likelihood that our State will ever go to any such rate as 16 per cent, however they may do in the State of Pennsylvania.

Mr. REED of Pennsylvania. I venture to say that they will very rapidly go to 16 per cent on the largest estates, particularly if there are so few of them.

Mr. HEFLIN. Mr. President, under some circumstances I should favor a Federal inheritance tax; for example, in time of war. In time of peace, however, it seems to me that this field of taxation should be left to the States.

Our educational interests are expanding and growing all the time, as they should. Our growing educational interests are naturally demanding more and more money as the years come and go. The States have a right to use and they are going to need for their own use the taxable properties that belong to the States. I am opposed to allowing the Federal Government to reach in and take from the State the things that the State alone should tax.

I do not like the principle involved in this attempt on the part of the Federal Government to coerce the State, to compel the State to agree to surrender for Federal taxation the things that should be left to the States. I do not think that the Federal Government should be encouraged in the dangerous business of forcing a sovereign State to surrender its sovereign powers to the Federal Government. I am opposed to surrendering the taxable properties of the State to the Federal Government.

Mr. President, I want to call to the attention of Senators a very dangerous thing that is going on in the country now. It is a propaganda to do away with all tax-exempt securities. When the proposition is first suggested it seems very plausible; it seems sound and right that we should not have any tax-exemept securities; but when we analyze the propo- any tax-exempt securities; but when we analyze the propo- we reach a different conclusion. Tax-exempt securities are municipal bonds in the cities of my State and other States.

They are bonds issued by a town or a city for the purpose of putting in waterworks, electric lights, or to erect municipal buildings and pave streets. These tax-exempt securities are bonds issued by a county to build roads in the county. They are bonds issued by a county to build a courthouse. They are bonds issued by a State to build a statehouse. The State exempts all such securities from taxes. They are sold in the markets of New York and other places as tax-exempt securities. They are eagerly sought, because they are tax-exempt securities. We have and we need a market for them. Now, what benefit is derived from such a market?

The people in various localities who have not got the money needed to carry on certain work can now issue bonds, and when investors buy these tax-exempt securities they are enabling labor to have employment in these localities, and they are enabling the town to make needed improvements; they are enabling the county to build its roads or its courthouse, and they are enabling the State to issue bonds for road purposes or for the purpose of building a State capitol.

This question was raised here just a few minutes ago by a telegram which the Senator from Montana [Mr. WALSH] had read at the desk. It suggested that we go after these tax-exempt securities and prevent them in the future. Mr. President, if tax-exempt securities had not been permitted, we could not have issued, as we did, tax-exempt farm loan bonds. The Federal farm loan bank bonds were and are exempt from taxes. Would Senators vote to impose taxes upon bonds of that character? Are we willing to set this precedent of permitting the Federal Government to coerce the States, to say to the municipalities in the State, "If you do not tax these municipal bonds or these school bonds, we will; but if you do tax them, we will give you part of the taxes and we will take part of the taxes"? "If you will not tax these road bonds in a county, we will. If you will not tax your courthouse bonds, we will; and if you will not tax the statehouse bonds in your sovereign State, we will."

Mr. President, when you analyze that situation, what is it? You are simply permitting the Federal Government to levy taxes on the streets of a town in a State where they have issued bonds to pave the streets. You are permitting the Federal Government to levy a tax against the town that has issued bonds to build waterworks and to put in electric-light plants. You are permitting the Federal Government to reach into a State and tax the roads of a county, because that is what you do when you permit the Federal Government to levy taxes on the bonds issued for the purpose of building those roads; and you permit the Federal Government to levy a tax upon the capitol building of a sovereign State, because that is what you are doing when you permit it to levy a tax upon the bonds issued for the purpose of building that capitol.

I want Senators to do some thinking on that subject. Nothing so far has been said here against this propaganda to do away with our tax-exempt securities. The market for such securities is a very important and beneficial market for the various local governments and subdivisions of our country; and when Senators rise and say: "We ought to do away with all tax-exempt securities," they are proposing to destroy a very beneficial agency—one that reaches into every nook and corner of the country and helps localities to obtain money when they can not get it from any other source, money needed to carry on work and make necessary improvements in town, city, county, and State. Not only that, you are imposing a heavy tax burden upon the people of the towns, cities, and counties of the various States of the Union. If you permit the Federal Government to impose taxes upon town, city, county, and State bonds, you are laying an additional tax burden upon the people of those localities. They will have to pay such a tax.

Mr. CUMMINS. Mr. President, I have taken no part in the discussion of the revenue bill, largely because my voice is so afflicted that it is a torture to me, as it would be to those who hear me, to use it; but I desire to say just a word with regard to this question.

I believe that the ideal condition is that this particular field of taxation shall be left to the States; but, Mr. President, I am not able to vote for the amendment proposed by the committee. I will not vote for any amendment that will repeal the Federal estate tax in so far as the estate which is being administered is composed of tax-exempt securities.

This amendment would not only repeal the estate tax without regard to the character of the estate, but it is retroactive in its effect and would involve the repayment to the heirs of the taxpayer of a very large sum of money.

I can not see how the theory can be sustained of allowing the tax-exempt securities of which an estate may be composed to go free. We have no power to tax them so long as the taxpayer lives. Our only opportunity to secure from them the contribution which they ought to make to the expenses of the Government is through a Federal estate tax. For that reason I will find it impossible to vote for the amendment proposed by the committee.

I would be far better satisfied if the House provision had provided for a credit of 100 per cent of the taxes levied by the various States and paid by the estate which was under consideration. But the rebate or credit of 80 per cent is an approach toward the situation which I think ought to exist.

I wanted to say just so much, because it is very well known that I believe that as a broad, general principle, this field of taxation ought to be left to the States.

Mr. JOHNSON. Mr. President, just a word in regard to the pending matter. I have listened very sympathetically to the remarks that have been made by my friends the Senators from Florida concerning that State. I recognize its progress, I recognize, indeed, all of the beauties to be found in every portion of that particular territory. I have the same pride in that State that I have in every other State, and I recognize no jealousies among the States of this Union. I am proud of all of them. I am prouder still of the United States of America, for I am yet, Mr. President, a nationalist.

I recall two years ago the contest here upon what was designated the Mellon tax plan. I remember that I was one of those on this side of the Chamber who followed the distinguished Senator from North Carolina [Mr. SIMMONS], and voted for the plan that was then presented by him, and succeeded, with those upon the other side and some upon this side, in having that plan adopted. I believed it infinitely better than what was designated as the Mellon tax plan. I believe now it was infinitely better than what was called the Mellon tax plan, and I know that in the estimates of the Treasury Department that were presented to us at that time inaccuracies galore were pointed out, inaccuracies which the CONGRESSIONAL RECORD will disclose.

As I have listened to the arguments upon this bill, as I have listened to the distinguished Senator from North Carolina and others upon the Democratic side, I have thought that I could exclaim with Mr. Reggie Fortune, in the inimitable mystery stories of Mr. Bailey:

I wonder, I wonder; there are so many funny things unexplained.

I am unable to determine, sir, just exactly the position of those gentlemen on the other side who strove with such vigor two years ago. I am unable to determine what change has come over the spirit of their dreams.

The inheritance tax, or the estate tax, as it is termed, I deem equitable, fair, just, and economically sound. I deem it economically sound, and therefore a policy which should not be abandoned by the United States Government.

I do not, of course, believe in coercing any State in this Union, either in its taxing power or in any other power. But this question transcends in importance the desire of any State to levy taxes in any particular matter. It is a governmental policy for the United States of America to determine, and if economically sound, fair, just, and equitable, it should not be abandoned by the United States of America.

I would not abandon it because so eminently it is just. I would not abandon it because it touches vast fortunes amply able to pay it that otherwise would not pay their just dues. I agree with the words of the Senator from Idaho [Mr. BORAH] uttered just a few moments ago. This, with the other things we have done in this tax bill, constitutes the entering wedge in a system of taxation which is unjust, unfair, inequitable, and which is to bear down finally, not upon the great fortunes of this land at all, but to bear down upon those who are least able to bear the burden of taxation.

Philosophically there are two modes of taxation—they were presented by the former Mellon plan. One begins at the top, and at the top would do that which is best, so far as the Government is concerned, with the fortunes that are greatest. The other would begin down on the ground, with those who were least able to bear taxation and would deal with them more harshly than it would with the other kind.

The Mellon plan concerned itself first with those most able to pay taxes; the system we finally adopted concerned itself first with those least able to pay and then did justice to the other class and was fair to all.

Because the measure that was presented by the Senator from North Carolina two years ago seemed to me philosophically to be right in touching those who were most able to bear taxes and touching least those who were least able to bear taxes, I was very glad to be a part of the membership of this body which passed that measure and made it a law; and it has been a law until this time. Every lugubrious prognostication against it made by those advocating the Mellon plan has been disproved, and time has justified it.

Now, to abandon an economically sound method of taxation, and to abandon it upon the theory that ultimately it will be abandoned throughout this land, is a policy which I do not believe we should enter upon and which I trust we will not. To abandon it when the signs of the times seem to indicate beyond the peradventure of doubt that the intention is ultimately to relieve those who are most able to pay taxes and to put the burden upon those who are least able to pay taxes is an unjustifiable thing in the Senate of the United States or in the Congress. This bill is neither just no economically sound. It represents the wishes of those of vast wealth alone, and the amendment is part of an apparent plan to relieve those who have much of their just share of taxation.

I trust, therefore, that the amendment of the Senate Finance Committee will not prevail.

Mr. GEORGE. Mr. President, I ask to have printed in the RECORD, without reading, a statement by Hon. Edgar Brown, speaker of the South Carolina House of Representatives, on this subject.

The VICE PRESIDENT. Is there objection?

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

STATEMENT OF HON. EDGAR BROWN, SPEAKER OF THE SOUTH CAROLINA HOUSE OF REPRESENTATIVES

Mr. BROWN. Mr. Chairman and gentlemen of the committee, we feel that it is scarcely necessary to present to you gentlemen lengthy arguments in favor of leaving to the States the opportunity and responsibility for levying of death taxes, except as the Federal Government may temporarily levy such taxes in time of acute national emergency. Conclusive arguments in favor of such a policy have been repeatedly presented and particularly emphasized by President Coolidge and by Secretary Mellon. They were briefly but earnestly presented before the Committee on Ways and Means of the House of Representatives by the governors of a number of the States of the Union and supported by the indorsement of the governors of a majority of the States and by officers and members of State legislatures.

Not only is the action which we urge and recommend in line with the historic policy of the Nation and in harmony with our system of government, but the policy is particularly urged and demanded by the conditions of the present time and by the need of additional sources of revenue by the States. It is universally admitted that there are no conditions of emergency requiring the continuation of the levy of estate taxes by the Federal Government, and the continuation of such levy under the circumstances violates every principle of our long-established and generally approved national policy of taxation.

The House of Representatives, by its action in the pending revenue bill in reducing the Federal estate taxes by one-half, has not only recognized the almost universal protest against excessive estate taxes but it has also recognized the general public sentiment in support of the complete abandonment by the Federal Government of this field of taxation. The reduction made by the House is approved, but it does not go far enough. The approval by the House of the inheritance section of the revenue bill is tantamount to an admission that the Government should entirely retire from this field of revenue. But in doing so the Government would say that, while it does not need the revenue and is not expecting to raise any considerable amount of revenue under the terms of the bill, the thing that the Government wants to bring about is that each and every one of the States will be forced, whether they wish to do so or not, to adopt the same inheritance tax that the Federal Government adopts. I take it that none of us need to delude ourselves as to the purpose of the provision in question. Under the provisions of the existing law the Government levies, in the higher brackets, up to 40 per cent on inheritances, 25 per cent of which may be collected by the State, leaving 75 per cent of the 40 for the Federal Government. But in the present bill the Government would reduce the rate to a maximum of 20 per cent and allow the State to collect 80 per cent of the 20. Or, to put it another way, the State would be allowed to collect 16 per cent and the Government 4 per cent.

No one will gainsay the statement that a 4 per cent inheritance tax collected by the Federal Government, with the expense of maintaining a department for that purpose, appraising estates, carrying on litigation, etc., will make that department hardly more than self-sustaining.

I am informed that the cost of collecting inheritance taxes by the Government is from 1½ per cent to 3 per cent. If this be true, does the Government want to levy a 1 per cent or a 1½ per cent inheritance tax?

It is, therefore, conclusive that the effect is one not to raise revenue for the Federal Government but to force upon the States a rate and system of taxation that may be obnoxious to them.

I take it that the Members of this Congress, elected by the people as National Representatives, are here to legislate with regard to national and international affairs and not to pass regulatory measures to coerce the sovereign States. You may provide revenue, you may originate revenue measures, but revenue for what? For the support of the Federal Government. Are you here to provide revenue and to originate revenue measures for the benefit of the States? By what right does Congress conceive the idea that it is just to pass regulatory measures involving the rights of the State to levy and collect a direct property tax? The States elect their own representaives and send them to the legislatures for that purpose and to determine those questions. It may be true that some inconveniences are arising, and perhaps many inequities exist because of the attitude of the different States on the inheritance-tax question, but that is a matter for the States. If the Federal Government is going to step in and attempt to adjust every inconvenience or inequity in State laws, then we may as well abandon any effort to maintain the rights of the States and allow Congress to regulate the subjects and rates of taxation in every State.

Every Member of Congress knows, and the people back home know, that this is an effort to do indirectly something which Congress has no right to do directly.

Notwithstanding the arguments that have been made on behalf of the temporary retention of a Federal estate tax at a reduced rate, we are still of the opinion that there are no insurmountable difficulties in the way of an immediate repeal of the Federal estate tax laws. It is true, as above suggested, that there is a lack of uniformity among the States in the matter of taxing estates, but those best informed on the subject are of the opinion that as long as we have States as entities of government there always will be a lack of uniformity not only in this but other laws, and that such a lack of uniformity is not only inevitable but to a certain extent wise and justifiable. On the other hand, we are of the opinion that the objectionable features of State inheritance taxes will be more speedily remedied with the Federal Government entirely out of this field of taxation, and that the sooner we return to our historic national policy in this regard the sooner will the States seek and find remedies for the present objectionable duplication and overlapping of inheritance taxes.

