that Mexico and Latin American countries be placed upon the quota provisions of that act, and asking for additional deportation legislation; to the Committee on Immigration and Naturalization.

432. By Mr. BOX: Petition circulated and presented by patriotic societies and signed by numerous citizens of the State of New Jersey and other States, praying Congress not to emasculate the immigration act of 1924 by repealing or suspending the national-origins provisions of that act, and asking that Mexico and Latin American countries be placed under the quota provision of that act, and asking for additional deportation legislation; to the Committee on Immigration and Naturalization.

433. By Mr. CONNERY: Petition of Ancient Order of Hibernians of Massachusetts, protesting against national-origins clause of the immigration law; to the Committee on Immigration and Naturalization.

434. Also, petition of city council of Lynn, Mass., petitioning Congress for a tariff on boots and shoes; to the Committee on Ways and Means.

435. By Mr. GARBER of Oklahoma: Petition of the United States Sugar Association, in regard to the tariff rate on sugar, with particular emphasis on Cuba and the American consumer; to the Committee on Ways and Means.

436. Also, petition of Oklahoma Cotton Growers' Association, favoring farm relief and equitable tariff bill on farm products; to the Committee on Agriculture.

437. Also, resolutions of the Oklahoma Cotton Growers' Association, relating to miscellaneous provisions in the tariff bill; to the Committee on Ways and Means.

438. Also, petition of the Farmers' Union, in regard to pending farm legislation; to the Committee on Agriculture.

439. Also, petition of the national board and officers of the Farmers' Union, and executives of the various State Farmers' Union organizations, representing the following States: Washington, Montana, North Dakota, Minnesota, South Dakota, Nebraska, Iowa, Illinois, Missouri, Kansas, Oklahoma, and Colorado, insisting upon the adoption of farm tariff schedules substantially in agreement with those proposed by the farm groups after long conference and final full agreement and opposing any increase in general schedules applicable to manufacturers until farm schedules are equal and effective; to the Committee on Ways and Means.

440. Also, petition of the Northwestern Shoe Retailers Regional Association, St. Paul, Minn., opposing a tariff on hides; to the Committee on Ways and Means.

441. Also, petition of the Creo-Dipt Co. (Inc.), North Tonawanda, N. Y., urging imposition of tariff on shoes and protesting against proposed tariff on shingles; to the Committee on Ways and Means.

442. Also, petition of the National Association Against a Lumber and Shingle Tariff, protesting against proposed tariff on cedar lumber, cedar shingles, and fence posts; to the Committee on Ways and Means.

443. Also, petition of the Florsheim Shoe Co., Chicago, Ill., protesting against tariff on hides; to the Committee on Ways and Means.

444. Also, petition of the Plunkett-Webster Lumber Co. (Inc.), New Rochelle, N. Y., protesting against the proposed tariff of 15 per cent on maple and birch lumber; to the Committee on Ways and Means.

445. Also, petition of the Philippine Society of California, signed by W. H. Taylor, president, regarding tariff on sugar; to the Committee on Ways and Means.

446. Also, petition of the legislative committee of Beaver Valley Grange, Supply, Okla., urging support of the export debenture plan of farm relief; to the Committee on Agriculture.

447. By Mr. JENKINS: Petition signed by 50 citizens of the United States who are members of patriotic organizations, petitioning Congress to retain the national-origins provision of the immigration act of 1924; to the Committee on Immigration and Naturalization.

448. Also, petition signed by 50 citizens of the United States who are members of patriotic organizations, petitioning Congress to retain the national-origins provision of the immigration act of 1924; to the Committee on Immigration and Naturalization.

449. Also, petition signed by 50 citizens of the United States who are members of various patriotic organizations, petitioning Congress to retain the national-origins provision of the immigration act of 1924; to the Committee on Immigration and Naturalization.

450. By Mr. LINDSAY: Petition of John J. Conway, Manufacturers Trust Co., Brooklyn, N. Y., on behalf of rattan industry, praying that an adjustment of tariff rates be made so that this industry can be placed again on a paying basis; to the Committee on Ways and Means.

451. By Mr. McCORMACK of Massachusetts: Petition of the Macallen Co., Thomas Allen president, South Boston, Mass., urging adequate tariff on mica; to the Committee on Ways and Means.

452. By Mr. O'CONNELL of New York: Petition of the Cantilever Corporation, of Brooklyn, N. Y., favoring free hides and skins as recommended by the Ways and Means Committee; to the Committee on Ways and Means.

453. Also, petition of the New York State Association of Manufacturing Retail Bakers, New York City, opposing any tariff legislation that would increase the cost of foodstuffs to the American public by a higher tariff on raw materials entering in the cost of foodstuffs; to the Committee on Ways and Means.

454. By Mr. QUAYLE: Petition of Hanan & Son, of Brooklyn, N. Y., urging tariff on shoes; to the Committee on Ways and Means.

SENATE

MONDAY, *May 20, 1929*

(Legislative day of Thursday, May 16, 1929)

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

Mr. NORRIS obtained the floor.

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

The VICE PRESIDENT. Does the Senator from Nebraska yield for that purpose?

Mr. NORRIS. I yield.

The VICE PRESIDENT. The clerk will call the roll.

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

Allen	Frazier	Keyes	Smith
Ashurst	George	King	Smoot
Barkley	Gillett	McKellar	Steck
Bingham	Glenn	McMaster	Steiwer
Black	Goff	McNary	Stephens
Blaine	Goldsborough	Metcalf	Swanson
Blease	Gould	Moses	Thomas, Idaho
Borah	Greene	Norbeck	Thomas, Okla.
Brookhart	Hale	Norris	Trammell
Broussard	Harris	Nye	Tydings
Burton	Harrison	Oddie	Tyson
Capper	Hastings	Overman	Vandenberg
Caraway	Hatfield	Patterson	Wagner
Connally	Hawes	Phipps	Walcott
Copeland	Hayden	Pine	Walsh, Mass.
Couzens	Hebert	Pittman	Walsh, Mont.
Cutting	Heflin	Ransdell	Waterman
Dale	Howell	Reed	Watson
Dill	Johnson	Robinson, Ind.	Wheeler
Edge	Jones	Sackett	
Fess	Kean	Sheppard	
Fletcher	Kendrick	Simmons	

Mr. FESS. I desire to announce that the Senator from Wisconsin [Mr. LA FOLLETTE] and the Senator from Illinois [Mr. DENEEN] are detained in the Committee on Manufactures.

Mr. HASTINGS. I wish to announce that my colleague the junior Senator from Delaware [Mr. TOWNSEND] is unavoidably absent.

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

OPERATIONS OF THE ARLINGTON MEMORIAL BRIDGE COMMISSION

The VICE PRESIDENT laid before the Senate a report of the executive and disbursing officer of the Arlington Memorial Bridge Commission relative to the operations of that commission covering the period April 1 to April 30, 1929, which was referred to the Committee on Public Buildings and Grounds.

SUGAR AND OTHER PRODUCTION COSTS

The VICE PRESIDENT laid before the Senate a communication from the chairman of the United States Tariff Commission transmitting, in response to Senate Resolution 60 (submitted by Mr. WALSH of Massachusetts and agreed to May 16, 1929), data relative to the production costs of sugar and other commodities, which, with the accompanying documents, was referred to the Committee on Finance, and the communication was ordered to be printed in the RECORD, as follows:

UNITED STATES TARIFF COMMISSION,
Washington, May 18, 1929.

Hon. CHARLES CURTIS,
President of the Senate,
United States Senate, Washington, D. C.

SIR: In response to Senate Resolution No. 60, of May 16, 1929, I have the honor to transmit, under separate cover, copies of the reports submitted by the Tariff Commission to the President prior to March 4, 1929, upon its investigations under the provisions of section 315 of the tariff act of 1922, together with such additional material on the same subjects as the commission has published.

The several reports sent herewith are grouped as follows:

(1) Reports to the President upon subjects as to which no changes in rates of duty have been proclaimed.

(2) Reports to the President upon subjects as to which changes in duty have been proclaimed. This group includes also a report prepared at the request of the President upon The Relation of the Tariff on Sugar to the Rise in Price of February–April, 1923.

(3) Summary of Tariff Information, 1929, in 15 parts, covering Schedules 1 to 14, and the free list, of the tariff act of 1922. This material was prepared by the Tariff Commission and was printed by the Committee on Ways and Means of the House of Representatives.

In addition to the reports listed herein the commission submitted to the President in 1926 a report of its investigation of the costs of production of cotton hosiery. No change of duty has been proclaimed on that subject. The commission has no copy of that report available to be transmitted at this time, but a copy is now being made and will be sent to the Senate as soon as it is available.