While the House of Representatives took a long and commendable forward step in the reduction of Federal estate taxes, it also took a very unfortunate and, in our opinion, wholly indefensible backward step in the provision contained in paragraph (b) of section 300, pages 143 and 144 of the pending revenue bill, under which the tax imposed by the Federal Government shall be credited to the amount of any estate inheritance legacy or succession taxes paid to any State or Territory to the amount of 80 per cent of the Federal tax. This provision is objectionable from many viewpoints. It undoubtedly appeals to those who favor the maintenance of high estate and inheritance taxes and who desire to have the Federal Government remain in the death-tax field. Undoubtedly it was assumed that those who believe in the principle and policy of leaving the question of the levying of death taxes with the people of the States, this 80 per cent credit is even more objectionable than the failure to entirely repeal the Federal estate tax. Whatever may have been the thought or purpose of those responsible for it, it is in the nature of a bribe, and it amounts to a congressional coercion upon the States to harmonize their death taxes and policies with a plan proposed by the Congress without consideration by or consultation with the people of the States and their legislative representatives.

As a matter of national policy, this 80 per cent credit is objectionable because it makes the Federal Government a revenue collector for the States, leaving the Federal Government in some cases an exceedingly narrow margin of revenue, if indeed it would not in some instances entail an actual loss upon the National Treasury. For what purpose is this 4 per cent levy to be laid by the Government? If its purpose be to tempt, urge, or coerce the States into the enactment of death tax laws in harmony with the view of the Congress thus expressed, it is a wholly unjustifiable act on the part of the Congress. If, on the other hand, it is to be taken as an admission that it is believed that the Federal Treasury needs the revenue that might be secured from a 4 per cent levy on estates, then the law should be amended in accordance with that view and the Federal levy reduced to a 4 per cent maximum. Why? Do the States need supervision at the hands of the Federal Government? Which department is best fitted to do justice to an estate in the matter of returns and appraisements—a Federal department clerk living in Washington, whose home is in New York (and who is sent to South Carolina to make an appraisement and knows nothing of local conditions), or vice versa, or the tax department of New York or South Carolina, the agents of which are familiar with local conditions and values? Under a Federal appraisement executors of a deceased person are confronted with a formidable volume to fill out in triplicate (which a Philadelphia lawyer couldn't understand), answering an infinite number of questions, and the return is always checked by an agent of the department, bound by hard and fast rules from Washington, with no power to decide any controverted question, but with infinite zeal for revaluing the property with respect to which he probably has no means of making an intelligent appraisal. The executors are indeed fortunate if they can settle the Federal tax question without reams of correspondence with the authorities (which often remain unanswered for months), with the assistance of his lawyers and usually trips to Washington, without accepting a number of injustices in connection with the appraisal of property or the interpretation of the law, which they

realize it would be cheaper to accept than litigate over, for if the estate's representatives are unwilling to accept a ruling by some department clerk or head which they consider unjust, their only redress is a series of appeals and court litigation which may cover a period of years. I know of cases where in order to collect a hundred or two dollars in Federal inheritance tax the Government has spent hundreds and hundreds of dollars in appraisements, reappraisements, and litigation and caused those interested untold expense and worry. Annoying rulings are constantly being promulgated by the lesser officials.

Here is an instance of wrongdoing on the part of the department here in Washington the like of which will continue as long as the Government stays in this particular field of taxation, and particularly if under the pending bill the Government is to make all appraisements and fix regulations surrounding the collection by the Federal and State governments of this tax. It is an almost universal practice in the States for married men to have the title to the family home placed in the wife's name, and it has generally been held by the courts that in such case the wife has complete and indefeasible title. When the husband dies the home under such circumstances is no part of his estate. The estate-tax authorities have, however, ruled that in case a husband buys a home for his family and puts the title in his wife's name perhaps many years before his death, the home remains part of his estate for the purpose of the Federal estate tax, if the husband and wife continue to occupy it together until his death, on the theory, apparently, that the wife does not begin to enjoy the home until she has either turned her husband out of doors or he has died. It is the constant necessity of struggling against rulings of this character, of unwarranted increases in the valuation of property, and the delays in securing final decisions rather than the amount of the tax that have caused the estate tax to become the bane of those who are trying to settle moderate-sized estates. It is often found, after long-drawn-out correspondence and perhaps litigation, all usually caused by some clerk's ruling, that no inheritance tax whatever is due the Government. This condition serves to illustrate what most of us know by experience, that the inheritance tax department of the Federal Government has caused the people of this country more trouble and worry than any other department of the Government which deals directly with the people, and this accounts largely for the unpopularity of the law and the almost universal demand for the Federal Government to get out of that field of revenue.

The collection by State authorities of inheritance taxes is accomplished with little friction or hardship. The forms are simple. The department heads are familiar with values, people, and conditions. The heads of the inheritance tax division are to be found every day at the State capitol, accessible to any citizen, and any difficult question can be ironed out without trouble. If a legal question arises, the State statute is simple and the question can be promptly determined.

Another and the more serious objection to the plan of what practically amounts to a joint Federal and State levy is the unwarranted and woeful extension of Federal centralization. The States should retain jurisdiction and direct supervision over all sources of revenue that may properly be classed as State revenue measures. The inheritance tax is a direct property tax, a field which the Federal Government has entered only on the occasion of war emergency, and always heretofore has withdrawn when the reason for such unusual taxation has ceased. The great World War has ended—the emergency is over, and the Government has no longer need for this extraordinary tax.

And what of the infringement of the rights of the States? Is there justification for this apparently unwarranted invasion of the rights of the States? We claim not. Is the question of States rights raised in this matter? We claim that it is. Is there any such thing as the rights of the States? Statesmen all rave over the rights of the sovereign States to exercise this, that, or the other power and then some of them go ahead and vote to the contrary. There has been so little real protest against the invasion of State rights of late years that it almost appears that the States have lost these rights by laches. Beveridge's History of the Supreme Court of the United States fully depicts the swing of the pendulum for and against the rights of the States. At one period of our history the tendency is toward invasion of these rights by the Federal Government, and at another the swing is back to the Constitution. The various interpretations of the commerce clause of the Constitution is a fair illustration of how far we have gone in one direction. The tendency, however, at this time, is the other way. To-day, however, we are not so jealous of our rights as our forefathers were. They had lived and fought and struggled to secure the blessings of liberty and they were determined to enjoy the benefits of their hardships and experiences, and so resented grossly an encroachment upon the rights that they had secured. But as time passed these pioneers passed also, only to be followed by others less experienced in hardships and struggle, and more accustomed to ease and luxury. Those who came after them were correspondingly indifferent to the principle which the fathers had fought for. The growth of the country developed a national outlook. It was accentuated when, as we grew, we began to play an important part in the affairs of the world. Our national pride was stirred and our participation in the World War was the full development of this spirit.

It is not to be unexpected, therefore, that we find among us those who are willing to drift from the original purposes of the Constitution and make dangerous departures from the theory that there are strongly defined lines of demarcation between Federal and State functions.

It is only necessary on this question to recall the ninth and tenth amendments to the Constitution:

"The enumeration in the Constitution of certain rights shall not be and construed to deny or disparage others retained by the people.

"The powers not delegated to the United States by the Constitution, not prohibited by it to the States, are reserved to the States, respectively, or to the people."

But we drifted into the interstate commerce act, the Sherman Act, the Federal employers liability act, the Federal water power act, and others, all of which to some extent was an encroachment, as was the attempt to legislate nationally on child labor. Many of these acts undertake to do, in whole or in part, that which could be better done by the States.

Then along another line we have drifted further than was attempted in the above-enumerated acts. The highway construction act of 1916, the Smith-Lever Act, the Sheppard-Towner Act, all edging into activities that more properly belong to the State. I have never thought much of these 50-50 mess of pottage acts by Congress.

Mr. Chairman, I file with the committee as a part of this brief—

(a) Compilation of expressions of opinion on this subject including 4,239 members of State legislatures, a great majority of the speakers of State legislatures and governors of States. These speak for themselves.

(b) A list of the individual members of State legislatures who have indicated their opposition to the Federal inheritance tax.

(c) Copies of letters and telegrams received since the above information was compiled yesterday morning, from other members of legislatures, speakers, and governors, who also desired to be recorded against this measure.

In conclusion, Mr. Chairman and gentlemen of the committee, I desire to say, first, personally and officially, and as representing the committee of speakers, and speaking what I believe to be the sentiment of the great majority of State representatives and governors who have expressed themselves on this subject, as a matter of principle and as a matter of democracy, the Federal Government has no right in the inheritance tax field. It is a field which the State ought to have to itself. Fundamentally it is a tax upon the right to inherit. That is the theory upon which the courts have held that it can be legally justified. That being true, it is the State which gives its citizens the right to inherit and protects them in that inheritance, and the State is the only authority which can morally and legally exact a death tax.

Mr. HOWELL. Mr. President, I believe the Senate should know the actual amount by which the repeal of the estate tax, as provided in this bill, will affect the receipts of the United States Treasury. For the first five months of this fiscal year assessments upon estates amounted to $61,000,000, in round numbers, or at the rate of about $150,000,000 per annum. Under the bill as amended by the Senate committee every dollar of that resource would be taken away. The Treasury would not receive credit for this $150,000,000 this fiscal year or thereafter if the amendment of the Senate committee should prevail.

Not only this, but there remain of deferred estate-tax payments to be collected by the United States Government $115,000,000. If this amendment shall be adopted, that amount will be reduced to $320,000,000, or reduced by $95,000,000. That is because estates that have been assessed under the act of 1924 will receive rebates of deferred payments to the amount of $95,000,000 and of cash already paid to the amount of $5,000,000, making a total of $100,000,000.

This bill also provides for the repeal of the gift tax, which was imposed for the purpose of discouraging evasion of estate taxes. From that source the Treasury has received $7,500,000 per annum. In other words, under this bill we are taking from the Treasury of the United States a total of $150,000,000 on account of estate taxes; on account of rebates of estate taxes, $100,000,000; and on account of the gift tax, which supplements the estate tax, $7,500,000, or a total of $257,500,000 for this fiscal year.

Moreover, of those reporting incomes last year 5,694 enjoyed incomes of $100,000 or more, and this class—the 5,694 class—and the estates of those who enjoyed these incomes in life will be the beneficiaries of $154,500,000 of the total of these reductions and rebates. To all the rest of the people of the United States the repeal of these taxes will mean relief to the extent of $103,000,000.

These are the outstanding features of this bill so far as the estate tax and the gift tax are concerned. This 5,694 class will be afforded benefits under this bill during the current year of $154,500,000, and all the rest of the people of the United States, $103,000,000.

I trust that the committee amendment will not prevail but that an amendment retaining the estate tax, at least to the extent that it has been retained by the House, will prevail.

Mr. KING. Mr. President, will the Senator permit an inquiry before he resumes his seat?

Mr. HOWELL. Certainly.

Mr. KING. Does not the Senator think the amendment he is to offer, as I understand it, if I properly interpret his remarks, should be tendered as an amendment to the Senate committee amendment?

Mr. HOWELL. Mr. President, I realize that; but I wish to say that as another Senator will present an amendment covering the matter I shall not present such an amendment myself.

Mr. COUZENS. Mr. President, in connection with the colloquy between the Senator from Nebraska and the Senator from Utah I wish to say that the amendment I shall propose will come later on. If it is adopted, it will repeal the amendment now pending, if this shall be agreed to, and will place the estate tax back to where it is on the statute books at the present time. It has no connection with this particular vote.

Mr. KING. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state his inquiry.

Mr. KING. Will not the rejection of the Senate committee amendment and an amendment striking out 80——

The VICE PRESIDENT. Under the unanimous-consent agreement, the hour of 4 o'clock having arrived, the question is upon agreeing to the committee amendment, as amended.

Mr. KING. Mr. President, what is the amendment?

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 170 the committee proposes to strike out from line 14 down to and including line 2 on page 208 and insert as Title III, estate tax, from line 3 on page 208 to line 3 on page 212.

Mr. SMOOT. On that I ask for the yeas and nays.

The VICE PRESIDENT. The Chair will state that any amendment to be offered should be presented before the committee amendment is voted on.

Mr. KING. Mr. President, because that is subject to amendment, I move to strike out, on page 173, line 12, the figures "80" and insert in lieu thereof the figures "25."

Mr. SMOOT. Then the Senator desires to perfect the House text?

Mr. KING. Yes; I am perfecting the House text.

Mr. HARRISON. Mr. President——

The VICE PRESIDENT. The question is not debatable. The question is on the amendment offered by the junior Senator from Utah.

Mr. KING. Mr. President——

Mr. HEFLIN. I call for the regular order.

Mr. KING. The Senator need not be impatient. I desire to have my motion stated.

The VICE PRESIDENT. Will the Senator restate his amendment?

Mr. KING. My motion is to strike out, on page 173, line 12, the numerals "80" and insert in lieu thereof the numerals "25," which would mean that the amount remitted to the State would be 25 per cent instead of 80 per cent, thus maintaining the existing law.

The VICE PRESIDENT. The question is not debatable

Mr. MOSES. Mr. President, a parliamentary inquiry. May the unanimous-consent agreement be read, so that we may know exactly how we are proceeding?

The VICE PRESIDENT. The clerk will read the agreement.

The Chief Clerk read as follows:

Ordered, by unanimous consent, That on the calendar day of Wednesday, February 10, 1926, at 4 o'clock p. m., the Senate will proceed to vote without further debate upon "Title III—Estate tax," and all amendments thereto.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the junior Senator from Utah [Mr. KING] to the House text proposed to be stricken out by the committee.

The amendment was rejected.

The VICE PRESIDENT. The question now is on agreeing to the amendment of the committee as amended.

Mr. SMOOT. On that I demand the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. McLEAN (when Mr. BINGHAM's name was called). I wish to announce that my colleague, the junior Senator from Connecticut [Mr. BINGHAM], is unavoidably absent from the Chamber. If he were present, he would vote "yea."

Mr. HARRELD. Mr. President, a parliamentary inquiry. Is this a vote on the committee amendment itself or on an amendment to the committee amendment?

The VICE PRESIDENT. The vote is on the committee amendment as amended.

Mr. SMOOT. In answer to what the Senator from Oklahoma [Mr. HARRELD] asked, an amendment was made to the committee amendment, so the Chair was absolutely correct in stating that the vote is on the committee amendment as amended.

Mr. HARRELD. It is on the committee amendment as amended?