In 1925 the commission made, upon request by the President, an investigation for the Department of State of the costs of production of halibut in the United States and in Canada. That report was desired for use in connection with negotiations pending between the Governments of the United States and of Canada, and has been held in confidence in accordance with the express suggestion of the Secretary of State.

Respectfully,

THOMAS O. MARVIN, *Chairman.*

PRESIDENT HOOVER AND INTERNATIONAL LONGFELLOW SOCIETY

Mr. WATERMAN. Mr. President, I present an original letter from President Hoover to Arthur Charles Jackson, president the International Longfellow Society, accepting his election as honorary president of that society, and I ask that it be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, and it is as follows:

THE WHITE HOUSE,
Washington, May 15, 1929.

Mr. ARTHUR CHARLES JACKSON,
President the International Longfellow Society,
223 First Street NE., Washington, D. C.

DEAR MR. JACKSON: I thank the International Longfellow Society most cordially for my election as honorary president and accept with pleasure.

Yours faithfully,

HERBERT HOOVER.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Connecticut, which was referred to the Committee on Naval Affairs:

STATE OF CONNECTICUT,
GENERAL ASSEMBLY,
January session, A. D. 1929.

Resolution concerning the transfer of the U. S. S. *Hartford* to Connecticut waters

Resolved by this assembly, That the governor be instructed to request the Congress of the United States to make an appropriation for the restoration, preservation, and maintenance of the U. S. S. *Hartford*, and for the transfer to Connecticut waters of this historic ship.

The VICE PRESIDENT also laid before the Senate resolutions of Local Union No. 40, Composition Roofers; Local Union No. 401, Water Workers; Local Union No. 59, Hoisting and Portable Engineers; and Golden Gate Branch, No. 214, National Association of Letter Carriers, all of San Francisco, Calif., favoring a reduction of 50 per cent in the Federal tax on earned incomes, which were referred to the Committee on Finance.

He also laid before the Senate a memorial of sundry citizens of Huntington Park and Glendale, Calif., remonstrating against a proposed plan of revising the calendar unless the continuity of the weekly cycle be preserved without the insertion of blank days, which was referred to the Committee on Foreign Relations.

Mr. CAPPER presented a telegram in the nature of a petition from sundry citizens of Lancaster, Pa., praying for the imposition of adequate tariff duties on hides and leather products, which was referred to the Committee on Finance.

Mr. GOLDSBOROUGH presented a telegram in the nature of a petition from the Appalachian Fruit Growers (Inc.), of Cumberland, Md., praying for inclusion in the farm relief bill of a provision for aid in securing packing houses and common storage to lengthen selling season for apples, which was referred to the Committee on Agriculture and Forestry.

He also presented a letter in the nature of a memorial from E. Lee Lecompte, State game warden of Maryland, remonstrating against the imposition of a tariff duty on wild game birds imported for stocking purposes, which was referred to the Committee on Finance.

He also presented a telegram and letter in the nature of memorials from George M. Leiby, of Baltimore, and George L. Connell, national president of the United States Customs Employees, remonstrating against the proposed amendment to section 451 of the tariff act of 1922 as provided in paragraph (b) of that section in the pending tariff revision bill, which were referred to the Committee on Finance.

Mr. VANDENBERG presented the following resolution of the House of Representatives of the State of Michigan, which was referred to the Committee on Finance:

House Resolution 46

Whereas before the World War the office of United States Revenue Department was maintained in the city of Grand Rapids, known as the office of the United States Revenue Department for the Western District of Michigan, through which many foreign goods were imported and appropriate duty collected; and

Whereas the city of Grand Rapids has at present increased in population, business, and industries, and is destined to be the leader in the export of furniture; and

Whereas the city of Grand Rapids' business in export and import has more than doubled in volume during the last 10 years: Therefore be it

Resolved by the House of Representatives of the State of Michigan, That it is the earnest desire of this house to appeal to the Hons. JAMES COUZENS and ARTHUR H. VANDENBERG, our outstanding characters in the highest legislative body of this great Republic, to entreat the President of the United States to reestablish a convenient collection district in the city of Grand Rapids so that the revenue ensign of the United States shall once more be displayed during the working hours of business over all buildings in which customs is collected; and be it further

Resolved, That a copy of this resolution, signed by the speaker of the house and countersigned by the clerk, be forwarded to our distinguished United States Senators, the Hon. JAMES COUZENS and the Hon. ARTHUR H. VANDENBERG.

Mr. VANDENBERG also presented the following concurrent resolution of the Legislature of the State of Michigan, which was referred to the Committee on Agriculture and Forestry:

HOUSE OF REPRESENTATIVES, MICHIGAN, 1929–30.

House Concurrent Resolution 9

A concurrent resolution memorializing Congress to extend Federal aid to all rural township post roads

Whereas rural township post roads are in great need of improvement; and

Whereas these rural township post roads constitute a vast amount of mileage over which transportation and communication must be conducted; and

Whereas these roads are of vital importance to the needs of the rural and agricultural regions of our State; and

Whereas individual townships are not able to finance the entire cost of improvement for such a large number of roads to keep pace with the needs of modern development; and

Whereas it is not possible for the counties nor for the State to lend sufficient aid to adequately accomplish the speedy improvement of these important highways: Therefore be it

Resolved by the House of Representatives of the State of Michigan (the Senate concurring), That the Congress of the United States be urgently requested to pass suitable legislation promptly to extend Federal aid to all rural township post roads; and be it further

Resolved, That suitable copies of this resolution be forwarded to both Houses of Congress and to the Members of Congress from the State of Michigan, duly signed by the speaker and clerk of the house and the president and secretary of the senate.

CONDITIONS IN TEXTILE INDUSTRY IN NORTH CAROLINA

Mr. OVERMAN. Mr. President, I ask unanimous consent to have printed in the RECORD a telegram received from T. A. Wilson, president of the North Carolina State Federation of Labor, together with several other telegrams and letters from local unions, relating to the subject of labor conditions in the textile industry in my State. As I had inserted in the RECORD matter on the other side, I make the same request in this case.

There being no objection, the letters and telegrams were referred to the Committee on Manufactures and ordered to be printed in the RECORD, as follows:

RALEIGH, N. C., *May 5, 1929.*

Hon. LEE S. OVERMAN,
United States Senator, Senate Office Building,
Washington, D. C.:

The wage earners of North Carolina respectfully request you to support the Wheeler resolution, to investigate the conditions of hours, wages, etc., of the southern textile workers.

T. A. WILSON,
President North Carolina State Federation of Labor.

UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA,
Greensboro, N. C., May 17, 1929.

Hon. LEE S. OVERMAN,
Senate Building, Washington, D. C.

DEAR SIR: With much interest we have followed up the published reports concerning the Wheeler resolution, calling for an investigation of labor conditions, especially in North Carolina and Tennessee.

Now we are respectfully requesting that you use your influence to bring about a complete and impartial investigation of the working conditions in North Carolina, as well as other sections of the South.

Thanking you in anticipation of a favorable reply, we are

Very respectfully yours,

C. O. BROWN,
Secretary Local No. 1460.

(Ordered in regular session with seal of local.)

UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA,
Greensboro, N. C., May 17, 1929.

Hon. LEE S. OVERMAN,
Senate Building, Washington, D. C.

DEAR SIR: I have been watching the daily press for some time trying to keep myself posted in regard to the unrest in the South relative to the labor troubles. I note that the laboring people are calling for an investigation by your committee. It seems that you are not very favorably impressed with the idea.

Furthermore, it seems that the mill owners are not in sympathy with the idea of an investigation. It strikes me that if the laboring people are favoring it and the mill owners are opposed to it, that that alone would stand as an indictment against them, and the only way that I can see that the matter can be brought to light is to have a fair and impartial investigation.

Thanking you for past favors and trusting you with our interest, I remain

Yours respectfully,

J. H. ADAMS,
Business Agent Local No. 1460.

GASTONIA, N. C., *May 16, 1929.*

Senator LEE S. OVERMAN,
Washington, D. C.:

We, the undersigned, a commission created by the Methodist Episcopal Church South to study the situation in the State of North Carolina, beg leave to submit our findings, as follows:

First. We believe that the President of the United States should be empowered to appoint a fact-finding commission to study the entire textile industry—cotton, silk, wool, rayon, and all other textiles—in every section of the Nation which may be engaged in the manufacture of textiles.

Second. That this commission should be nonpartisan, nonsectional, and unbiased in its membership.

Third. That its report should cover all phases of the situation, and that the said report should be issued as a whole, covering the entire field of textiles, and that upon issue this report should be made immediately available for public study, to the end that all governmental departments, manufacturers, labor interests, social forces, and the general public may have the salient facts as found by the commission so created.

Fourth. We do not believe that a partisan, sectional, or incomplete survey of the situation will be productive of good or lasting results.

R. M. COURTNEY.
J. F. SHINN.
W. A. NEWELL, *Secretary.*

CENTRAL LABOR UNION,
Greensboro, N. C., May 15, 1929.

Hon. LEE S. OVERMAN,
Senate Building, Washington, D. C.

DEAR SIR: Having followed the many details published concerning the Wheeler resolution to appoint a Senate committee to investigate the many rumors of labor trouble in the South, particularly North Carolina, and it seems that you are opposed to such an investigation, we are writing to give our opinion.

Inasmuch as you have written to a number of manufacturers asking their views on such a project, we feel it would only be fair to all concerned that you write letters to the same number of workers as you did to the business men and try to reach a just decision about the matter from all letters you receive from both parties.

We do not want you to think that we are trying to dictate the duties of your honorable office, but as so much has already been said regarding this matter, we only want that all concerned shall have a chance to give their own version of the matter.

Thanking you for all past favors that you have shown this body, we beg to remain,

Yours very truly,

[SEAL.] GREENSBORO CENTRAL LABOR UNION,
JOHN K. WHITE, *President.*

ASHEVILLE, N. C., *May 9, 1929.*

Senator LEE S. OVERMAN,
Washington, D. C.:

Building Trades Council, Asheville, urges your support of Wheeler resolution.

T. G. EMBLER, *President.*

CHARLOTTE, N. C., *May 13, 1929.*

Senator LEE S. OVERMAN,
Washington, D. C.:

We earnestly request you support Wheeler resolution regarding textile investigation.

W. F. KELLY,
Secretary Plumbers and Steamfitters' Union No. 69, Charlotte, N. C.

CENTRAL LABOR UNION,
Salisbury, N. C., May 3, 1929.

Hon. LEE S. OVERMAN,
United States Senator, Washington, D. C.

DEAR SENATOR OVERMAN: I am inclosing you herewith copy of resolutions passed by the Salisbury Central Labor Union and the Federated Shop Crafts employed by the Southern Railway at Spencer, N. C.

In this connection we would respectfully ask that you lend your support and influence to the end that this resolution is adopted by the Senate of the United States and the investigation ordered held. We feel that much good will be accomplished by this action.

Thanking you in advance for your consideration of this subject, and for your support of this resolution, we are.

Yours very truly,

[SEAL.] THE SALISBURY CENTRAL LABOR UNION,
C. P. MULDER, *Recording Secretary.*

Whereas there has been introduced in the Senate of the United States a resolution by Senator WHEELER of Montana (S. Res. 49) calling for an investigation by the Committee on Manufactures into the working conditions of the employees in the textile industry in the States of North Carolina, South Carolina, and Tennessee; and

Whereas we believe from our own observation and knowledge of existing conditions in the said textile industry that an investigation would reveal that these employees are as a whole underpaid, overworked, and unable to secure the necessities, much less the luxuries, of decent living: Therefore be it

Resolved by the Salisbury Central Labor Union, in meeting assembled, First, that the Salisbury Central Labor Union and the Federated Shop Crafts of the Southern Railway, employed at Spencer and organized labor in the State of North Carolina hereby approves most heartily of the investigation as called for in Senator WHEELER'S resolution, S. Res. 49, and urge our own Senators, the Hon. F. M. SIMMONS and Hon LEE S. OVERMAN, to do all in their power to aid and assist said investigation; and be it further

Resolved, That we feel satisfied that if there is nothing to conceal that no harm will be done, and if there is something that should be exposed great good will be accomplished, and our southern men and women who have to toil long, dreary hours for small wages may be benefited by the investigation; and be it further

Resolved, That a copy of these resolutions be sent to Hon. BURTON K. WHEELER, Hon. ROBERT M. LA FOLLETTE, Jr., Hon. F. M. SIMMONS, Hon. LEE S. OVERMAN, William Green, president of the American Federation of Labor, T. F. Wilson, president North Carolina State Federation of Labor, and the Greensboro Daily News for publication.

BROTHERHOOD OF PAINTERS, DECORATORS, AND PAPERHANGERS OF AMERICA,
Greensboro, N. C., May 11, 1929.

Senator LEE S. OVERMAN,
United States Senate, Washington, D. C.

DEAR SIR: The labor condition in the South, especially in North Carolina, has reached a critical stage.

I have been requested by my local craft to write you asking if you will sponsor Senator WHEELER'S effort for a committee to instigate a Senate investigation.

Hoping that you will give this matter your favorable consideration, we are

Yours very truly,

LOCAL NO. 717,
C. S. HUGGINS, *Recording Secretary.*

MUNICIPAL AIRPORTS AS A PUBLIC PURPOSE (S. DOC. NO. 12)

Mr. BINGHAM. Mr. President the question as to whether or not the ownership of a municipal airport is a public purpose within the purview of the general principles of constitutional law is one which is concerning a great many of our States, cities, and towns at the present time. I ask unanimous consent that an article by Harry J. Freeman, research fellow in law, New York University, entitled "Municipal Airports as a Public Purpose," may be printed as a public document.

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

BILLS INTRODUCED

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

By Mr. SWANSON:

A bill (S. 1166) appropriating money for improvements upon the Government-owned land at Wakefield, Westmoreland County, Va., the birthplace of George Washington; to the Committee on Appropriations.

By Mr. REED:

A bill (S. 1167) for the relief of the Allegheny Forging Co. (with accompanying papers); to the Committee on Claims.

(By request of the War Department.) A bill (S. 1168) to authorize the Secretary of War or the Secretary of the Navy to withhold the pay of officers, warrant officers, and nurses of the Army, Navy, or Marine Corps to cover indebtedness to the United States under certain conditions; to the Committee on Military Affairs.

By Mr. KING:

A bill (S. 1169) granting a pension to Eliza Beagley; to the Committee on Pensions.

By Mr. ODDIE:

A bill (S. 1170) granting a pension to Ambrose L. Hunting; to the Committee on Pensions.

By Mr. RANSDELL:

A bill (S. 1171) to establish and operate a national institute of health, to create a system of fellowships in said institute, and to authorize the Government to accept donations for use in ascertaining the cause, prevention, and cure of disease, affecting human beings, and for other purposes; to the Committee on Commerce.

By Mr. WAGNER:

A bill (S. 1172) for the relief of John J. Gillick; and

A bill (S. 1173) to provide for refunding certain customs duties to the M. W. Kellogg Co.; to the Committee on Claims.

By Mr. BLAINE:

A bill (S. 1174) to credit the accounts of Charles R. Williams, deceased, former United States property and disbursing officer, Wisconsin National Guard; to the Committee on Claims.

By Mr. NYE:

A bill (S. 1175) for the relief of the distressed and starving people of China and for the disposition of wheat surpluses in the United States; to the Committee on Agriculture and Forestry.

By Mr. ROBINSON of Indiana:

A bill (S. 1176) for the relief of Gustav J. Braun; to the Committee on Claims.

A bill (S. 1177) granting an increase of pension to Margaret Sweet (with accompanying papers); to the Committee on Pensions.

By Mr. HAWES:

A bill (S. 1178) for the relief of St. Ludgers Catholic Church, Germantown, Henry County, Mo. (with an accompanying paper); and

A bill (S. 1179) for the relief of Toberman Grain Co., successors to Toberman, Mackey & Co. of St. Louis, Mo. (with an accompanying paper); to the Committee on Claims.

A bill (S. 1180) granting a pension to Barbra Eakins (with accompanying papers);

A bill (S. 1181) granting an increase of pension to Lavina M. Williams (with accompanying papers); and

A bill (S. 1182) granting an increase of pension to Sarah Jane Harrel (with accompanying papers); to the Committee on Pensions.

By Mr. CARAWAY:

A bill (S. 1183) to authorize the conveyance of certain land in the Hot Springs National Park, Ark., to the P. F. Connelly Paving Co.; to the Committee on Public Lands and Surveys.

By Mr. WHEELER:

A bill (S. 1184) granting a pension to Sadie B. Cameron; to the Committee on Pensions.

By Mr. WATSON:

A bill (S. 1185) granting a pension to Charles M. Wilson; to the Committee on Pensions.

By Mr. TYSON:

A bill (S. 1186) granting the consent of Congress to the Highway Department of the State of Tennessee to construct, maintain, and operate a bridge across the Cumberland River between Gainesboro and Granville in Jackson County, Tenn.;

A bill (S. 1187) granting the consent of Congress to the Highway Department of the State of Tennessee to construct, maintain, and operate a bridge across the Tennessee River on the Dayton-Decatur Road between Rhea and Meigs Counties, Tenn.;

A bill (S. 1188) granting the consent of Congress to the Highway Department of the State of Tennessee to construct, maintain, and operate a bridge across the Cumberland River on the projected Gallatin-Martha Road between Sumner and Wilson Counties, Tenn.; and

A bill (S. 1189) granting the consent of Congress to the Highway Department of the State of Tennessee to construct, maintain, and operate a bridge across the Cumberland River on the projected Charlotte-Ashland City Road, in Cheatham County, Tenn.; to the Committee on Commerce.