Mr. SMOOT. Yes; the whole committee amendment as amended.

Mr. REED of Missouri. Mr. President, a parliamentary inquiry. There seems to be some confusion about the form of the question. I want to ask if I am correct in the thought that a vote "yea" means to wipe out the inheritance tax and a vote "nay" means, in substance and effect, to leave the House text as it came to us? There seems to be some confusion about the question.

The VICE PRESIDENT. The question is on striking out the House text on pages 170 to 208 and inserting the Senate committee text on pages 208 to 212, thus inserting in lieu of the House text the language reported by the Finance Committee.

Mr. REED of Missouri. Which means, if the amendment is accepted and the House text goes out, that there will be no estate tax?

Mr. KING. That is correct.

Mr. REED of Missouri. I merely wanted to be sure that the matter was understood.

SEVERAL SENATORS. Regular order!

The VICE PRESIDENT. The roll call will be proceeded with.

The Chief Clerk resumed the calling of the roll.

Mr. BROOKHART (when his name was called). I have a pair with the junior Senator from Arkansas [Mr. CARAWAY]. If permitted to vote, I would vote "nay."

Mr. JONES of Washington (when Mr. CURTIS's name was called). The senior Senator from Kansas [Mr. CURTIS] is necessarily absent on account of illness. He is paired with the Senator from Missouri [Mr. REED].

Mr. COPELAND (when Mr. EDWARDS's name was called). The junior Senator from New Jersey [Mr. EDWARDS] is unavoidably absent. If he were present, he would vote "yea."

Mr. FERNALD (when his name was called). I have a general pair with the senior Senator from New Mexico [Mr. JONES]. I transfer that pair to the junior Senator from Connecticut [Mr. BINGHAM] and vote "yea."

Mr. FLETCHER (when his name was called). I have a general pair with the Senator from Delaware [Mr. DU PONT]. I understand that if he were present he would vote as I intend to vote, and I am, therefore, at liberty to vote. I vote "yea."

Mr. DALE (when Mr. GREENE's name was called). My colleague, the senior Senator from Vermont [Mr. GREENE], is unavoidably absent. If he were present, he would vote "yea."

Mr. JOHNSON (when his name was called). I am paired with the senior Senator from Arkansas [Mr. ROBINSON]. If permitted to vote, I would vote "nay."

Mr. SHEPPARD (when Mr. MAYFIELD's name was called). The junior Senator from Texas [Mr. MAYFIELD] is absent on account of illness. He has a general pair with the Senator from Colorado [Mr. MEANS].

Mr. REED of Missouri (when his name was called). I am paired with the senior Senator from Kansas [Mr. CURTIS]. I have been unable to secure a transfer. I am, therefore, compelled to withhold my vote. If I were permitted to vote, I would vote "nay."

Mr. SIMMONS (when the name of Mr. ROBINSON of Arkansas was called). At the request of the senior Senator from Arkansas [Mr. ROBINSON] I wish to state that if he were present he would vote "yea."

Mr. SHIPSTEAD (when his name was called). On this question I am paired with the senior Senator from Alabama [Mr. UNDERWOOD]. If I were free to vote, I would vote "nay."

Mr. SWANSON (when his name was called). I have a pair for to-day and to-morrow with the senior Senator from Illinois [Mr. McKINLEY]. If that Senator were present, he would vote "yea" on the pending amendment. If I were permitted to vote, I would vote "nay."

Mr. BLEASE (when the name of Mr. WILLIAMS was called). I have a pair with the junior Senator from Missouri [Mr. WILLIAMS]. If that Senator were present, he would vote "yea" and I would vote "nay."

The roll call was concluded.

Mr. HARRISON. Pairs have been announced for the senior Senator from Alabama [Mr. UNDERWOOD], the senior Senator from Arkansas [Mr. ROBINSON], and the junior Senator from

Arkansas [Mr. CARAWAY]. Those Senators are unavoidably absent. If they were present, all three of them would vote "yea."

The result was announced—yeas 49, nays 26, as follows:

YEAS—49

Bayard	George	Moses	Smoot
Bratton	Gillett	Oddie	Stanfield
Broussard	Goff	Overman	Stephens
Bruce	Gooding	Pepper	Trammell
Butler	Hale	Phipps	Tyson
Cameron	Harrison	Pine	Wadsworth
Copeland	Heflin	Ransdell	Warren
Dale	Jones, Wash.	Reed, Pa.	Watson
Deneen	Kendrick	Robinson, Ind.	Weller
Edge	Keyes	Sackett	Willis
Ernst	McKellar	Shortridge	
Fernald	McLean	Simmons	
Fletcher	Metcalf	Smith	

NAYS—26

Ashurst	Fess	La Follette	Nye
Borah	Frazier	Lenroot	Schall
Capper	Glass	McMaster	Sheppard
Couzens	Harreld	McNary	Walsh
Cummins	Harris	Neely	Wheeler
Dill	Howell	Norbeck	
Ferris	King	Norris	

NOT VOTING—21

Bingham	Edwards	Mayfield	Swanson
Blease	Gerry	Means	Underwood
Brookhart	Greene	Pittman	Williams
Caraway	Johnson	Reed, Mo.	
Curtis	Jones, N. Mex.	Robinson, Ark.	
du Pont	McKinley	Shipstead	

So the amendment of the committee as amended was agreed to.

Mr. SMOOT. Mr. President, I would like now to have the Senate turn to page 224 and take up the admission taxes.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. Under the subhead "Title V—Tax on admissions and dues," on page 224, the committee proposes, in line 12, before the word "cents," to strike out "50" and insert "75," so as to read:

SEC. 500. (a) On and after the date this title takes effect, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 500 of the revenue act of 1924—

(1) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place on or after such date, including admission by season ticket or subscription, to be paid by the person paying for such admission; but where the amount paid for admission is 75 cents or less, no tax shall be imposed;

Mr. KING. Mr. President, I desire to offer an amendment. I move to strike out—and perhaps under a technical construction of the unanimous-consent rule with respect to considering only committee amendments first, it may need a modification—the entire Title V—Tax on admissions and dues, beginning at line 3, on page 224, including the remainder of that page, all of pages 225, 226, and down to and including the word "fairs" on page 227; also all of pages 228 and 229, and all of page 230 down to and including line 17; in other words, my amendment is to strike out the entire title which deals with the subject of taxes on admissions and dues.

Mr. HARRISON. Mr. President, may I ask the Senator a question? I notice that he does not propose to strike out all of page 227.

Mr. NORRIS. Mr. President, we are unable to hear the junior Senator from Utah. I ask that business be suspended until there shall be order in the Senate.

Mr. SMOOT. I do not now understand what is the amendment proposed by my colleague. I could not hear his statement.

The VICE PRESIDENT. The Senate will be in order.

Mr. HARRISON. May I say to the Senator that my inquiry was this: The Senator from Utah has offered an amendment to strike out all of the tax which applies to admissions and dues.

Mr. NORRIS. Which Senator from Utah?

Mr. KING. The junior Senator from Utah. Certainly the senior Senator would not have offered such an amendment in relation to this matter.

Mr. NORRIS. We could not hear the debate, and we do not know who offered the amendment. We might get some idea as to whether we want to vote for it or not by ascertaining who offered the amendment.

Mr. KING. I have announced that the amendment was offered by the junior Senator from Utah.

Mr. NORRIS. Since I have learned that the junior Senator has offered the amendment, I am satisfied.

Mr. HARRISON. I desire to ask the junior Senator from Utah if his amendment did not pertain to lines 14 to 25, inclusive, on page 227? Why not include that, so that that part of the bill also will go out?

Mr. KING. My amendment includes the entire subject.

The VICE PRESIDENT. The motion to strike out a part takes precedence over the motion to strike out the whole. Therefore, a motion to strike out a part of the language could be offered now.

Mr. KING. I include what the Senator from Mississippi suggests, of course. I thought there would, perhaps, be unanimous consent to couple the amendment together, but my amendment includes the entire Title V.

The VICE PRESIDENT. There are committee amendments to Title V which have not yet been agreed to. After they shall have been perfected, the amendment suggested by the junior Senator from Utah will be in order.

Mr. BRATTON. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator from New Mexico will state it.

Mr. BRATTON. The senior Senator from New Mexico [Mr. JONES] is unavoidably absent on account of illness. I have been furnished this afternoon with an amendment which he desires to propose to the committee's amendment dealing with the subject of the inheritance tax. I desire to give a notice at this time and to make a parliamentary inquiry. After the bill shall have been completed as in Committee of the Whole, and reported to the Senate, will the amendment to which I refer be in order, and, under the rules, by request from the senior Senator from New Mexico, will I be permitted to propose the amendment?

The VICE PRESIDENT. The amendment will then be in order.

Mr. BRATTON. Very well. I give notice that I desire to do that when the bill shall have reached the Senate.

Mr. NORRIS. I wish to ask the Senator a question. Will he not have the amendment printed, so that Senators may see it?

Mr. BRATTON. I shall be glad to do that. I send the amendment to the Secretary's desk, and ask that it be printed for the information of the Senate.

The VICE PRESIDENT. Without objection, the amendment will be printed.

Mr. BRATTON. It was my understanding that under parliamentary procedure I would be permitted to do what I have suggested.

The VICE PRESIDENT. The Senator is correct.

Mr. BRATTON. But I wanted to give notice to other Senators.

Mr. KING. I do not think notice is necessary, but, if it is, I give notice that I shall ask for a separate vote when the bill shall have been reported to the Senate from the Committee of the Whole, on the action by which the Senate rejected the House provision and adopted the Senate provision with respect to estate taxes.

The VICE PRESIDENT. The question is on the committee amendment, on page 224, line 12.

Mr. KING. Let the amendment be stated, Mr. President.

The CHIEF CLERK. On page 224, line 12, it is proposed to strike out "50" and to insert "75," so that the clause will read:

(1) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place on or after such date, including admission by season ticket or subscription, to be paid by the person paying for such admission; but where the amount paid for admission is 75 cents or less, no tax shall be imposed.

Mr. COPELAND. Mr. President, let me ask the Senator from Utah a question. Why was the amount fixed at 75 cents instead of $1?

Mr. SMOOT. Mr. President, by fixing the amount at 75 cents there will be a loss to the Treasury of $9,000,000.

I will say to the Senator from New York further that 75 cents takes in the junior baseball and football games, school entertainments, and similar affairs, and it exempts all tickets for moving-picture shows up to 75 cents. If the whole title were stricken out, there would be a further probable loss of $24,000,000.

Mr. COPELAND. Does the Senator mean for the entire title under the amendment as proposed by his colleague?

Mr. SMOOT. Yes; for the entire title.

Mr. President, it might be just as well for me to say now that I presume every Senator has seen the statement which has been made by Representative GREEN, chairman of the Ways and Means Committee of the other House, that the reductions made by the Senate are vastly greater than the Treasury can stand. I say now that not only will we have to provide for the general expenses of the Government as estimated by the Treasury officials but before we get through with this session of Congress we shall have a public buildings bill. I have no doubt of it at all. Not only that, but we shall have a pension

bill carrying perhaps $40,000,000. I do not believe there is any Senator here who wishes to place the Government in the position where it can not meet its expenses through taxation.

Mr. JOHNSON. Mr. President, will the Senator from Utah please tell me the amount of difference in the revenue—it probably has been stated, but I do not recall it—which would be caused if the amendment of the junior Senator from Utah [Mr. KING] were adopted?

Mr. SMOOT. It would be $24,000,000.

Mr. JOHNSON. That would not make any difference, would it?

Mr. SMOOT. I think it would.

Mr. JOHNSON. That is a mere bagatelle.

Mr. SMOOT. I think it would make a difference.

Let me say, further, that, so far as the excise taxes are concerned, taxes on dues and admissions to theaters, and all the special taxes, no one would like to see them entirely eliminated from the bill more than I; but, Mr. President, it can not be done if we are to provide for meeting the expenses of the Government at this time.

Mr. REED of Missouri. Mr. President, I wish to say to the senior Senator from Utah [Mr. SMOOT] that his statement comes with great force. I am wondering why it was not made when we were about to wipe out the estate tax? It would have been equally pertinent at that time.

Mr. NORRIS. Mr. President, we have been opening the bunghole of this barrel now for several days. We have been taking out the taxpayers' money at the rate of many million dollars every few minutes, and the cry has been going up from the coalition which we have been fighting, "We have got too much money." Even to-day, in connection with the estate-tax provision, we have been told that we had such a large surplus last year and are going to have such a large surplus next year and the year following that the question will arise, What are we going to do with the money? Then we were dealing in hundreds of millions. We were dealing with a proposition that would bring in more money than this; we were dealing with a proposition when we were considering the publicity provision that would have meant hundreds of millions of dollars a year in increased income. Now, however, when it comes to tickets for ball games and theaters we are immediately reminded that we are very poor; that the Government is going to run behind; that we are not going to have enough to pay the running expenses of the Government, but that we are going to have a deficit.

Mr. REED of Missouri. Mr. President——

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

Mr. REED of Missouri. Does not the Senator understand that admissions to the cheapest theaters, and to all the theaters, in fact, are paid very largely by the great mass of the people?

Mr. NORRIS. Of course, and that is merely another demonstration that this is a millionaire's bill. When it is desired to reduce by 44 per cent the income tax on incomes in excess of $100,000 we would put it through; the steam roller must proceed; we do not need the money; but when some one wants to buy a ticket to a football game, unless he secures a ticket to a portion of the field where he can get a very cheap seat and have a very poor opportunity to see the game, he has got to pay a tax; he must pay something because the Government needs the money.

I do not know how those who are supporting this bill can continue with it without getting into a joint debate with themselves. A few moments ago we had a plethora of money, but now we are paupers; we have got to save every cent for Uncle Sam. The statement was probably true both times: it was probably true when we went into his big pockets and stole all his money for the millionaires, and now we are going to appeal to the patriotism of the poor people to give up their nickels and put them in Uncle Sam's vest pocket.

I am not sure, Mr. President, just what course we ought to take. If we are going to continue to save the money by the millions of dollars for the rich because we do not need it and get it out of the poor who can not afford it, perhaps we ought to keep on. It seems to me, however, that it is time for us to consider whether if we get this bill in such shape that it is not going to produce enough money, we may not have an opportunity to ask the man who has a net income exceeding $100,000 to contribute a little more money; and when we get into the Senate there will be an amendment offered that will run from 20 to 25 per cent on incomes between $100,000 and $1,000,000. Those with such incomes can afford to pay for these tickets.