By Mr. PHIPPS:

A bill (S. 1190) to promote the development, protection, and utilization of grazing facilities within national forests, and for other purposes; to the Committee on Agriculture and Forestry.

AMENDMENTS TO CENSUS AND APPORTIONMENT BILL

Mr. BLACK, Mr. CAPPER, Mr. GEORGE, and Mr. MOSES each submitted an amendment intended to be proposed by them, respectively, to the bill (S. 312) to provide for the fifteenth and subsequent decennial censuses and to provide for apportionment of Representatives in Congress, which were severally ordered to lie on the table and to be printed.

PUBLIC SAFETY IN THE DISTRICT OF COLUMBIA

Mr. COPELAND. Mr. President, I send forward a brief resolution, which I ask to have read at the desk.

The VICE PRESIDENT. Without objection, the resolution will be read.

The legislative clerk read the resolution (S. Res. 62), as follows:

Resolved, That the Commissioners of the District of Columbia be requested to report to the Senate regarding the rules and regulations in force requiring the opening outward of the doors of all public buildings, the application of fire escapes, the care of explosives and inflammable materials, and other similar matters relating to the public safety; also that they indicate if legislation in these matters is necessary to safeguard the citizens of Washington.

Mr. COPELAND. Mr. President, the purpose of the resolution is perfectly apparent. On account of the dreadful accident in Cleveland, the officials of every city are disturbed. I think the Senate should have information as to whether or not such proper regulations are being maintained in our city of Washington. I ask unanimous consent for the immediate consideration of the resolution.

The resolution was considered by unanimous consent and agreed to.

Mr. NYE. Mr. President, in connection with the resolution just submitted by the Senator from New York [Mr. COPELAND], I ask unanimous consent to have printed in the RECORD an editorial from the Portland (Me.) Evening News of Saturday, May 18, entitled "One Lesson of the Cleveland Clinic Disaster." It is an editorial of considerable interest at the present moment.

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

[From the Portland (Me.) Evening News, May 18, 1929]

ONE LESSON OF THE CLEVELAND CLINIC DISASTER

The catastrophe which overwhelmed the Cleveland Clinic was both of a magnitude and of a horror sufficiently peculiar to evoke nation-wide emotion in a society jaded with sensation, calloused at calamity, and unusually immersed in its own affairs.

The reaction to the sudden snuffing out of scores of human lives and to the lingering torture of the fatally poisoned, while the death toll passed 125, is reflected in the daily press.

The agonies of the dying, the fortitude of the rescued, and the heroism of the rescuers, some of whom in turn became victims; the intense personal tragedies in the blotting out of fathers, mothers, wives, and husbands, of young girls just engaged, of patients helpless with serious ailments, of others who, casually admitted for examination, found death where they were seeking improved health; the precautions taken in cities throughout the Nation to guard against similar disaster in their own hospitals—these fill the news columns throughout America and even abroad.

The editorial writers, facing the apparent necessity of commenting on an episode so staggering, and the difficulty of making their expression other than a rehearsal of the facts and a piling up of adjectives, merely echo the public reaction at the "unmitigated horror," the "ghastly suffering," the "appalling disaster," invoking even such time-honored journalese favorites as "holocaust" and such verbal artifices as "superhorror."

What else indeed is there but to express horror at the horror, sympathy for the victims, their relatives and the "stricken community," and to utter the hope that precautions will prevent a recurrence of so terrible a disaster?

And yet, without going too far afield from such indicated commentaries, one collateral reflection upon this tragedy, hitherto unmentioned, seems almost as obvious.

The cynosure of all eyes in the Cleveland tragedy was, of course, Dr. George W. Crile. A surgeon of international repute, the foremost of his profession in Cleveland, he is, even among those of his specialty, pre-eminent in his expertness on the surgical problems especially related to the circulatory system. The Cleveland Clinic was his. One of its founders, he was essentially its leader and directing genius. He escaped death, and with a fortitude and endurance that seemed almost superhuman worked uninterruptedly for 48 hours in his effort to save lives—the lives of his colleagues, of the hospital's staff, and of patients. With the loss of many of his dearest friends and associates, with this unprecedented calamity befalling the institution which embodied the energy and ability and consummated the hopes and ambitions of a life-long career, his burden was beyond that of all others.

"He seemed," one newspaper correspondent telegraphed his paper, "to have absorbed the catastrophe by some application of the shock-elimination technique which he perfected during his services as consulting specialist with the Army in France during the World War."

Yes; it was like war: The most warlike calamity within the comparatively short peace-time period since the advent of modern warfare! When else, but in war, have over a hundred people massed together been subject to the lethal ravages of poison gas, unable to escape in time, with the survivors of immediate death gasping their life away as the corroding poison within the blood stream slowly brought on suffocation? The Hamburg fatalities with phosgene gas a few months ago slew but a tenth of the Cleveland number.

Yes; it was like war, this loosing of poison gas, whose destructiveness was its one outstanding quality, but whose character and exact physiologic effects were for days in doubt. A large part of the poison, declared some of the earlier reports which relayed autopsy findings, "was hydrocyanic gas, used by professional rat exterminators because of its unfailing and instantaneous effect." And indeed, like its effect on rats, caught by the fumes before they can escape to the open air, was the gas generated by the explosion in the hospital's X-ray film storage room.

One expert declared that the gas was "nitrogen dioxide," which may be fatal days after inhalation due to its injury to the pulmonary tissue causing œdema of the lungs—their filling with water. Another assigned the lethal effect of the gas to the disintegration of the blood corpuscles, which often continues unabated even by transfusion.

Now this unique peace-time catastrophe, this horror which blighted the city of Cleveland, which has sent a thrill of compassion throughout the land, which from coast to coast has kindled among civic and medical authorities the determination that this unprecedented accident "shall not be again"—why, that is the daily order of things in time of war.

The gas shambles which a fatal combination of unlikely and unexpected circumstances brought to pass, that unspeakable calamity which because of its very horror was undreamt of, that is the very thing which nations deliberately plan to bring about in time of war.

These poisonous gases, a whiff of which fell a strong man; these swift vapors which destroy the living tissues; these noxious fumes, a cloud of which lays low a company; these accidental products of leaky pipe and carelessly stored inflammable material, are the carefully calculated concoctions of the scientific laboratory in time of war.

These falling men and women; these rigid corpses, their faces contorted in death agony, their skin yellowed with the fatal venom; these gasping human beings, choking and writhing in physical and mental anguish as life ebbs; these tragic victims of Cleveland's unique calamity; they are the daily, the routine, the expected—yes; even the hoped-for victims in time of war.

To-day the energies and thoughts of men and their hand-maiden science are mobilized to forestall the repetition of so unutterable a calamity as that in Cleveland. To-morrow the same energies and thoughts will be mobilized to secure its manifold repetition.

What now, in time of peace, the Nation will seek to prevent at all costs, hereafter, in time of war, it will seek to achieve at all costs. What is deplored as an accident to-day will be applauded when deliberately perpetrated to-morrow on an infinitely vaster scale.

If the Cleveland horror, which is irremediable, may turn the thoughts of men to the same greater horror when purposeful and not accidental, then the suffering and loss in our Ohio city may not be absolute, may not be wholly waste. If it might lead to a nation-wide movement for the elimination of the governmental agencies which in time of peace—now—are devoting their energies to the potential use of gas in the event of war; if the peace-time horror might bring about the abolition of the peace-time preparation for the same horror multiplied a thousand times in time of war, then maybe those dead will not have died in vain.

"EDUCATION AS A FOUNDATION FOR CITIZENSHIP"

Mr. REED. Mr. President, a most interesting address was delivered at the new McKinley High School on last Wednesday evening, May 15, by the senior Senator from Connecticut [Mr. BINGHAM] on the subject of Education as a Foundation for Citizenship. I ask unanimous consent that the address, which I send to the desk, may be printed in the CONGRESSIONAL RECORD.

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

Senator BINGHAM spoke as follows:

It is well for us sometimes to stop and consider why it is that so large a part of the money contributed to State and city governments by the taxpayers of the United States is devoted to education. What is the justification for the large expenditure of public money on such magnificent establishments as the McKinley High School and on the cost of maintenance of our public schools?