A Senator suggests that they do not go to these shows. I know they do not. They have theaters in their own homes where there is not any admission paid, and where there is no tax.

Mr. SMOOT. There is no tax on any ticket under this provision unless it costs 75 cents or more.

Mr. HARRISON. Mr. President, there are two committee amendments, I think, to this part of the bill, and the Senator from Utah [Mr. KING] has made a motion to strike out all of the admission dues. It would seem to me that that motion ought to be voted on before we vote on the committee amendment, because the committee amendment increases the exemption from 50 cents to 75 cents, and then there is another amendment on the spoken drama. Can we not come to a vote first upon the motion to eliminate all admission dues, and then take up the other matter?

Mr. SMOOT. I think that is proper.

Mr. KING. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. KING Do I understand that the proposition of the Senator from Mississippi, which seems to be acceded to by the Senator in charge of the bill, is that my motion to strike out the entire title dealing with admissions and dues shall take precedence over a vote upon the amendments offered by the committee? I am entirely agreeable to that.

The VICE PRESIDENT. It can be done only by unanimous consent. If there is not objection, it can be done.

Mr. HARRISON. I ask unanimous consent that that be the procedure.

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

The question is on the motion of the Senator from Utah [Mr. KING].

Mr. BORAH. Mr. President, I desire to ask the Senator from Utah [Mr. SMOOT], in charge of the bill, to state a little more fully—I was called out—what this motion covers in the way of tax.

Mr. SMOOT. The Senate committee amendment increasing the exemption on admissions from 50 cents to 75 cents means a reduction in the revenue of the Government of $9,000,000.

Mr. BORAH. Admissions to what?

Mr. SMOOT. To all entertainments, theaters, games, and so forth.

Mr. BORAH. Legitimate theaters, movies, and everything?

Mr. SMOOT. Movies and everything; baseball games and all admissions.

Mr. BORAH. But there is an exemption up to 75 cents?

Mr. SMOOT. The present law is 50 cents. We raised the 50 cents exemption to 75 cents so as to take in all of the school entertainments, minor baseball and football games, and so forth, outside of those where people pay $5 to see one of the big football games or one of the National League games. By the committee amendment we lose $9,000,000, and if the amendment of the junior Senator from Utah is agreed to we will lose $24,000,000 more.

Mr. BORAH. But if you go to an entertainment which costs only 75 cents there is no tax?

Mr. SMOOT. No tax at all.

Mr. BORAH. That is good enough for me.

Mr. GLASS. Mr. President, do I understand that there is no tax if you go to an entertainment costing $5?

Mr. BORAH. No; the exemption is only up to 75 cents.

Mr. KING. Mr. President, I prepared a brief statement to present to the Senate dealing with my amendment, but I shall not take the time to read it. I ask that it may be inserted in the RECORD, and I shall ask for a vote without having it read.

The VICE PRESIDENT. Without objection, it will be printed in the RECORD.

The statement referred to is as follows:

Title V of the revenue act of 1924 imposed a tax on admissions and dues. If this act were to be continued in force and the rates prescribed applied to the calendar year 1926, it was estimated by the Treasury that revenues in the amount of $33,000,000 would be produced. In the pending revenue bill as it passed the House of Representatives Title V was amended so as to exempt from the admissions and dues tax admissions to theaters producing exclusively what is called "legitimate spoken drama" consuming more than 1 hour and 45 minutes for its performance. This exemption from the operation of the law would, it was estimated for the year 1926, reduce the revenues to be derived from Title V to the amount of $29,000,000.

The Finance Committee has reported an amendment to Title V which strikes from the bill the House amendment exempting theaters which produce exclusively "legitimate spoken drama" and which exempts from the tax tickets upon which a price of 75 cents or less is fixed. The House bill, as does the present law, exempts tickets upon which a price of 50 cents or less is fixed from the application of the tax. The Treasury estimates that the bill as it is pending with the

Senate amendment will produce revenues in the calendar year 1926 in the amount of $24,000,000. This is the figure carried in the table on page 8 of the committee report. However, on page 10 of the report the statement was made that the Government needs the $20,000,000 to be derived as revenue from this tax.

I have proposed an amendment which repeals the tax entirely. The loss of revenue may be roundly stated at $20,000,000. This is one tax, I submit, that we may repeal without producing a deficit, even if the views of the majority of the Finance Committee were correct. The tax has been so qualified and amended by the pending and by former acts that it is discriminatory in its operations as to different amusements patronized by the people.

The theaters pay their regular corporation income taxes, and where they are personally owned the proprietors pay their individual income taxes upon the profits of the business. It is asserted that the tax is an impediment to the business, and it is believed that if the tax be repealed the volume of the business will be increased to such an extent that the increased amount reflected in corporate profits and income will, at the rate of 13½ per cent, recover for the Government the major portion of the revenues of $20,000,000 which will be pretermitted if Title V covering the tax on admissions and dues be stricken from the bill and the tax be repealed.

Whatever the argument to the contrary may be, this tax has all the appearance of a war tax. It is encountered every day by citizens as they approach the box offices of theaters and places of amusement. It is a constant reminder of the war levies. It stimulates resentment on the part of the people generally and causes complaint and dissatisfaction, which it is more important should be relieved than is the retention of the tax for the sake of $20,000,000 of annual revenues collected with difficulty and expense from every community in the country. The reasons for its repeal clearly preponderate over the one reason advanced for its retention.

Mr. SMITH. Mr. President, before this vote is taken I should like to ask the chairman of the committee what is the total amount collected under the present law?

Mr. SMOOT. Thirty-three million dollars.

Mr. KING. But the House amends it so as to reduce the amount to $24,000,000.

Mr. SMOOT. No; the Senate committee amends it. No change at all is made in it by the House. The House left it at the 50-cent rate, but the Senate committee provided for a 50 per cent decrease.

Mr. HARRISON. Mr. President, the Senator is in error in saying that the House made no decrease at all. The House adopted an exemption of the spoken drama——

Mr. SMOOT. Oh, yes; the House exempted the legitimate spoken drama; but we were speaking of the others.

Mr. HARRISON. Which reduced the revenue to $29,000,000.

Mr. KING. Mr. President, if there is to be debate upon it, I shall recall the address which I sent to the desk; but I am ready now to have a vote taken upon my motion to strike out the entire provision dealing with admissions and dues, so that if it is carried they will be exempted and we will lose $20,000,000 of revenue only. We do not need that amount, because there will be a surplus anyway.

Mr. HARRELD. Mr. President, regardless of what the vote is on that motion, we would still have the right to offer amendments afterwards, I understand.

The VICE PRESIDENT. Not if the motion prevails.

Mr. HARRELD. But if it does not prevail we will?

The VICE PRESIDENT. Yes. The question is on the amendment offered by the Senator from Utah [Mr. KING].

Mr. HARRISON. On that I call for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BRATTON (when his name was called). I have a pair with the Senator from Pennsylvania [Mr. PEPPER]. Not knowing how he would vote on this question, I withhold my vote

Mr. BROOKHART (when his name was called). I have a pair with the junior Senator from Arkansas [Mr. CARAWAY]. If at liberty to vote, I should vote "yea."

Mr. COPELAND (when Mr. EDWARDS's name was called). The junior Senator from New Jersey [Mr. EDWARDS] is unavoidably absent. If he were present, he would vote "yea."

Mr. FERNALD (when his name was called). I transfer my pair with the senior Senator from New Mexico [Mr. JONES] to the junior Senator from Connecticut [Mr. BINGHAM], and will vote. I vote "nay."

Mr. FLETCHER (when his name was called). I have a general pair with the Senator from Delaware [Mr. DU PONT]. I am advised that he would vote as I shall vote. I vote "nay."

Mr. JOHNSON (when his name was called). I am paired with the senior Senator from Arkansas [Mr. ROBINSON] and withhold my vote. If at liberty to vote, I should vote "yea."

Mr. SWANSON (when his name was called). I announce my pair with the senior Senator from Illinois [Mr. MCKINLEY]. I do not know how he would vote on this question, and consequently I refrain from voting. If at liberty to vote, I should vote "nay."

The roll call was concluded.

Mr. BLEASE. I desire to announce that if the junior Senator from Missouri [Mr. WILLIAMS] were present he would vote "nay" and I would vote "yea." I am paired with the junior Senator from Missouri.

Mr. ERNST. I am paired with the junior Senator from New Jersey [Mr. EDWARDS]. I am advised it has just been announced that if he were present he would vote "yea." If at liberty to vote, I should vote "nay."

Mr. WALSH. The junior Senator from Montana [Mr. WHEELER] is absent on account of illness. He is paired with the Senator from Vermont [Mr. GREENE]. If present, the junior Senator from Montana would vote "yea."

Mr. JONES of Washington. The senior Senator from Kansas [Mr. CURTIS] is necessarily absent on account of illness. He is paired wih the senior Senator from Missouri [Mr. REED]. If the Senator from Kansas were present and at liberty to vote, he would vote "nay." I will allow the announcement with reference to the cause of his absence to stand for the day.

Mr. SHEPPARD. I was requested to announce that the junior Senator from Texas [Mr. MAYFIELD] is paired with the junior Senator from Colorado [Mr. MEANS].

Mr. REED of Missouri. I have some financial interest, not large, but of such a nature that it would be affected by this vote; and I ask that I be excused from voting.

The VICE PRESIDENT. Will the Senate excuse the Senator from Missouri from voting for the reason stated? Without objection, the Senator will be excused.

The result was announced—yeas 36, nays 34, as follows:

YEAS—36

Ashurst	Frazier	McKellar	Ransdell
Bayard	George	McMaster	Sheppard
Broussard	Harreld	McNary	Shipstead
Capper	Harris	Neely	Simmons
Copeland	Harrison	Norbeck	Smith
Couzens	Heflin	Norris	Stanfield
Dill	Kendrick	Nye	Trammell
Edge	King	Overman	Walsh
Ferris	La Follette	Phipps	Weller

NAYS—34

Borah	Fletcher	Lenroot	Shortridge
Bruce	Gillett	McLean	Smoot
Butler	Glass	Metcalf	Tyson
Cameron	Goff	Moses	Wadsworth
Cummins	Gooding	Oddie	Warren
Dale	Hale	Pine	Watson
Deneen	Howell	Reed, Pa.	Willis
Fernald	Jones, Wash.	Robinson, Ind.	
Fess	Keyes	Sackett	

NOT VOTING—26

Bingham	Edwards	Mayfield	Stephens
Blease	Ernst	Means	Swanson
Bratton	Gerry	Pepper	Underwood
Brookhart	Greene	Pittman	Wheeler
Caraway	Johnson	Reed, Mo.	Williams
Curtis	Jones, N. Mex.	Robinson, Ark.	
du Pont	McKinley	Schall	

So Mr. KING's amendment was agreed to.

Mr. WADSWORTH. Mr. President, as I listened to the reading of the amendment proposed by the junior Senator from Utah, and which I understand has just been adopted, abolishing all admission taxes and dues, I did not hear any reference to the provision relating to the legitimate drama.

Mr. SMOOT. The whole title goes out.

Mr. WADSWORTH. I did not hear any reference to it. It seemed to me, as I heard the amendment read, that it did not include it.

Mr. KING. As I first stated it, perhaps it did not, but I later called attention to the House provision, and my motion as amended included the entire title, including that through which the lines have been stricken on page 227.

Mr. WADSWORTH. Then I understand it was done by unanimous consent?

Mr. KING. Yes.

Mr. WADSWORTH. The committee amendment has not been acted on; the House text, however, has been restored, in spite of a committee amendment pending?

Mr. SMOOT. It was done by unanimous consent. Now I give notice that I will ask——

Mr. WALSH. Mr. President, I do not understand this at all. I understand that subdivision (3) of section 500 on page 227 has gone out with all the rest of section 500.

Mr. WADSWORTH. That is what I now understand, although it was done in an upside-down parliamentary manner.

Mr. HARRISON. When the motion was first stated, it did not include that, but I propounded an inquiry in regard to it, and the Senator from Utah then did include it.

Mr. KING. I stated at the outset that perhaps it could only be done by unanimous consent, and that was obtained, so as to dispose of the entire section, without considering the Senate Committee amendment first. Then I moved to strike out the whole title, as I anticipated the Senate would do.

Mr. SMITH. The language goes out down to title 6?

Mr. KING. Down to title 6, under the head of "Excise taxes," section 600, on page 230.

Mr. SMOOT. Mr. President, I give notice that I shall ask for a separate vote in the Senate on this amendment.

I now desire to turn to page 230, the excise-tax provision.

Mr. KING. The provision covering automobiles?

Mr. SMOOT. The automobile amendment is the first amendment.

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 230, after line 23, the committee proposes to insert:

(1) Automobile truck chassis and automobile wagon chassis sold or leased for an amount in excess of $1,000, and automobile truck bodies and automobile wagon bodies sold or leased for an amount in excess of $200 (including in both cases tires, inner tubes, parts, and accessories therefor sold on or in connection therewith or with the sale thereof), 2 per cent. A sale or lease of an automobile truck or of an automobile wagon shall, for the purposes of this subdivision, be considered to be a sale of the chassis and of the body.

Mr. McKELLAR. Will not the Senator from Utah tell us how much money that would bring in?

Mr. SMOOT. Six million dollars. In other words, on trucks the rate is to be 2 per cent, and we give the industry a reduction of 33⅓ per cent. There is nothing that I know of which destroys roads to a greater extent and comes in more direct competition with transportation than the automobile truck, and it seemed to us that in giving a reduction of 40 per cent upon automobiles and 33⅓ per cent on trucks and taking all of the tax off parts we were going far enough with that industry.

Mr. KING. Mr. President, I have an amendment to strike out the entire title dealing with excise taxes and covering automobiles, trucks, and so forth. I shall not press it, but shall ask that the Senate disagree to the amendment tendered by the Finance Committee imposing a tax on automobile-truck chassis and automobile-wagon chassis, and so forth.

Mr. SIMMONS. Mr. President, I suggest to the Senator from Utah that he divide his amendment.

Mr. KING. I am willing to do that and to ask for a vote on the committee amendment just read by the clerk.

Mr. HARRISON. Mr. President, may I make an inquiry of the Senator from Utah. This item was stricken out on the recommendation of the House Ways and Means Committee?

Mr. SMOOT. It was.

Mr. HARRISON. It was restored by the Senate Finance Committee?

Mr. SMOOT. At 2 per cent, a lower rate than is imposed in the present law.

Mr. COUZENS. Mr. President, I would like to ask the Senator in charge of the bill the reason for reinstating this 2 per cent tax on automobile trucks.

Mr. SMOOT. As I stated before, we thought that we should arrive at some average rate of reduction on the automobile industry. The House removed the tax entirely from tires, parts, and everything of that kind. Then the House reduced the tax on automobiles from 5½ per cent to 3 per cent, and cut the tax entirely off trucks. The Finance Committee amendment does not impose any tax upon a truck the chassis of which costs less than $1,200.

In addition to that, I will say to the Senator, the committee in imposing this tax took into consideration the fact that trucks perhaps destroy the roads of this country more than any other agency, and the committee did not feel that they should go scot free from taxes if the truck itself cost more than $1,200. We were all agreed on the $1,200 figure.

Mr. COUZENS. I would like to ask the Senator what amount is expected to be brought into the Treasury by this additional tax?

Mr. SMOOT. Six million dollars.

Mr. COUZENS. I do not see a single justification for adding that tax. The Senator from New York states that it is not added, but that it is retained. I see no justification for the tax at all. The automobile industry, through the excise tax, has contributed many times more to the Federal Government than the Government has contributed to the States in the way of aid in the construction of good roads.

This is an unjust tax for many, many reasons. One of them is that it represents the means of livelihood of a great number of individuals who, with small capital, invest in automobile trucks on the installment plan to enable them to gain a living. They are in the transportation business. Transportation by automobile truck is the only transportation business that I know of which has an excise tax placed on it. It seems to me this is the most unjust tax of all the taxes found in the bill. I see no reason for it at all.

In this connection, I would like to ask the Senator from Utah if he can tell us how much is to be rebated by the Treasury Department because of the repeal of the 1924 estate tax. I think that has been stated in the debate, but I have forgotten the amount.

Mr. SMOOT. There will be a loss of $20,000,000 this coming year.

Mr. COUZENS. I understand; but of the taxes that have been paid under the act of 1924 the difference between the 40 per cent provided in that act and the maximum of 20 per cent provided in this act is to be rebated.

Mr. SMOOT. If they have been paid.

Mr. COUZENS. Of course, we assume that it is a justifiable credit. How much will the rebate or credit to these estates amount to?

Mr. REED of Pennsylvania. Mr. President, I can answer that. The Treasury Department officials have not been able to get up any complete statement, but they say it will be less than a couple of million dollars.

Mr. COUZENS. Do I understand that the replacing of the maximum estate tax and applying it to the 1924 act means only $2,000,000?

Mr. REED of Pennsylvania. That is not what the Senator asked. He asked about the refunds.

Mr. COUZENS. I asked about credits.

Mr. REED of Pennsylvania. The estates of most of those who have died since the enactment of the 1924 law are still in process of administration, and no tax has been paid. But the net loss to the United States in 1926 because of all the changes made in the estate-tax provision will be only the amount given by the Senator from Utah, about $20,000,000.

Mr. HOWELL. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Nebraska?

Mr. COUZENS. I yield.

Mr. HOWELL. That statement gives an entirely wrong conception of the situation.

Mr. REED of Pennsylvania. Does the Senator say the statement is false?

Mr. HOWELL. I do not say it is false, but I do say it gives an entirely wrong conception of the situation. There are $415,000,000 yet to be collected on account of deferred estate taxes. If we afford rebates as proposed in the bill, it means a net rebate on account of these deferred payments and cash already paid of $100,000,000.

Mr. WADSWORTH. Over four or five years.

Mr. HOWELL. That is what we are giving back. It is $100,000,000, not $20,000,000.

Mr. REED of Pennsylvania. Will the Senator from Michigan yield to me to make a statement?

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Pennsylvania?

Mr. COUZENS. I do not want to yield right now. If I do not make a correct statement, I will yield to the Senator from Pennsylvania to correct me.

Mr. REED of Pennsylvania. I have the exact figures.

Mr. COUZENS. There is a confusion between rebates and credits which will have to be extended as a result of this repeal. The extent of the refunds is not important. The aggregate credit that must be extended to these estates, plus the rebates, is what affects the Government revenue. If the Senator from Pennsylvania can enlighten me on that point, I will yield.

Mr. REED of Pennsylvania. I am glad to. The average tax accruing yearly under the estate-tax provision of the revenue act of 1921 was about $110,000,000. Under the revenue act of 1924 it is estimated that it will be from $150,000,000 to $165,000,000. For the period from the enactment of the 1924 law to its repeal, as provided in the Finance Committee bill, the accrued taxes, as a result of the difference between the rates of that act and those of the 1921 act, will have amounted to about $85,000,000.

At the time of the enactment of the 1926 revenue act, it is estimated that the total accruals of estate taxes not as yet paid will be about $415,000,000. If we deduct from this the $85,000,000, as I explained before, it will leave about $330,000,000 still due to the United States on account of the estate taxes. It

is expected that the payment of this amount will be approximately as follows down to the year 1932. After 1932 the revenue will be nothing at all. The schedule is:

Calendar year:	Amount.
1926	$90,000,000
1927	80,000,000
1928	65,000,000
1929	50,000,000
1930	25,000,000
1931	15,000,000
1932	5,000,000

I think that answers the Senator's question.

Mr. COUZENS. What is the aggregate?

Mr. REED of Pennsylvania. The aggregate we will receive, if we repeal the estate tax right now, will be $330,000,000 still to come in. The amount we lose by the reduction in the rates of the act of 1924 is $85,000,000.

Mr. COUZENS. That is just the point I am making. The Senate has by an overwhelming vote agreed to credit estates to the extent of $85,000,000, and yet it is proposed to put a 2 per cent tax on the small truck owners of the country so as to raise six million puny dollars. It is proposed to take $6,000,000 out of the business of the little truck owners, who are earning their daily bread by doing a transportation business between cities throughout the country, and yet the Senate has deliberately given a credit of $85,000,000 to the large estates. I am not talking as a demagogue, but I think it is a damnable outrage to take $6,000,000 from the truck owners of the country in that way after taking $85,000,000 off the estate taxes.

Mr. EDGE. Mr. President, may I have the attention of the junior Senator from Utah?

Mr. KING. Certainly.

Mr. EDGE. Do I understand the amendment pending also includes other automobiles in addition to trucks? Does it likewise repeal that tax?

Mr. KING. Mr. President, I stated when I rose that I had a pending amendment to strike out all of the provision imposing taxes upon automobiles, whether trucks or chassis or the completed automobile. But I said I would pretermit offering the entire amendment and would segregate it and would offer first the amendment which consisted in a proposal to disagree to the Senate committee amendment dealing with automobile trucks.

Mr. EDGE. I would like to ask the senior Senator from Utah what would be the estimated loss to the Government if all the excise taxes on automobiles were removed?

Mr. SMOOT. On the automobiles it would be $69,600,000 and on the trucks it would be $6,000,000.

Mr. EDGE. In addition to the $69,000,000?

Mr. SMOOT. Yes; in addition to that amount.

Mr. EDGE. That is, the total income under the bill as reported by the committee would be approximately $75,000,000 from those two items?

Mr. SMOOT. Seventy-five million six hundred thousand dollars.

Mr. EDGE. What was the estimated income to the Government on the raising of the corporation tax from 12½ per cent to 13½ per cent?

Mr. SMOOT. Eighty-four million dollars.

Mr. EDGE. I agree to a great extent with the statement made by the Senator from Michigan [Mr. COUZENS]. I am fundamentally opposed to all excise taxes. I recognize that the Government must raise a certain revenue, but if there is any other method to be devised by which we can raise it, it seems to me it would be decidedly preferable to any type of excise tax. With the increase in corporation taxes and some adjustments that I naturally assume will be made in conference, perhaps, with reference to the inheritance tax that we have heard so much about, I am wondering whether we could not afford at this time, in view of the anticipated revenue to the Government generally being higher than we are led to believe it will be, to relieve the individuals who are certainly interested in all these automobile taxes?

Mr. SMOOT. We have already estimated that the amount from the corporation tax will be $118,000,000 for the present fiscal year. That has been estimated for and covered in the items submitted by the committee and by the department. We can not see how we are going to increase the amount from the corporations this year. It is out of the question.

Mr. EDGE. Business is prosperous.

Mr. SMOOT. Yes; I am perfectly well aware of that. I think the department made as large an estimate as they could possibly figure out. The daily reports of the Treasury show it. If we take yesterday's daily report, it will show just what the increase is for the fiscal year ending June 30, 1926. If the receipts do not increase during the next four months more than they have done in the last eight months, we are not going to reach even $118,000,000.

Mr. EDGE. What was the estimate of the Finance Committee or the Ways and Means Committee—because they must have made an estimate—of revenue from the inheritance tax under the provisions of the bill as it passed the House?

Mr. SMOOT. The way the House provided for it, aside from the 80 per cent, it would be $110,000,000.

Mr. NORRIS. Mr. President, I am very much pleased that on this important question I can agree with the Senator from New Jersey [Mr. EDGE]. I usually agree with him when he will let me. The Senator from New Jersey said he is fundamentally opposed to the nuisance taxes on automobiles. So am I. It is too bad that we have to levy them. The men who have the trucks are poor men. They are all laboring men. They are the heads of families in our cities and our towns. They work long hours. They have children to educate and to clothe. In fact, life with them is a serious proposition. It is hard to tax them, and yet it is necessary.

From the bill we have just eliminated all the rich inheritance taxes, amounting to an average of from $110,000,000 to $150,000,000 a year, much more than the poor laboring men pay on their trucks, but we have liberated the large estates. The owners of the large estates are dead, it is true, and the children and the colleges they have mentioned in their wills are wealthy and do not need the money very badly, but we have given it to them anyway. That is past; it is over. Somebody must bear the burden. Who can bear it better than the man who always has toiled, who always has labored? He is used to it. He has done that all his life. Why not let him keep on the balance of his days?

If we are going to liberate the big estates, if we are going to remove the taxes from luxury and let those big estates with incomes of more than $100,000,000 net be reduced 44 per cent, the men who now toil must make up their minds to continue to toil. There is no other way out of it. That is our mandate. Those are the commands that come from the coalition and from our "master's voice." We have not anything to do but walk straight through and obey. We can not entirely liberate the rich and the poor both. Somebody must pay the taxes. The men of wealth do not want to pay them. When they are dead nobody wants to take it out of their estate. We do not want to urge that, because they always had their way when they were alive, and it would be hard to go contrary to their wishes after they are dead. It is not right to impose a tax more than he is willing to pay on the man who has a net income of $100,000 or more. We have heard it said that by such a course we will increase the patriotism of those people. So let us make these truck drivers patriotic. Let us get them in such a patriotic fervor that they will be ready to enlist and shoulder the musket at $30 a month if needed in another war where we can make some more profiteers to get big incomes.

Mr. DALE. Mr. President, will the Senator yield to me at that point?

Mr. NORRIS. With pleasure.

Mr. DALE. The Senator referred to shouldering the musket for $30 a month. Does he not recall that after we gave $30 a month to the boys we took it away for life insurance, and so forth? Does not the Senator remember that we took it practically all away for such purposes?

Mr. NORRIS. Yes; we took some of it away; but they did not squeal about it. If we had taken that much away from a millionaire we would have had the corner of the Capitol lifted up. We would have had a message from the White House. We would have had a message from the Secretary of the Treasury. But these poor men are used to that kind of treatment; so let us have just as little commotion about it as possible. Let them keep on toiling and paying taxes. If we are going to relieve, as we have done, the big estates and the big incomes, the little fellows will have to pay, and they might as well know it at one time as another.

Mr. KING. Mr. President, I want to call attention very briefly to a few figures which I have taken some trouble to verify, and I think are not subject to successful challenge, showing the heavy burdens which are imposed upon the users of automobiles.

First, they are compelled to pay a property tax in the States. That is a very heavy tax. In addition they have to pay a license tax. They then have to pay a tax upon gasoline, and that tax is, in many States, increasing. The aggregate tax paid to the States in 1924 exceeded $400,000,000. The license and registration taxes amounted to $225,492,252. The tax upon automobiles as such amounted to $90,000,000. That is the per-

sonal property tax. The gasoline tax amounted to $80,000,000. Then there were municipal regulations and licenses which imposed an additional tax of over $15,000,000 upon automobiles.

In 1925 this amount was greatly exceeded. I am advised, though I have not been able to verify the figures, that the taxes paid by the automobile users to the States alone during the calendar year 1925 exceeded $500,000,000. That is an enormous tax. It must be borne in mind that more than 50 per cent of the automobiles are owned by those who reside upon the farms and in towns of less than 1,000 inhabitants. A large percentage—I think 33 per cent—are owned by persons who reside in cities under 5,000 and above 1,000 inhabitants. The smaller number of automobiles are owned by those residing in the great cities.

The automobile has come to be not a luxury but a necessity. It is important to the farmer; perhaps more important to him than to any other class of our citizens. With this tremendous burden of more than $500,000,000—and increasing annually—paid to the States by the automobile owners, it seems to me they ought to be exempted entirely from Federal taxes.

Mr. BRUCE. Mr. President——

Mr. KING. I yield to the Senator from Maryland.

Mr. BRUCE. Has the Senator figured out how much the tax on automobiles amounts to?

Mr. KING. There are 17,000,000 automobiles—good, bad, and indifferent, and a large number of them indifferent—in the entire United States.

Mr. BRUCE. It would be less than $30 per automobile, would it not?

Mr. KING. The Senator is a better mathematician than I am and a better historian, so I call upon his knowledge of mathematics and history to determine that fact. This is not the beginning nor the end of the taxes. The accessories have to be bought. There is a rising market now for tires. Then the lubricating oil has to be purchased, and the gasoline has to be purchased; so that the expenses of operating an automobile are very great to the owner.

Mr. President, the pending motion contemplates only reducing the tax upon trucks. Later I shall ask for the consideration of my motion in reference to the tax on automobiles themselves.