If you answer that it is because education is such a necessary and useful matter it can be replied that there are many other necessary and useful matters for which the money of the taxpayers is not spent. Food and clothing are necessary and useful matters, yet we do not expect the Government to provide them, although undoubtedly under governmental supervision more wholesome and nourishing diet could be provided than is at present the case in many instances. It is also quite probable that under governmental direction citizens might be furnished with clothes more useful and durable, even if less attractive and fashionable than is the case at present.

Nevertheless we take it for granted that it is better for the citizens to provide their own food and raiment and that except in the case of unfortunates and the destitute the money of the taxpayers should not be spent even for such necessary and useful matters as food and clothing. Furthermore, few things are more desirable than travel and perhaps in the long run nothing conduces more to the progress of the race than scientific research. Yet we do not ask the taxpayers to pay for any considerable portion of the scientific research now being done in the United States nor for any but the smallest fraction of the bills for travel spent by the American tourist at home and abroad.

You will have to find some reason better than those already given if you are to justify the enormous expenditure of the public revenue on public schools. As I see it the justification lies in the law of self-preservation. A government composed of citizens, and our Government is essentially made up of its citizens, can not long be preserved if its citizens are not fit for the duties of citizenship.

We recognize that citizens must be clothed and fed, but we believe that the strength and character developed in the citizen through the necessity of providing for his immediate bodily needs and the physical needs of his family strengthens rather than weakens the Republic. The history of republics shows that when you begin to feed the citizens, except in times of great national calamity, you begin to weaken their fiber and strike at the roots of the tree of citizenship.

Similarly with regard to travel and research. The ability to travel is one of the rewards of that strenuous attention to one's business, which in its turn helps to form a strong citizenry. As for research, we are learning that it pays to use scientific research in connection with manufactures and industry. We have learned the satisfaction that can come to an able and successful citizen from providing means whereby brilliant and eager students may conduct those explorations into the fields of discovery which are not limited by geography and topography. When government steps in and takes away from the citizens the satisfaction which comes from the rewards of a well-spent life or the rewards of good judgment, strict attention with unflagging zeal in his chosen field of usefulness, government hurts rather than helps its citizenry.

On the other hand, if a republic neglects the careful training of its citizens for the duties of citizenship, then it disregards the duty of self-preservation.

Furthermore, whenever public education loses sight of the reason for its support by the taxpayers and devotes itself to the promotion of the art of education as distinguished from the development of good citizens, it is in danger of defeating its own ends.

The aim of public education should be the development of a sturdy, self-reliant citizenry. The aim of good public schools should be not the acquisition of knowledge, but the development of character. It is possible that knowledge can be best distributed by something resembling mass production and the use of the latest scientific method with all its apparatus of labor-saving devices. On the other hand, character, and particularly, the character of a sturdy, self-reliant patriotic citizen is not a machine-made product and suffers when it is the result of mass production. It is worthy of note that the present President of the United States and his immediate predecessor, both of whom are particularly admired for their strong character as able citizens, were trained in public schools of the old-fashioned sort and later in the affairs of citizenship both proved more successful than millions of their contemporaries whose public-school education was, from the point of view of the professional pedagogue and educator, far more modern and satisfactory.

The professional educator with his mind fixed on devotion to his profession and an earnest desire to see in use its most modern equipment and its latest labor-saving devices, is inclined to look with aversion and scorn on the 1-room schoolhouse where a single teacher with 15 or 20 children is faced with the necessity of covering a multitude of sub-

jects, or perhaps it would be more accurate to say a multitude of aspects of a limited number of subjects and is in despair because there are only 4 children in the primer class, 3 in the second reader, 3 in the third reader, and 2 in the fifth reader, with similar groupings so far as arithmetic and geography are concerned. The professional pedagogue looks at the 1-room schoolhouse with its single overworked teacher and shakes his head because of the lack of apparatus and the lack of opportunity for a normal-school graduate to put into practice the latest methods of her profession.

As a matter of fact, the 1-room schoolhouse, with its single devoted teacher, comes nearer to being a satisfactory successor to the home school than any device of modern education. For untold centuries the character of our ancestors was developed by the training they received at home from fathers and mothers whose duties did not take them far afield. Fortunate indeed is the child to-day who learns to read at his mother's knee and whose parents choose to take the time to fashion the character of the little citizens under their care. Next best is the small school where during the years between 7 and 14 the child may have the affectionate guidance of a teacher deeply interested in giving young citizens that foundation in character which will make them useful members of the Republic.

Where conditions are such that this is not possible, as in our great cities, it still remains the duty of those charged with the supervision of the public schools to see to it that in their desire to be up to date and modern, they do not overlook the real end and aim of public-school education.

Magnificent buildings like this beautiful high school are a source of pride to the citizen and to the pupils who are so fortunate as to use these halls and this equipment. When the fortunate student reaches this stage in his educational career it is necessary that he be taught by specialists. By the time he reaches high school his character is already well developed, and it becomes more essential for the teacher to train him so that he will acquire skill in the use of his brain and of his hands and may become a useful citizen. If it is fundamentally the duty of the elementary schools to develop the desirable traits of self-reliant, honest, courageous citizens, it is equally the duty of the high school to give these young citizens the knowledge and skill which will enable them to become strong units in the citizenry of the Republic. In a kingdom or monarchy, where all are subjects and look to the sovereign for gracious favors, subserviency is a virtue and willingness to receive favors a natural state of affairs. The more perfect the monarchy, the more benevolent the despotism, the more efficient the bureaucracy, the more supine become the citizens, until at last, having lost their responsibilities, they cease to be citizens and become subjects. A school like this, where the effort is made to develop a strong sense of responsibility and pride in self-reliance, justifies the burdens which it lays on the shoulders of the taxpayer, because it helps to provide a strong body of citizenry to carry the burdens of the Republic.

FUNDAMENTALS OF AMERICAN CIVILIZATION—ADDRESS BY SENATOR GOFF

Mr. FESS. Mr. President, I take great pleasure in asking unanimous consent to have printed in the RECORD the speech of Senator GUY D. GOFF, of West Virginia, delivered at the Trinity Methodist Episcopal Church on Sunday night, May 19, upon the subject of God, the Constitution, the Laws Thereunder, and Religion as Being the Underlying Basis of American Civilization. This is a very admirable compendium of our underlying principles of government. Its plea for tolerance, coupled with the warning that self-righteousness is a distinctly American peril, should commend it to the consideration of all who are interested in these basic questions now attracting the attention of the American people.

There being no objection, the address was ordered to be printed in the RECORD.

Senator GOFF spoke as follows:

It has been truly said that all through the history of this country there has run the golden thread of a deeply religious strain. This was well expressed in the Constitutional Convention that met in 1787 to frame the Constitution of the United States. In that assemblage Benjamin Franklin arose and, addressing George Washingon, its president, said:

"I have lived, sir, a long time. The longer I live, the more convincing proofs I see of this truth, that God governs in the affairs of men. And if a sparrow can not fall to the ground without His notice, is it probable that an empire can arise without His aid? We have been assured, sir, in the sacred writings 'that except the Lord build the house they labor in vain that build it.' I firmly believe this; and I firmly believe that without His concurring aid we shall succeed in this political building no better than the building of Babel. I, therefore, beg leave to move that hereafter prayers imploring the assistance of Heaven and its blessings on our deliberations be held in this assembly every morning before we proceed to business."

Prayer is still the procedure, as you know, in both the Senate and House.

We must realize and practice these teachings, and we must cease quarreling in the world and among ourselves. We must realize our responsibilities. We must keep the people of this Nation active and busy in the discharge of their obligations. We must fight in peace for the real things of life, the things that go to make a great Christian nation and a true democracy.

LIVING FAITH IN GOD

The world needs rest, confidence, and charity, and these will not come, until every morning and every night, those who can pray and those who can only think begin to pray and think that rest and peace may come to the bedside of our sick civilization. We must also appreciate that selfishness, envy, revenge, and fear, as well as the present destructive attitude toward all established institutions, are the cause of world unrest. Bickering and brawling must stop. You know and I know that western civilization must now crack and crumble or go forward to higher levels than it has ever attained. If it is to go forward the world must awaken to a living faith in Jesus Christ and to a more ripened belief in His teachings.

THE VOICE OF WASHINGTON

Patriotism belongs to the men and women who are the conscience of a nation. The strength, the industry, and the civilization of this Republic depend on individual character—that indefinable quality that has made our citizenship freer in body, broader in mind, and cleaner in conscience than any other people in the world.

In the Constitutional Convention, over which George Washington presided, he uttered these immortal words. He had taken no part in the discussion of the convention, but at the crucial crisis in its proceedings he arose from his chair and in tones of suppressed emotion said:

"It is too probable that no plan we propose will be adopted; perhaps another dreadful conflict is to be sustained. If to please the people we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise a standard to which the wise and the honest can repair. The event is in the hands of God."