Mr. SMOOT. Mr. President, in the first place, I wish to say to the Senator from Maryland [Mr. BRUCE], although I see he is out of the Chamber for the moment, that there is no tax imposed upon automobiles now in use. The tax is imposed only upon new automobiles when purchased. The actual receipts from the taxes on automobiles, trucks, parts, and tires are a little over $150,000,000. The House of Representatives cut that in two; in other words, reduced the tax upon these items, taken as a whole, 50 per cent; and the little truck driver will not pay a single cent of tax on his truck if it costs less than $1,200.

I should like, of course, to do away with all taxes if it were possible, but we are relieving this industry of $75,000,000 of taxes a year. There are only about 4,200,000 taxpayers and there are 17,000,000 automobiles in use.

Mr. President, it does seem to me that this reduction is sufficient. We have taken the tax off the parts and the tax off the tires and we have reduced the tax on automobiles from 5 per cent to 3 per cent, or 40 per cent. Now, we ask here a 2 per cent tax on trucks worth over $1,200. The farmer's truck does not pay 1 cent under the existing law, nor will it do so under the proposed law. We are giving a reduction of 33⅓ per cent; in other words, we are giving $75,000,000 to this industry in the reduction of taxes. That is the situation. We have got to raise the money from some source; there is no doubt about that at all; and I do not know of any tax that would be less onerous than the 3 per cent tax which is provided for in the pending bill upon those who are able to buy high-priced automobiles.

SEVERAL SENATORS. Vote!

The PRESIDING OFFICER (Mr. WILLIS in the chair). The question is on agreeing to the committee amendment.

Mr. COUZENS. Mr. President, the Senator from Wisconsin [Mr. LENROOT] offered an amendment when the section relating to surtaxes was under discussion and, I think, made the statement that to increase the maximum surtax to 25 per cent on incomes over $100,000 would bring in over $10,000,000.

Mr. SMOOT. For the first year.

Mr. COUZENS. Yes.

Mr. SMOOT. But it would not do so thereafter.

Mr. COUZENS. The Senator does not know. Of course, the Senator can guess and he can argue, but he can not guess accurately because he has not guessed accurately in the past.

Mr. SMOOT. I am using the estimates of the department.

Mr. COUZENS. The estimates of the department have been so wonderfully accurate in the past that we all rely upon them.

Mr. SMOOT. The Senator from Michigan got his estimate of $10,000,000 from the department.

Mr. COUZENS. But for the following years we do not know how much more the tax or how much less it will produce. Here we propose to collect $6,000,000 from truck drivers. Admitting that many of these trucks are owned by persons who in all probability can well afford to pay, I know from actual experience that in 1920 and 1921 and in the years following the close of the World War many trucks were bought on the installment plan, costing from $2,000 to $3,000, being 3 and 4 ton trucks, on which a small payment was originally made. The owner of such a truck not only had to drive his own truck and handle the load it contained, but he had to pay the installments and interest on deferred payments and make a living out of the truck. If such a man buys a $2,000 truck he will have to pay a tax of $40 which is, perhaps, more than he will earn in a week, just for the purpose of enabling the Government to collect $6,000,000; and that in face of the fact that we refuse to increase the surtax on which we can collect many million dollars more, repeal a tax already in effect, and refund $85,000,000. For the life of me, I can not see any consistency in that at all.

Mr. REED of Pennsylvania. Mr. President——

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

Mr. REED of Pennsylvania. I thought the Senator from Michigan had concluded.

Mr. COUZENS. I hope that Senators will appreciate the situation. The absurdity of this sort of legislation must appear to any person with a heart and a head or even to one who may have one without the other. I hope that the amendment which the Finance Committee has inserted may be rejected.

Mr. REED of Pennsylvania. Mr. President, just a word on this subject. I think that every one of us, from his own experience, can appraise the soundness of the arguments which have been made for the repeal of the tax. As we travel over the roads, if we will eliminate from consideration all of the Fords and the lighter trucks, let us merely remember the names that we read on the sides of the big trucks that crowd us off the road, and read the names of those big trucks in the city which carry two or three tons of coal or a couple of tons of oil, and then think that the tax that we are proposing to take off is only 2 per cent on those huge vehicles which pay nothing for their right of way.

Mr. WADSWORTH. And it is a tax which is paid only once.

Mr. REED of Pennsylvania. They pay it only once; it is not paid every year.

Mr. NORRIS. Once is enough.

Mr. REED of Pennsylvania. It is not enough for me; I would tax them that much every year. They pay nothing for the right of way which they get, while the railroad that competes with them with its freight cars pays its franchise tax, pays for keeping up its right of way, pays taxes locally, pays taxes to the State of incorporation, and all the taxes which we levy on them. These people are the favorites of our legislation; they ought to pay a tax, and it ought to be more than this.

SEVERAL SENATORS. Vote!

Mr. COUZENS. I can hardly let the statement of the Senator from Pennsylvania go by without a further remark. He is very anxious to reach the wealthy truck owner who has a truck in active business, the wealthy truck owner who hauls coal and oil around the streets, who pays his local taxes for the maintenance of the streets, who pays his license tax, and, perhaps, weight taxes, and a horsepower tax. He said that he would not only tax them once but that he would tax them every year this amount, yet he has voted to refund $85,000,000 to the estates of the rich men who have died and who are, therefore, not further using the streets or destroying them. The inconsistency of that is incomprehensible to me.

Mr. HARRISON. May I suggest to the Senator that he named several taxes which the truck drivers pay, but he left off the gasoline tax, which is quite an item.

Mr. COUZENS. I understand that, and so does everybody in this Chamber understand it. I do not think that anyone who opposes the rejection of the amendment reported by the Finance Committee has a leg to stand on.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee.

Mr. HARRISON. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. REED of Pennsylvania. Mr. President, I rise to a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. REED of Pennsylvania. Is the vote on the committee amendment?

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mr. NORRIS. Has not the committee amendment been divided?

The PRESIDING OFFICER. The Chair is advised that the question is on the committee amendment, beginning at line 24, page 230, and ending line 8, page 231.

Mr. DILL. Is that the truck amendment?

Mr. McKELLAR. It is the truck amendment.

The PRESIDING OFFICER. The Chair has stated the amendment. The Secretary will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. COPELAND (when Mr. EDWARDS's name was called). The Senator from New Jersey [Mr. EDWARDS] is unavoidably absent. If he were present, he would vote "nay."

Mr. FERNALD (when his name was called). I transfer my pair with the senior Senator from New Mexico [Mr. JONES] to the Senator from Connecticut [Mr. BINGHAM] and vote "yea."

Mr. FLETCHER (when his name was called). Making the same announcement as to my pair as on the previous vote, I vote "yea."

Mr. JOHNSON (when his name was called). I have a pair with the senior Senator from Arkansas [Mr. ROBINSON]. If permitted to vote, I should vote "nay."

Mr. SWANSON (when his name was called). I transfer my pair with the senior Senator from Illinois [Mr. McKINLEY] to the senior Senator from Alabama [Mr. UNDERWOOD], and will vote. I vote "nay."

The roll call was concluded.

Mr. BLEASE. I am paired with the Senator from Missouri [Mr. WILLIAMS]. Not knowing how that Senator would vote on this question, I withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. WALSH. I announce again the pair of my colleague [Mr. WHEELER] with the Senator from Vermont [Mr. GREENE]. If my colleague were present and at liberty to vote, he would vote "nay."

Mr. REED of Missouri (after having voted in the negative). I transfer my pair with the Senator from Kansas [Mr. CURTIS] to the Senator from Mississippi [Mr. STEPHENS], and will allow my vote to stand.

Mr. NORRIS. I desire to announce that the junior Senator from Iowa [Mr. BROOKHART] has been called from the Chamber. He is paired with the junior Senator from Arkansas [Mr. CARAWAY]. If the Senator from Iowa were present, he would vote "nay."

Mr. HARRISON. I desire to announce that the senior Senator from New Mexico [Mr. JONES], the senior Senator from Nevada [Mr. PITTMAN], the senior Senator from Alabama [Mr. UNDERWOOD], the senior Senator from Rhode Island [Mr. GERRY], and both of the Senators from Arkansas [Mr. ROBINSON and Mr. CARAWAY], are unavoidably detained. If those Senators were present, they would vote "nay" on this question.

Mr. SHEPPARD. My colleague [Mr. MAYFIELD], if present, would vote "nay." He is detained by illness, and is paired with the Senator from Colorado [Mr. MEANS].

Mr. JONES of Washington. I desire to announce the following pairs:

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD];

The Senator from Pennsylvania [Mr. PEPPER] with the Senator from New Mexico [Mr. BRATTON]; and

The Senator from Kentucky [Mr. ERNST] with the Senator from New Jersey [Mr. EDWARDS].

The result was announced—yeas 12, nays 55, as follows:

YEAS—12

Bruce	Hale	Reed, Pa.	Wadsworth
Fernald	McLean	Shortridge	Warren
Fletcher	Phipps	Smoot	Watson

NAYS—55

Bayard	George	McKellar	Robinson, Ind.
Broussard	Glass	McMaster	Sackett
Butler	Goff	McNary	Sheppard
Cameron	Harreld	Metcalf	Shipstead
Capper	Harris	Moses	Simmons
Copeland	Harrison	Neely	Smith
Couzens	Heflin	Norbeck	Stanfield
Dale	Howell	Norris	Swanson
Deneen	Jones, Wash.	Nye	Trammell
Dill	Kendrick	Oddie	Tyson
Edge	Keyes	Overman	Walsh
Ferris	King	Pine	Weller
Fess	La Follette	Ransdell	Willis
Frazier	Lenroot	Reed, Mo.	

NOT VOTING—29

Ashurst	Curtis	Johnson	Schall
Bingham	du Pont	Jones, N. Mex.	Stephens
Blease	Edwards	McKinley	Underwood
Borah	Ernst	Mayfield	Wheeler
Bratton	Gerry	Means	Williams
Brookhart	Gillett	Pepper	
Caraway	Gooding	Pittman	
Cummins	Greene	Robinson, Ark.	

So the amendment of the committee was rejected.

Mr. SMOOT. Mr. President, on page 231 I shall have to ask that the Senate reject the amendment on line 9 and the amendment on lines 13 and 14, now that the truck amendment has been rejected. This is simply carrying out the recent action of the Senate.

The VICE PRESIDENT. The amendments of the committee will be stated.

The CHIEF CLERK. On page 231, line 9, the committee proposes to strike out "(1) Automobiles" and to insert "(2) Other automobile."

The amendment was rejected.

The CHIEF CLERK. On the same page, lines 13 and 14, the committee proposes to strike out "automobile truck chassis and bodies, automobile wagon chassis and bodies, and."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. KING. Mr. President, I desire to offer an amendment to this provision between lines 9 and 18 on page 231. I move to strike out the entire paragraph embracing lines 9, 10, 11, 12, 13, 14, 15, 16, 17, and 18 on page 231.

Mr. REED of Pennsylvania. That is subject to a point of order.

Mr. KING. It is possible that this amendment is premature and that we will be compelled to wait until individual amendments are in order after all the committee amendments have been disposed of; but it did seem to me that while we were considering the subject, having disposed of trucks, we had better dispose of automobiles. I ask unanimous consent that that may be done.

The VICE PRESIDENT. That can be done by unanimous consent.

Mr. KING. I ask unanimous consent that the Senate may now proceed to the consideration of my amendment, which is to strike out all of the provision found in lines 9 to 18, inclusive, on page 231.

The VICE PRESIDENT. Is there objection?

Mr. SMOOT. I do not object. If the Senate wants to strike out this paragraph and destroy the bill, go to it and rip it up.

Mr. BRUCE. Mr. President, what is the proposal?

Mr. WADSWORTH. Mr. President, may I ask the chairman of the committee or the junior Senator from Utah the amount of revenue involved in this matter? The paragraph provides for a 3 per cent tax on passenger automobiles.

Mr. SMOOT. Sixty-nine million dollars.

Mr. WADSWORTH. On that one paragraph alone?

Mr. SMOOT. On that one paragraph alone.

Mr. WADSWORTH. I merely desire to observe that we can not shed quite as bitter tears about this paragraph as we shed about the truck paragraph. The overwhelming majority of these cars are for luxury purposes.

Mr. KING. Mr. President, I do not agree with the Senator. I should like to know where he gets the figures upon which he bases the statement that the greater part of the automobiles contemplated here are luxury automobiles.

Mr. WADSWORTH. I assume that nearly every Cadillac car is a luxury, that nearly every Packard car is a luxury, that Pierce-Arrow cars are luxuries. I assume that the moderate-priced cars, as they are called, are used largely for pleasure driving. I do not think they are used in commercial business, as contrasted with trucks.

Mr. COUZENS. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Michigan?

Mr. WADSWORTH. I yield.

Mr. COUZENS. Does the Senator think that Ford cars are used for pleasure?

Mr. WADSWORTH. Well, some people have a contorted idea of what is fun; and many do believe that they are having a good time when they ride in one.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Utah [Mr. KING] to strike out lines 9 to 18, inclusive, on page 231.

Mr. REED of Missouri. On that I call for the yeas and nays.

The yeas and nays were ordered.

Mr. COUZENS. Mr. President, I desire to protest against the tax on automobiles, generally speaking. We have consistently been reducing taxes and repealing excise taxes. I see no

justification at all for an excise tax on automobiles any more than on pianos or talking machines or radios. The absurdity of the situation must be apparent—that we place no sales tax on pianos, on talking machines, on radios, and yet in the case of the automobile, in which millions of the American people are getting a little outdoor exercise in little cars that cost from $300 to $500 or $1,000 and having difficulty in maintaining them, we propose to collect from them $15 or $20 each, as the case may be.

I agree with the Senator from New York [Mr. WADSWORTH] that there are cars on which we might be justified in collecting a sales tax. I do not disagree with the Senator at all that there are many cars on which we might be justified in collecting a sales tax, but in this very bill, as reported by the Finance Committee, trucks below $1,000 and bodies below $200 are exempted, and yet when it comes to the little doctor or the farmer who uses a pleasure car both for business and for pleasure, we propose to assess an excise tax of 3 per cent upon him.

Mr. President, there is not any justification whatsoever for it. There is not a man on this floor who can logically defend it. I ask Senators who approve of this procedure to get up on the floor and defend it. They can not defend it for the purpose of collecting revenue, because they have abandoned other sources of revenue more lucrative, much more easily collected, much less burdensome. They have repealed those, and now they ask to collect $69,000,000, of which over $50,000,000, it is safe to say, will be collected from people who can ill afford to pay. I should like some Senator who agrees with this action of the committee to get up and defend the action of the committee in putting on this tax or retaining it.