Here was true statesmanship. Here was individual courage. Here was true manhood. And it is only by this degree of patriotism, real and personal, in our everyday lives that we can discharge our obligations to home and to country and so live that they who have died shall not have died in vain.

It is the moral qualities in man and state that rule the world. The strength, the industry, and the civilization of a people all depend on individual character, and the very foundations of civil security rest upon it. Laws and institutions are but its outgrowth.

The first century of the English occupation of this continent, being the second century after the discovery of the New World, was the period in which the citizenship of our Republic was created. Whether he came to New England or Virginia, the Briton brought all the rights of personal manhood that had been written with strong hands and stout hearts into the very text of the Magna Charta. But while he brought the rights of the commoner, he did not bring the burdens of an inherited and traditional aristocracy.

From the very beginning, all that was freest and best in English custom and English law had here a full course and a fair field, and thus was laid the first, the deepest, and the surest foundations of a free State and a full free citizenship of the free man. Two theories of government largely responsible for the spiritual and the intellectual outlook of our people were, however, then interwoven in the growing colonies. These were the forces of State and Federal authority—the centrifugal and centripetal forces of government. Men had been trained in those days to love the colony, and by inheritance to love the State. The sense of local freedom and the jealousies of central authority alike combined to make the citizens of the State distrustful of a new and unlimited national government. On the other hand, men saw and felt that in union alone was strength, and that no government could endure without the power to enforce its own decrees and compel obedience to its rightful commands. Between these theories there had to be compromise, or there could be no agreement. The Federal Constitution was such a compromise, and out of it grew the largest and the best scheme of popular free government that the world has yet seen tried. And so our fathers began with complete recognition of the absolute and inalienable rights of man as men. On this solid foundation they built their fabric of government. In time there came the spiritual conception of state and nation. Those who loved the Union most insisted that to the nation their highest allegiance belonged, and that when the state and nation came in conflict the nation was supreme. The fact of negro slavery intensified this difference. The debates went on, in Congress, in court, in pulpit, and at last ended upon the field of battle. When the struggle of arms was ended, the debate was ended. Brave and honorable men had submitted this question of human government to the last tribunal known on earth, and when that tribunal had rendered its decree, that this Union of States, born of the people of the United States, is and shall be forever a nation of laws with all that nationality implies, that decision was and shall forever be binding upon us all.

Thus has come, unmatched and unequaled, with all its name implies, the United States of America, and the question arises, must arise in every mind: To what shall it eventually grow to be? Rest is impossible. In all this vast creation, in plant, in earth, in stone, there is no rest, and so there is and can be no rest in man, in social system, or in state. We grow to better or lapse to worse. The manhood of this people just in so far as it obeys the law will grow more manly, and in so far as it rejects the law, will sink backwards through sickening changes of weakness, vice, and degredation to anarchy—to an unmanly loss of liberty, and to an unmanly submission to slavery, first of the mob and then of the despot. Absolute liberty to do as one wishes would mean barbarism, for there would be no limit to the conduct of an individual except his whims. The liberty of one would be the unrestricted liberty of every other, and anarchy and absence of law would result, as the wants and desires of men came into conflict.

And so I emphasize this fact, that we must learn to see in this great Republic of ours the powers of personality, morality, and spirituality struggling for utterance against the greed for gold, power, and falsehood—dangers as real as they are insidious. The clash of policies and the clash of moral forces are but the outer evidence of the deeper and more fateful clash of intellects. The lights that flash upon our vision, and the shadows that fall across our way, are only the faint, far-off reflections of the joys and the tragedies that move the lives of ours friends and our neighbors.

And *all* through this vital, throbbing people the pulse of one great purpose beats and swells—a purpose that reveals its meaning more and more to those who reflect and will understand that personality and character and respect for the law are alone eternal, and that the real issues of the struggle are not intellectual or material, but spiritual and moral, and that character is the constant factor in our governmental stability. The social conscience about which we hear so much is not a mere generalization, nor a vague ghost stalking through our civilization and haunting our dreams, but it is a great national ledger, in which all our mistakes, hopes, and aspirations are registered and which time reveals to us all.

This is a new era. "The old order changeth, yielding place to the new, and God fulfills Himself in many ways." In view of the present discontent and violation of the law, I was asked recently if this were not the hour when we should listen to sermons and be thankful. I replied, no; that it was the hour when we should take stock and find ourselves. We are reaping the harvest of the great disorder that always accompanies and succeeds war. Our situation does not differ in the least from that existing elsewhere. We are not the only people with problems of incompetence, graft, and criminal aggression. We have been tried and searched by grim tests, and we are now struggling back to everyday conditions. The world is distrustful, and too many of our law-abiding people hesitate and delay to do the very things necessary to a speedy recovery. Individual men and women have knowingly sought substitutes for their old maxims and have weakly proclaimed new discoveries in the make-up of society. The present-day idealist judges without psychology and purposely excludes himself. He shuts men off in water-tight compartments only to create a false sense of superiority. He labels one good, the other bad. Christ tried to teach men not to do that. It is such attitudes that make our habitual efforts at reform so dangerous. Men are not good or bad; they are good and bad. Self-righteousness is a real American peril, but no one possesses a monopoly of those virtues which go to make up real manhood and womanhood, and everyone knows that some men and women are crafty, dishonest, and responsive to immoral and criminal influences. We all know that life has been trying to teach humanity this fundamental lesson from the days of the first man and the first woman.

War lifted the nations engaged into a great force of unlimited energy. It lit the imagination, and the result was collective enthusiasm, much of which was at the expense of character and those principles which we have been taught to hold dear. Economic and ethical values became unsettled, and too many of us were responsive to the unrest so prevalent on every side.

The searching of our souls disclosed much that was good and much that was bad—but peril abides in this practice if it be too generally followed. Too many of us have a vivid taste for such tasks. The man who searches other people's souls will have no time to search his own. We must not preach disdain, because it exalts the menace of discontent. We must not take our mistakes too seriously, because that discourages repentance and destroys our sense of humor. Life has its absurd side, and those of us who are not snobs know that there is something in all of us at which we must laugh, and at which we do laugh, and at which the world always laughs. The situation admitted of corruption and invited and encouraged the ruthless pursuit of personal advantage. The manifold emergencies of the war and its complete preoccupation offered a perfect opportunity for the return of that unlovely trait in human nature that ever seeks gain out of the misfortunes and the afflictions which are the common lot. In every vocation and avocation, trade and craft, certain men felt the instinct and were vile enough to take advantage of their friends and crush their competitors. As was to be expected, the large majority refused to yield, but many, too many, surrendered. The profiteer stalked abroad in the land, and inflation became the order of the day. The mass opinion and morality became infected with the selfish psychology of the few. Mankind went a-looting, and whenever law stood in the way it was annihilated. Those who did not profiteer were ground between the millstones, but the majority did not. Of such, thank God, is the Republic of America. However, it must be admitted that the great majority of people do not regard the welfare of the whole as the chief object of their social obligations, but rather the immediate attainment of their own selfish ends. During the war "emergency" was the great word to which the honest rose, and which they made the "slogan" of a splendid Americanism. "Emergency" was the word with which the crooked palliated their dishonesty of getting away with "easy money," while those who played straight were engaged in winning the battles that saved civilization.

There will be no better days, no way out, no escape from these forces more miserably destructive than the forces of war, unless we determine to wash out the small things of life, and put in their places a superb sincerity and fearlessness of censure. There is no panacea, just the imperative duty to face the situation in the light of the actual facts. There must be a candid and fearless judgment, unpleasant though it may be. There must be no hesitation in pronouncing that a large part of our people have not been honest. We must take stock in our minds as individuals, and in every nook and cranny of our social, political, and governmental existence. We must legislate and prosecute, and drastically punish; but principally we must educate, and practice what we preach. No one can deny that things are wrong and that men, in their pursuit of false gods, have forgotten honor and justice. It is education that is needed. We can not save humanity by hanging murderers and sending thieves to prison. We can save it only by teaching mankind not to murder, and that theft is, of all roads to wealth, the most precarious. To-day all mankind is suspicious, doing nothing, playing safe. America must be the positive Nation. She will. And she will, I am sure, be positively good. A negative nation, seeking constantly for evil, even though it seeks that it may punish, if it is not ready to supplant with the positive good, can not and will not triumph in the end. We must inculcate into our people the homely virtues on which civilization rests. We must teach and learn that a virtuous people, possessed of aggressive honesty and patient endeavor, need few laws—and that law forced from without can never take the place of character. Strong as this Government is, it is not strong enough to last unless the American citizen is taught—if needs be made—to respect authority and revere the law. That is, civilization rests upon the law and law upon civilization; and when this fact is appreciated and observed, then no man will be above the law, and the law will reign over all.