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

Mr. COUZENS. I yield.

Mr. HEFLIN. The automobile has taken the place of the old-fashioned buggy. The Federal Government never taxed the buggy——

Mr. COUZENS. Certainly not.

Mr. HEFLIN. And now it is taxing the automobile. I agree with the Senator that the tax ought to be taken off.

Mr. SMOOT. Mr. President, we are getting rid of these taxes just as fast as we can. We have reduced them 40 per cent this time. I hope to see the time in the very near future when we shall have none. I know that they are called nuisance taxes; I have denounced them in many ways; but we are cutting them out of the bill and reducing them as fast as we can. That is the exact situation.

Mr. DILL. Mr. President, I am just wondering what has become of the coalition that we had here that was taking off all these taxes on wealth and keeping them on the common people in the form of excise taxes.

Mr. REED of Missouri. Mr. President, I think I can answer the question. That coalition was formed only for the benefit of those who had great incomes.

Mr. DILL. And then it died out afterwards?

Mr. REED of Missouri. Yes.

Mr. HARRISON. Mr. President, of course I care nothing about the reflection of the Senator from Missouri or the Senator from Washington so far as I am personally concerned; but the Democratic members of the Finance Committee voted in the committee to take off these nuisance taxes; and in voting this way, as I voted before against the tax on trucks, I was voting just as I voted in the committee. I expect also to vote in the Senate as I voted in the committee.

In the program that was given to the press by the minority members of the Finance Committee it was stated that they were against these nuisance taxes and wanted to take them off. There has been no coalition so far as nuisance taxes are concerned, so far as I know, and I do not think anybody else knows of any.

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

Mr. HARRISON. I yield.

Mr. DILL. The coalition, then, only extended to the matter of relieving great wealth in the form of high surtaxes and inheritance taxes, as I understand?

Mr. HARRISON. So far as any coalition is concerned that I know anything about, it was embodied in the agreement that was made by the distinguished ranking minority member of the Finance Committee in making his fight for a reduction of taxes in the lower brackets. I stood by him in that agreement, and I am glad that I did. I will do it in the Senate. I think, so far as I am concerned, that in acting as I did I was working in the interest of lower taxes for those between the $26,000 and the $100,000 brackets. That was as far as any coalition went in the Finance Committee, so far as the minority members were concerned. I do not think it will go any further than that here.

Mr. LENROOT. Mr. President, with reference to the statement made by the Senator from Mississippi, it has been conclusively shown within the last half hour how unnecessary any such coalition was in order to secure a reduction in the lower brackets of the bill. But the Senate, by a very large majority, this afternoon has approved the action of the committee taking from the Treasury the income received in the form of estate taxes, both relieving of those to come and refunding that which has been incurred, amounting to $40,000,000 for the calendar year 1926, $45,000,000 for the calendar year 1927, and $45,000,000 for the calendar year 1928.

The committee must have assumed that we did not need that revenue. I am satisfied that when the bill is acted upon finally the provisions which have been voted into the bill this afternoon with reference to estate taxes will not be found in it; and if that be true, it will be possible to make a reduction of $45,000,000 somewhere, if the Finance Committee was correct in its original estimate of the lowering of taxes.

Mr. KING. Mr. President, I think the Senator from Wisconsin has been modest in his statement, and I invite his attention to the further fact that with the increase in fortunes last year and this year the amount which would be collected during the next year, with the continuance of existing law, would of necessity be greater than that which we have collected in the past, perhaps not surpassing the year when we collected $154,000,000. But it is obvious that if we maintain the law taxing estates, there is bound to be a progressive increase in the taxes derived from the estates of decedents, because we know that those in whose hands the wealth increases are not immortal. Some will die during this calendar year, and their estates will be subject to tax.

Mr. LENROOT. Quite aside from that, as I understand, for the last year there was collected in the way of estate and inheritance taxes about $101,000,000. Now it is proposed to repeal entirely the law under which that sum was collected. I can not quite understand how it can be said that that means a loss of only $20,000,000 a year to the Treasury.

Mr. SMOOT. That comes about because the repeal is not to be effective for at least two years, and, therefore, this year it is only $20,000,000, as Mr. McCoy estimates it.

Mr. LENROOT. What would it have been if there had been no repeal?

Mr. SMOOT. One hundred and ten million dollars.

Mr. LENROOT. So the repeal, then, does effect a loss of $80,000,000, does it not?

Mr. SMOOT. Not on account of the repeal. This repeal affects only the year 1924.

Mr. LENROOT. Let me put it in another way. We collected $110,000,000 last year. If the rate had remained the same, how much would we have collected last year?

Mr. SMOOT. One hundred and ten million dollars.

Mr. LENROOT. So there is a loss of $80,000,000, is there not?

Mr. SMOOT. If we had not collected it for 1921, there would have been.

Mr. LENROOT. So it is entirely clear that there is somewhere between $30,000,000 and $80,000,000 of revenue which, if the House conferees do not agree with the action of the Senate, and the Senate conferees have to yield, we could put somewhere in the bill in the way of further reductions, if the estimates of the Finance Committee are correct as to revenue. That being clearly the fact, I am willing to vote for this reduction in the way of repealing the tax upon automobiles.

Mr. REED of Missouri. Mr. President, I do not desire to delay the Senate, but I am interested in the statement of the Senator from Mississippi. True, he prefaced it by saying he was not concerned with my opinion——

Mr. HARRISON. The Senator was talking about the coalition in the Finance Committee, and I happened to be one of the members of that committee, of which the Senator formerly was a member.

Mr. REED of Missouri. I asked the question, or made the observation, I have forgotten the form, as to whether the coalition had extended beyond the agreement in regard to the taxes upon great incomes.

Mr. LENROOT. Surtaxes.

Mr. SIMMONS. Mr. President——

Mr. REED of Missouri. Let me proceed a moment. I understood the Senator from Mississippi to say there had been no coalition or agreement except that the Democratic members had agreed to the reduction on the large incomes in order to get a reduction on the small incomes.

I want to follow up that question, and that is exactly what I intimated by my suggestion. I ask whether the Republican members of the committee were so bent upon not reducing the

taxes upon small incomes that it was necessary to make this arrangement in order to get the reduction upon the smaller incomes?

Mr. HARRISON. I will say to the Senator that the minority members of the Finance Committee gave a statement to the press outlining their position, and declared in the statement that one part of the program was to fight for a reduction on the incomes of those within the brackets between $20,000 and $100,000. It was expressly said in the statement which was issued by the ranking Democratic member on the Finance Committee and submitted to the other minority members that if the majority did not acquiesce in a substantial reduction within the brackets between $20,000 and $100,000 of around $35,000,000 or $40,000,000, I think it was, then we would fight for the 25 per cent maximum surtax.

The proposition was presented in the Finance Committee by the Senator from North Carolina to reduce the taxes within the brackets between $20,000 and $100,000. It was rejected by the Finance Committee. The majority members of the Finance Committee voted solidly against that proposition, which would have given a reduction of practically $40,000,000 to the small-income taxpayers.

The majority members said that they would be adamant in opposing any further reductions on the smaller incomes. Afterwards they went to the Senator from North Carolina with a proposition, stating that if we would support the proposition of the maximum surtax at 20 per cent, they would submit to a reduction of approximately $26,000,000 on the incomes between $20,000 and $100,000.

We considered that proposition. The word came to us that if we did not accept that, the majority members of the Finance Committee would give no reduction there. Consequently, believing that that was true, we accepted their proposition in order to get the reduction within those brackets. That was the reason why the minority members of the Finance Committee stood for a 20 per cent maximum surtax. They did not believe that otherwise they would ever get any greater reduction than that carried in the bill as it passed the House for the smaller income taxpayer.

Mr. HEFLIN. Mr. President——

The VICE PRESIDENT. Does the Senator from Mississippi yield to the Senator from Alabama?

Mr. HARRISON. I yield.

Mr. HEFLIN. How much reduction was brought about for these smaller taxpayers by reason of that agreement?

Mr. HARRISON. About $26,000,000.

Mr. REED of Missouri. Mr. President, I am much obliged to the Senator for his statement.

Mr. HARRISON. I have answered the Senator's question.

Mr. REED of Missouri. The statement is very illuminating.

Mr. SIMMONS. Mr. President, will the Senator from Missouri yield to me?

Mr. REED of Missouri. Certainly.

Mr. SIMMONS. After the statement to which the Senator from Mississippi has referred was submitted to the minority members of the committee and approved by them I made it public. Our proposition with respect to the surtax was that we insisted upon certain reductions, stating that if those reductions were agreed to by the committee, then we would support the 20 per cent surtax. That was our proposition, and we were unanimous in it. If they had not accepted it, then we would have insisted upon a 25 per cent surtax. That is the thing we compromised.

In the committee, so far as the inheritance tax was concerned, each member voted his convictions and has voted them here in the Senate. All the minority members were in favor of the repeal of the inheritance tax without any reference to any agreement at all, except the Senator from New Mexico [Mr. JONES] and the Senator from Utah [Mr. KING]. The Senator from Utah was opposed to it, and the Senator from New Mexico favored it, but he said he intended to offer an amendment substituting an inheritance tax for the estate tax. We voted our judgment with reference to an inheritance tax. As to the other matters we also voted our judgment, and we said that in the Senate we would vote as we saw fit with reference to all matters except the matter that was compromised, as to the surtax, and that we have done.

When the matter of increasing the tax on corporations by 1 per cent was before the Senate, we fought it, as we had fought it in the committee. When this matter of the imposition of a tax of 2 per cent on trucks came up, we fought it in the committee, and we fought it on the floor of the Senate, and I stated here yesterday that I would vote to take the tax off trucks, and that I would vote to take the tax off automobiles. In every matter except this matter which we compromised we have voted just as each member of the committee felt he ought to vote.

Mr. REED of Missouri. Mr. President, the amount of the colloquy is this: The Democratic members of the committee wanted to make the reductions upon incomes in the brackets below $100,000. The Republicans were opposed to it, but the Republicans wanted to make a heavy reduction in the brackets above $100,000. In order to get some measure of relief for incomes below $100,000 the Democrats on the committee compromised and agreed to support the Republican reduction on incomes above $100,000.

Mr. SIMMONS. It was said, before any controversy arose in the committee, that if the reductions were made as we proposed we would vote for a 20 per cent surtax. That statement was published in the RECORD and made a Senate document, and it seemed to meet with the approval of the Senators who were here at the time. I did not talk with all of them, of course.

Mr. WALSH. Mr. President, I am rather curious to know if the Senator from North Carolina or the Senator from Mississippi actually took a poll of the Senate in order to ascertain whether it became necessary to yield to this demand for a decrease in surtaxes on incomes above $100,000.

Mr. SIMMONS. I have just said to the Senate that when the announcement was made we assumed that each member of the committee had felt the sense of the Senate, and that in their judgment the Democratic Members of the Senate were agreeable to the proposition.

Mr. WALSH. No one ever even approached me on the subject.

Mr. SIMMONS. I do not say that every Senator was approached.

Mr. WALSH. I should imagine if there was any canvass on this side of the Chamber I would not be overlooked.

Mr. SIMMONS. There was no division among the seven members constituting the minority membership of the Finance Committee as to the proposition which they made before the bill was referred to the committee, as I explained.

Mr. REED of Missouri. Mr. President, I am not for the moment concerned with just how the compromise was effected, whether it was done by putting something in the RECORD or not. An understanding was reached, evidently.

Mr. SIMMONS. It was put in the RECORD before the compromise, I will say to the Senator.

Mr. REED of Missouri. The modus operandi employed is rather immaterial. What is the tax reduction which applies to those incomes in the brackets above $100,000?

Mr. SIMMONS. Ten million dollars, so far as revenue is concerned.

Mr. REED of Missouri. What is the reduction below those brackets?

Mr. SIMMONS. Twenty-six million dollars.

Mr. REED of Missouri. Then the reduction on estate taxes is how much?

Mr. SIMMONS. It is $26,000,000 by reason of the agreement, but that must be added to the reduction which the House made.

Mr. LENROOT. Mr. President, I think the Senator has unintentionally made a mistake. He said the reduction is only $10,000,000. It is very much more than that. It is $10,000,000 upon a maximum of 25 per cent.

Mr. SIMMONS. I was quoting the figures given to me.

Mr. LENROOT. The present tax is 40 per cent. So the reduction is very much more.

Mr. REED of Missouri. How much is the reduction on the present rate?

Mr. LENROOT. I have not the figures.

Mr. NORRIS. I can give the Senator the percentages. The reduction on incomes above $100,000 is 44 per cent. It is somewhere between 20 and 30 per cent on incomes below $100,000.

Mr. REED of Missouri. May I ask the chairman of the committee what is the reduction in dollars and cents on incomes above $100,000, as between the present law and the 20 per cent? How much of a reduction is it?

Mr. SIMMONS. I have not the figures as to that. The chairman of the Finance Committee may be able to give them to the Senator.

Mr. LENROOT. It is $10,000,000 on the basis of a maximum of 25 per cent, but the present law is 40 per cent.

Mr. SIMMONS. The entire gross reduction made by the House and Senate I have not estimated, but the reduction made by the Senate is about $24,000,000 or $25,000,000, and the reduction made by the House I would suppose to be about $15,000,000 or $20,000,000, making a total of something like $40,000,000 or $45,000,000. But I want to say to the Senator

that when the minority members of the Finance Committee met, four of those members felt that a 20 per cent maximum was enough. When we finally acted upon it some minority members of the committee did not agree to the proposition of 20 per cent, but it was agreed that we would all stand for 20 per cent provided the reductions were made. That was the agreement by the minority members of the Finance Committee before we went into a committee meeting.

We presented that proposition to the Senate and published it. I heard no clamor against it. We went into the committee and proposed it, and the majority members voted it down by a unanimous vote, and then several days after that—I do not know how many days after—the proposition of compromise was made, and we compromised the matter, and that was the end of the compromise arrangement.

Mr. HEFLIN. Mr. President——

The VICE PRESIDENT. The Senator from Missouri has the floor. Does he yield?

Mr. REED of Missouri. I have the floor, and I yielded to the Senator from North Carolina. I am not trying to take him off his feet.