MILLENNIUM FAR AWAY

The trouble to-day with this Nation is that we are patriots in war and slackers in peace. American democracy is facing a severe test, and the question arises in every mind, To what shall it eventually grow to be? We must be anxious for the welfare of our country. The war brought many changes. The war did not leave the world as it found it. It will never be the same. It will have no place for idlers or social slackers. Rank will reside not in birth, nor wealth, nor an office-holding class, but in ability and achievement, the twin sisters of tolerance and moderation, without which there can be neither inspiration, progress, nor justice. In the meditations of a great philsopher is this unchanging truth: "We should draw no horoscopes, we should expect little, for what we expect will not come to pass. Revolutions, reformations—these vast movements into which heroes and saints have flung themselves in the belief that they were the dawn of the millenium—have not borne the fruit for which they looked. Millenniums are far away. These great convulsions leave the world changed, perhaps improved, but not as the actors in them hoped." We must not permit ourselves to be on the mountain top of hilarity nor in the valley of depression. It's always difficult to be self-contained, and, in a crisis, it is never easy to stand solidly on the ground and look up to the heavens and have hope.

COMPOSITE RACE

We know the American temperament. We are a composite of many of the great nations of the world, and we have perforce a peculiar mental outlook. We fuss, we become grouchy, we will fill our hearts with fear, and then we hurry and worry and panic comes. We must not do this. We must believe in law and order. We must look with a single eye, we must see straight and far, and we must be just and honest. We must save and so conserve our wealth that capital will do the work of credit. The trouble with Europe to-day is that credit has taken the place of wealth.

NEED DEVOTION TO COUNTRY

The people of these United States must learn to love the Constitution. Every citizen must know it from the beginning to the end. Every citizen must understand what it signifies. It must be imbedded in the hearts of our people. The subconscious, bone-bred thought of

every honest, loyal American must be: Thank God, I am a citizen of the noblest, the finest, and the most sacred country in all creation—the United States of America. In every great crisis the Constitution of the United States has always stood the cruical and supreme test. To-day it is again being analyzed to determine whether world envy, prejudice, hatred, perfidy, and national selfishness can prevent the majority doing their duty each to the other and to all mankind. It will survive the crucible, sublimated and refined, and emerge the great altar stairs that slope through the treasury of eternal right up to God.

JUSTICE ETERNAL

We are guided and governed by the eternal laws of justice, to which we are subject. We are measured in life by what we do more than by what we think. This Nation to-day is what its executed laws are—no better and no worse. No man in this country is above the law, even though he may regard the rule or regulation as a personal affront. No officer of the law set any law at defiance. All the officers of this Government, from the highest to the lowest, are but the creatures of the law, and are oath bound to obey the law. Government is a trust and the officers are the trustees. Both the trust and the trustees are created by the people for the benefit of all the people.

OBEDIENCE TO LAW

Peace has its disease quite as blighting as war. To-day all mankind is suspicious, doing nothing, playing safe. Autocracy having been overthrown anarchy has raised its head. All the exploded fallacies of government are returning to challenge democracy. The socialists and the anarchists have combined in a world-wide conspiracy having for its object the subjugation of the human race and the destruction of the ideals upon which free government rests. We are confronted with the doctrine of the divine right of the crowd. Selfishness and individual appetitie are to be the law of the land. If the laws are ignored there is no government. Where law ends tyranny begins. Disregard for one law breeds contempt for all laws. The public instinctively believes that lawlessness should be met with lawlessness. This leads to corruption and ultimately to the destruction of all order.

ETHICS OF WAR

We are not the only people with problems of incompetency, graft, and criminal aggression. We are reaping the harvest of the great disorder that always accompanies and succeeds war. The ethics of war always react disastrously on private conduct. Morality can not be removed from national and international affairs without affecting private life. What is regarded as right and proper in war will soon come to be regarded as right and proper in peace.

THE MORAL LAW

The maintenance of a double standard of morals is just as impossible as the maintenance of a double standard in money. By a sort of Gresham's law the lower standard will drive out the higher or drag it down to its own level. The hold-up man is the counterpart of the profiteer. The lawlessness of labor is the counterpart of the lawlessness of capital. The lawless employee is always an apt pupil of the lawless employer. We are in a period of disrespect for law and order.

PROMISE UNPERFORMED

Some officials shut their eyes to the fact that a law without execution is like a promise unperformed. They subvert the Nation's cause to their own personal prosperity, and, because of political power or personal friendship, they make waste paper out of our statutes, State and Federal, and allow illegal practices to be perpetrated and the law set at naught. They become pettifoggers in the courts of their own conscience. It is not for an executive to say whether a law is good or bad. There is no greater evil than the nonenforcement by a public officer of the laws he has sworn to uphold. He should enforce the law or confess failure and resign. The law is not made for a certain few, to be enforced against some and vacated against others. It is a beacon for all—for the poor, the rich, the Jew and the Gentile, for the white and the black, the high and the low. It chooses none and it rejects none. It stands proclaiming to the world, "Thou shalt not break," and when that commandment is broken the Nation should bend every effort to see that atonement is made, no matter who may be the offender, no matter how high his rank nor how low his station.

The quickest and surest way of setting any law at naught is to relax its enforcement, while the quickest and surest way of instilling respect for the law in the hearts of the people is vigorously to press its enforcement. Respect for the law is the one essential fact of our civilization. Without it, life, liberty, and property are insecure; without it, civilization falls back to the chaos and the anarchy of primitive times. We must have faith in ourselves and believe in the principles we profess. Strong as this Government is, it is not strong enough to last unless the American citizen is made to respect and revere the law—that is, that civilization rests upon the law and law upon civilization; and when this fact is appreciated and observed, then no man will be above the law and the law will reign over all.

Our present civilization has not come by chance; it is the result of labor and toil and the consecrated service of brains and hands. Wealth is but the surplus which man has produced and saved over what he has consumed—and by the term "wealth" I mean the mental, the moral, and the spiritual, as well as the material, achievements of the past. Every triumph of mind or hand that makes for higher and better living is part of to-day's wealth and constitutes the sole basis for continued progress. It is said that this is the most materialistic age of the world; but is it not true that to-day there has come from such accumulated savings greater opportunities for the enjoyment of physical, spiritual, intellectual, moral, and social upbuilding than ever before in all history?

SELFISHNESS VERSUS SERVICE

There is no reason why we should worry about our material wealth. Language can not picture nor words paint the great wealth that has come to this Nation. There are dangers ahead far greater than abundance or poverty or the denial of certain rights. There is not an adequate love of country, nor sufficient patriotic self-sacrifice, nor an inborn heart's desire on the part of the majority of our citizens to take an active interest in public affairs.

The men and women of this country are proud and honest. They love their Government and they respect its institutions, but in their ease and their comfort they forget that every gift is accompanied by an obligation to do. They are indifferent to the fact that public participation and public service and a personal private duty are absolutely necessary to the security of individual prosperity. They are too much absorbed in their own selfish affairs to love this blessed land of such dear souls and sacred memories, with a passion enduring when all other earthly desires have gone. They do not care enough for the priceless fabric of liberty transmitted to them as the most precious of heritages, and in the pursuit of their selfish aims they have become too envious and jealous even to care to serve the Nation.

THE POETRY OF LIFE

We must substitute for this false, defective selfishness the undeniable truth that there can be no permanent prosperity for one class of our people at the expense of another class. We must teach those who do not know, as well as those who have forgotten, that democracy is no miracle worker, that it guarantees this and nothing more: That men of unequal ability shall be equal in their right to develop their potentialities. We must insist that every avenue be open and every opportunity free. We must make the world a better place in which to live. We must improve the morals, conserve the health, and advance the welfare of every man, woman, and child with whom we come in contact, and whose lives touch ours. We must soften the severity of labor and increase the rewards of those who do the intellectual as well as the manual work of the world. To fail in these things is to take the first long step back to autocracy.

To close our eyes to these eternal and moral voices is to approve a combination of the mediocre and the inferior, to the end that character, ability, and morality shall be punished and restrained. Most men, aside from the lazy, the weak, the criminal, the defective, and the tainted yearn for something that has the mark of personal ownership—something won by struggle, something to love and defend, to use and enjoy. Mankind wants a home and all that clusters around it. This sentiment constitutes the poetry of life, and it dwells in humble surroundings just as much as it does in places of wealth and culture.