Mr. HEFLIN. I was just going to suggest to the Senator from Missouri that this is about the fourth time this matter has been explained thoroughly, and the Senate ought not be held up by Senators who have not been here and who now come in to thresh out these things over and over again. That is the suggestion I wanted to make.

Mr. REED of Missouri. I would have been through if the Senator had not consumed my time.

Mr. GLASS. Mr. President, will the Senator from Missouri yield to me?

Mr. REED of Missouri. Certainly.

Mr. GLASS. As pertinent to the inquiry of the Senator from Missouri, may I ask what, in dollars and cents, was the reduction in taxes on incomes below $100,000 made by the House and by the proposal of the Senate committee?

Mr. SMOOT. The amount of normal tax reduction was $97,000,000, surtaxes $119,000,000, and capital-stock tax $2,000,000.

Mr. GLASS. What is it on incomes below $100,000? I imagine the Senator from Missouri would want that, too.

Mr. SMOOT. The division of reduction on incomes commencing with incomes of $10,000 is $52,200,000; incomes of $20,000 to $100,000, $46,300,000; incomes in excess of $100,000, $120,500,000.

Mr. SMITH. Was the $120,500,000 under the 40 per cent rate?

Mr. SMOOT. That is not the reduction from the bill as passed by the House. It is the reduction compared to the present law.

Mr. SIMMONS. Let me ask the Senator a question. How much did the House, in addition to reductions given to estates, reduce when they exempted 2,500,000 people from any tax at all?

Mr. SMOOT. They would all more than likely come in with those having incomes of less than $10,000, and that amount would be $52,200,000.

Mr. NORRIS addressed the Chair.

Mr. REED of Missouri. Mr. President, I am trying to hold the floor.

The VICE PRESIDENT. The Senator from Missouri has the floor.

Mr. NORRIS. Will the Senator from Missouri yield to me?

Mr. REED of Missouri. I yield to the Senator from Nebraska.

Mr. NORRIS. May I, with the permission of the Senator from Missouri, ask the Senator from Utah or any other Senator whether it is not true that the reduction in the tax on incomes above $100,000, was at a greater rate, a larger percentage of reduction, than, for instance, on incomes between $75,000 and $100,000 or incomes between $50,000 and $75,000. Of course, in dollars and cents the reduction on incomes below $100,000 would amount to more than on those above, because there are so many thousand times more of them. I think the Senator from Montana [Mr. WALSH] gave the percentages the other day in the debate, in which he said that the reductions on the incomes above $100,000 were 44 per cent.

Mr. WALSH. In the case of estates above $1,000,000.

Mr. NORRIS. A man with an income of $1,000,000 had a reduction of 44 per cent. What was the next amount—$75,000?

Mr. WALSH. A man with an income of $100,000 had a reduction of 29 per cent. A man with an income of $24,000 had a reduction of 27 per cent.

Mr. REED of Missouri. That is the figure I wanted.

Mr. NORRIS. The biggest reductions of all took place in the higher brackets.

Mr. GLASS. Mr. President——

Mr. REED of Missouri. I yield to the Senator from Virginia.

Mr. GLASS. That sort of statement of percentage reductions is misleading because, as stated when the matter was in controversy before, it arises out of the fact that there was no reduction whatsoever in the surtaxes in the last act, and there was a very material reduction in the lower brackets.

Mr. SMOOT. In other words, if we take the act of 1918, on a $5,000 income the reduction as between the 1918 law and the pending bill was 90.1 per cent; on a $10,000 income it was 87.8 per cent; on a $25,000 income it was 76.5 per cent; on a $45,000 income it was 57 per cent.

Mr. NORRIS. What law was that?

Mr. SMOOT. The act of 1918.

Mr. NORRIS. That is the pending bill compared with the 1918 law?

Mr. SMOOT. Yes. What the Senator from Virginia said is absolutely true.

Mr. HEFLIN. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. HEFLIN. Is the pending amendment now the one that takes the tax off of automobiles generally?

The VICE PRESIDENT. It is.

Mr. SIMMONS. I think I showed by the figures the other day that the percentage of reduction accorded to the low and the proportion of percentage accorded to the high men is the same in this bill as in the 1924 law.

SEVERAL SENATORS. Vote! Vote!

Mr. REED of Missouri. Mr. President, I have yielded to various Senators, and I hope no one will get impatient. I am not going to take many minutes of the time of the Senate. I want to state the matter as I now think I understand it.

The Republican members of the committee wanted to reduce the surtax on incomes above $100,000 to 20 per cent. Some, at least, of the Democrats did not want to make that reduction and did not think it ought to be made. The Democrats wanted to reduce the taxes on incomes below $100,000 more than the House provided for, and thought that ought to be done. The Republicans were unwilling to do it. As a result the Democrats yielded upon the higher incomes in order to get a reduction on the lower incomes, but they yielded $120,000,000 on the higher incomes for a concession of about $47,000,000 on the lower incomes.

Mr. KING. It was not so much as that.

Mr. REED of Missouri. How much was it?

Mr. KING. About $23,000,000.

Mr. REED of Missouri. The point I want to reach is simply that, regardless of how it was done, without reflecting on anybody, not conceding for a moment that the matter ever was submitted to the Senate by the mere publication of a program in the CONGRESSIONAL RECORD, not conceding for a moment that any man was bound on the Democratic side, nevertheless I want to ask this question: By what right may I yield the rights of a class of citizens to which I believe they are entitled in order to trade them for some concession on other taxes against other citizens which I believe ought to be levied? If I believe that an income above $100,000 ought to bear a certain burden as a matter of justice, and if my friends on the other side of the Chamber believe that it ought not to bear that burden, that question ought to be settled on its merits by a vote of the Senate. If I believe that an income below $100,000 ought to bear a certain burden and no more, and I believe that is just and right as to that class of taxpayers, and my friends upon the other side believe that those incomes ought to bear a greater burden as a matter of justice, what right have we to trade the justice due either class of taxpayers in order to work an injustice to some other class?

As a compromise it amounts to this, that the Democrats agreed to do that which they believed to be an injustice to the country as to the taxes on great incomes and the Republicans agreed to do that which they believed to be an injustice as to the taxes on smaller incomes, and they swapped one injustice for the other, instead of settling these questions which relate to different individuals upon the merits of each question on the floor of the Senate. I can not agree to that kind of legislation.

I can not agree that anybody has a right to tax A more than he ought to pay in order that he may get more taxes from B or that he ought to tax A less than he ought to pay in order that there may be a less burden fixed upon B. That is a process of legislating money out of one man's pocket into another man's pocket in which I do not believe.

SEVERAL SENATORS. Vote!

Mr. SMOOT. Mr. President, just a word. The House of Representatives voted unanimously for the 20 per cent maximum rate. The bill came to the Senate and the intermediate surtaxes on incomes between $26,000 and $100,000 appeared to every member of the committee—not only the Democratic members but the Republican members as well—to be out of proportion. The very rates on their face showed them to be out of proportion. As I stated the other day, I discussed the question with the President, and I discussed it with others and there was not any doubt in the world but that some change had to be made.

The first proposition, just as the Senator from North Carolina [Mr. SIMMONS] has said was for a reduction of $44,000,000. I did not see, nor did the other Republican members of the committee see, how it was possible to reduce the taxes provided by the bill by that amount and meet the expenses of the Government. It is true that the majority members of the committee up to that time had suggested no rates whatever. The Senator from North Carolina, as I have said, did suggest some rates, the first suggestion being for a reduction of $44,000,000, just as the Senator has stated. After he and the Senator from Pennsylvania [Mr. REED] had discussed the question pro and con the other proposition was submitted and was accepted, exactly as the Senator has stated by the majority, and the suggested rates of the Senator from North Carolina were voted in by the committee.

Mr. SIMMONS. Mr. President, let me state——

Mr. HEFLIN. I want to state to the Senator that this is the tenth time that matter has been explained. Will he not let us vote on the amendment?

Mr. SMOOT. Yes; I should like a vote, Mr. President.

SEVERAL SENATORS. Vote!

Mr. LENROOT. Mr. President, Senators will not hasten anything in this way. I am going to ask the Senator from Utah one question. Do I understand the fact to be that the majority members of the committee did not make as a condition of agreeing to any reduction of surtaxes on incomes below $100,000 that the minority members accept the 20 per cent rate?

Mr. SMOOT. So far as that is concerned, the 20 per cent rate was put in by the House, and the Republican members of the committee insisted upon carrying out that rate. That is what we agreed to, as I stated before; that is what we wanted to report and that is what we did report.

Mr. HEFLIN. Now let us vote.

SEVERAL SENATORS. Vote!

Mr. SMOOT. Mr. President, I rise to a parliamentary inquiry. There is some misunderstanding as to just what the question is. Will the Chair state it?

The VICE PRESIDENT. The question is on the motion of the junior Senator from Utah [Mr. KING] to strike out lines 9 to 18, on page 221. On that question the yeas and nays have been ordered. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. WALSH (when Mr. BRATTON's name was called). I wish to announce that the Senator from New Mexico [Mr. BRATTON] was called from the Chamber a short time ago. If present, he would vote "yea."

Mr. NORRIS (when Mr. BROOKHART's name was called). I wish to announce again that the Senator from Iowa [Mr. BROOKHART] is paired with the Senator from Arkansas [Mr. CARAWAY]. If the Senator from Iowa were present he would vote "yea."

Mr. BROUSSARD (when his name was called). I have a pair with the Senator from New Hampshire [Mr. MOSES]. I transfer that pair to the Senator from Nevada [Mr. PITTMAN], and vote "yea."

Mr. JONES of Washington (when Mr. EDGE's name was called). The senior Senator from New Jersey [Mr. EDGE] is necessarily absent. If present and permitted to vote, he would vote "yea."

Mr. COPELAND (when Mr. EDWARDS's name was called). The junior Senator from New Jersey [Mr. EDWARDS] is unavoidably absent. He is paired with the Senator from Kentucky [Mr. ERNST]. If the junior Senator from New Jersey were present and permitted to vote, he would vote "yea."

Mr. FERNALD (when his name was called). I transfer my pair with the senior Senator from New Mexico [Mr. JONES] to the junior Senator from Connecticut [Mr. BINGHAM], and vote "nay."

Mr. FLETCHER (when his name was called). Making the same announcement as to my pair and its transfer as on the last vote, I vote "nay."

Mr JOHNSON (when his name was called). I have a pair with the senior Senator from Arkansas [Mr. ROBINSON]. If permitted to vote, I should vote "yea."

Mr. SHEPPARD (when Mr. MAYFIELD's name was called). The junior Senator from Texas [Mr. MAYFIELD] is absent on account of illness. If present, he would vote "yea."

Mr. SWANSON (when his name was called). Announcing the same pair and transfer as on the former vote, I vote "yea."

The roll call was concluded.

Mr. BLEASE. As I have stated on previous roll calls, I have a pair with the Senator from Missouri [Mr. WILLIAMS]. I do not know how he would vote if present, and, therefore, I withhold my vote. If I were permitted to vote, I should vote "yea."

Mr. JONES of Washington. I desire to announce the following pairs:

The Senator from Vermont [Mr. GREENE] with the Senator from Montana [Mr. WHEELER];

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD]; and

The Senator from Pennsylvania [Mr. PEPPER] with the Senator from New Mexico [Mr. BRATTON].

Mr. HARRISON. I wish to announce that the Senator from Rhode Island [Mr. GERRY] is paired with the Senator from Minnesota [Mr. SCHALL]. If present, the Senator from Rhode Island would vote "yea."

Mr. REED of Missouri (after having voted in the affirmative). I neglected to state when I cast my vote that I am paired with the Senator from Kansas [Mr. CURTIS]. I transfer that pair to the Senator from Mississippi [Mr. STEPHENS] and allow my vote to stand.

The result was announced—yeas 42, nays 21, as follows:

YEAS—42

Ashurst	Glass	McKellar	Shipstead
Bayard	Harreld	McMaster	Simmons
Broussard	Harris	McNary	Smith
Cameron	Harrison	Neely	Stanfield
Capper	Heflin	Norbeck	Swanson
Copeland	Howell	Norris	Trammell
Couzens	Jones, Wash.	Nye	Tyson
Dill	Kendrick	Overman	Walsh
Ferris	King	Ransdell	Weller
Frazier	La Follette	Reed, Mo.	
George	Lenroot	Sheppard	

NAYS—21

Bruce	Goff	Phipps	Warren
Butler	Gooding	Pine	Watson
Deneen	Hale	Reed, Pa.	Willis
Fernald	Keyes	Sackett	
Fess	Metcalf	Smoot	
Fletcher	Oddie	Wadsworth	

NOT VOTING—33

Bingham	du Pont	McKinley	Schall
Blease	Edge	McLean	Shortridge
Borah	Edwards	Mayfield	Stephens
Bratton	Ernst	Means	Underwood
Brookhart	Gerry	Moses	Wheeler
Caraway	Gillett	Pepper	Williams
Cummins	Greene	Pittman	
Curtis	Johnson	Robinson, Ark.	
Dale	Jones, N. Mex.	Robinson, Ind.	

So Mr. KING's amendment was agreed to.

RECESS

Mr. REED of Pennsylvania. Mr. President, I wish to appeal to the Senator from Utah [Mr. SMOOT] to consider the question of taking a recess at this time. The Senate has been working for seven and a half hours and we have considered some very important questions. A number of Senators live at a distance from the Capitol. I appeal to the Senator from Utah, in view of the exceptional storm which prevails at the moment, to take a recess now until 11 o'clock to-morrow morning.

Mr. SMOOT. Mr. President, from the number of Senators who have told me that they are compelled to leave because of the snowstorm, I doubt very much whether we could keep a quorum. I am going to appeal to Senators, however, if we shall take a recess now, to please be prepared to remain here to-morrow night. We ought to pass the bill to-morrow; we are getting near the danger line now. Of course, if I felt that we could keep a quorum here, I would not consent that the Senate take a recess at this time.

Mr. SWANSON. We will all be here to-morrow night.

Mr. SMOOT. That is what was stated last night.

Mr. SWANSON. I am willing to stay now.

Mr. SMOOT. I move that the Senate take a recess until to-morrow morning at 11 o'clock a. m.

The motion was agreed to; and (at 6 o'clock and 30 minutes p. m.) the Senate took a recess until to-morrow, Thursday, February 11, 1926, at 11 o'clock a. m.