MESSAGE OF THE MOMENT

The message of the moment is this: Every citizen is a stockholder in the material present and the spiritual future of this great Nation, and it is his and her duty as such custodians to lay aside all prejudices and unite for the common good, because by approving politically what we condemn socially and commercially, we not only fail civilly and morally, but we become compounders of felonies against God and man. We need fewer critics of men and more willing and unselfish servants of mankind. We need men who are too honest to be corrupted by opportunity, and too brave to be coerced by demagogues. We need to feel as Washington felt, as Lincoln felt, and Cleveland felt—that a public office is a private trust, that public honor is private honor, that public disgrace is private disgrace, and that public failure is a private failure. The time must come again when men will feel that to spend their lives in morality and high endeavor, though it may end in financial ruin, is far preferable to a life spent simply in the accumulation of millions to be squandered in frivolous dissipation and ostentatious display. There must be a return of mercy and pity, accompanied by a resolute sense of justice and a love of home with an intensity that is passionate.

The time must come again, and soon, when American women will prefer the companionship of men of lofty souls and brave hearts striving to attain some useful and serviceable end rather than the companionship of men whose sole attraction consists in their ability to supply the sounding brass and glittering tinsel. An appreciation—yes; a realization—of the greatness of human life must come again into the

common ways of men. I would begin with the school children—boys and girls—and then the time will come when the man of the hour will be the young man whose intellect points to a life of usefulness to home, to country, and to humanity. Thus and thus only can we regain our spiritual ideals and learn anew the secrets of sacrifices, sincerity, and compassion lost in the madness of money making and in the madness of war. My friends, until we are again sustained in our daily lives by a vision of God there will be neither happiness nor tranquillity, inspiration, nor faith in the hearts of men.

CRITICISM VERSUS FLATTERY

We need brave, honest Catos to point out the evils and wrongs, not eloquent and pleasing Ciceros to gloss over vice and corruption. Society to-day is like some of our trappings—too little substance and too much veneer. Each year we get more of the beautiful orchids, fewer of the rugged oaks that protect us alike in sunshine and in storm. The time must come when man is put above the dollar—character above cash. Let us build on the basis of pure womanhood and courageous manhood, and then our institutions will be safe and perpetual. These virtues are of our inheritance. Do you ever reflect what has made the Anglo-Saxon race the greatest in the world? Julius Cæsar mentions it the first time he encountered our ancestors in Germany. He said: "These Saxons have two great virtues—they hold that the brightest jewel that can decorate woman is purity, and the greatest that can ennoble man is courage." These are the essentials of stability and progress, and because we have practiced them this Nation under God has gone on from victory to victory and triumph to triumph, holding the destiny of civilization in its hands.

THE OPPOSING FORCES

There are to-day two forces struggling for supremacy in America. Predatory, profiteering wealth is trying to seize the reins of government to add to its ill-gotten gains. Its triumph means industrial slavery and the rule of a rich oligarchy. Socialism is trying to seize the reins of government and confiscate alike the ill-gotten gains of the plunderers and the honest savings of our people. Its triumph means that the sensual, the lazy, and the improvident shall share and enjoy the toil of the virtuous, the industrious, and the frugal. The great mass of the patriotic people of this country believe in controlling their own lives and their own destinies, and they must unite to save themselves and their blood from these polluting and destroying influences. My countrymen, you realize and you know as well as I that if this great Republic is to achieve its foreordained purposes—if it is to carry on and to go on—it must not be controlled by those who are either saturated with wealth nor poisoned with prejudice and passion. The temple of this Government must be and it shall be kept free alike from the greed of the money changers and the loot of the rabble.

DEMOCRACY NO MIRACLE WORKER

Mankind is thinking too much of its rights and too little of its duties. We are justified in seeking our rights, but not in seeking them blindly. There must be no betterment of class at the expense of humanity; there must be a change in the individual attitude. We must stop thinking in terms of class and begin to think in terms of impartial justice. There are those who would poison the public mind against the very safeguards of free institutions. They appeal to those who have little to strike at those who have a little more. They are planning to sovietize the United States by driving our people into groups and classes, arraying group against group and class against class. They promise, if given power, that they will by some magic make everyone prosperous, and they assert that property is robbery, and that it should be taken from those who have it and given to those who have it not. They tell us this country is not truly democratic, because the condition of all the people is not the same. But when did democracy guarantee similarity of condition to all the people and grade mankind to a dead level?

No two human beings have the same ability or the same physical powers, and of necessity some men progress more rapidly than others, securing larger rewards and gaining greater enjoyment. These inequalities are due to difference in aptitude and ability, and they can be removed only by substituting tyranny for liberty and holding all men to that level of accomplishment which is within the reach of the weakest and the most incompetent. Such a policy in order to gain a false equality, deprives men and women of liberty and the pursuit of happiness. Such a policy overlooks the fundamental truth that the real value of man lies not in what he has but in what he is and what he may become.

TRUE PATRIOTISM

America has a great destiny. A great Republic, built on the Anglo-Saxon traditions, and resting as it does on the sanctity of the home as the corner stone of its existence, is the heritage of our people to-day. It takes just as high a type of courage, just as exalted a patriotism to fight the enemies of orderly government in time of peace as it does to fight the enemies of the Nation in time of actual war. Lawlessness is the greatest menace to prosperity. If this Government is to endure, infractions of the law must cease. Frankly, I can not understand the viewpoint of the men who would destroy this Government by weakening the structure upon which it stands. If a man is a patriot, how can he deliberately violate the law of this country? If he does violate it, it is because he lacks individual courage. You can not in these disturbed days of peace call him a patriot who seeks to promote his selfish interest or seeks by his disloyalty to bring discredit upon that which makes for his country's good. We must have plain, common, every-day justice and a recognition of justice by the people of this country. Every man knows what justice is. He knows it because he demands it. We are not patriots simply because we join a church or become members of some civic club, expressing patriotic motives. We are not patriots if we lack sincerity in dealing with each other. We are not patriots if we pose in public as one kind of man and in private as another. We are not patriots if we are demagogues or hypocrites in public life. We are not patriots if we seek to please rather than to say and to do what is right. We are not patriots if, in our hearts, we would rather lie to gain a temporary end and postpone a lasting victory rather than tell the truth.

CONSTITUTION

The Constitution has not outlived its usefulness. Its protecting care was never more needed than to-day. It is the duty of every citizen to withstand every assault upon it, whether its enemies be predatory interests seeking special privileges to the public injury or whether they be those who are opposed to any government that would safeguard and protect the rights and liberties of every citizen under its flag.

BEACON LIGHT OF CIVILIZATION

In the days of old, the wise men of the east turned with faith and hope to the star that shone over the cradle of the infant Christ—and to-day in the hope that we shall secure the peace and the civilization of the world the liberty-loving people of the old world are prayerfully and pleadingly looking to America where the Bethlehem Star of the west shines above the temple of justice and lights the pathway of the shrine of universal peace.

We love these United States. They are to-night the beacon light of civilization, and the hope of the entreating voice of a war-stricken world. It is a nation built on suffering. It is a nation founded by men who fleeing from persecution sought the then wilderness here, and made it what it is to-day, the hope of mankind—and the pride of civilization. It is the government the barons had in mind when they struggled at Runnymede. It is the kind of government for which John Hampden died. It is the government that the mothers of the Colonies—grand old mothers of Israel—gave all they had to give—the children of their bosoms and their love to help establish. It is the government that Washington, Adams, Jefferson, Madison, Jackson, Lincoln, Grant, Cleveland, and McKinley helped to organize, and as they pass before us in phantom form, we know it is the government that was saved to us by their courage, their loyalty, and their love. We are one people, because in our hearts we reckon men for what they are—and not for what they have. And so, in gratitude and humility we back the Republic of our fathers against the world, and because justice is greater than power, we dedicate ourselves, our wills, and our lives, in this presence, unto God, that this Nation, hallowed with the tears and the hopes of our sacred dead, shall live to scatter the richest of human liberty to races yet unborn, and advance the course of civilization that law and order, freedom and peace, and the needs of humanity may always be preserved.

THE "INJUNCTION OF SECRECY" WITH RESPECT TO AMERICAN TREATIES

Mr. HAWES. Mr. President, I ask unanimous consent to have printed in the RECORD an article by Manley O. Hudson, professor of international law, Harvard Law School.

Professor Hudson is a distinguished scholar, careful, conservative in expression, and one of our greatest authorities upon the subject of international relations. Any expression of opinion by him will demand thoughtful consideration. The subject of his article is The "Injunction of Secrecy" With Respect to American Treaties, and I ask unanimous consent that it may be printed in the RECORD.

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

The following incident will explain the reason for the suggestions in this paper that treaties signed on behalf of the United States should be published, in some cases, before their ratification.

In 1925 the Government of the United States was represented at an international conference on the protection of industrial property held at The Hague, and on November 6, 1925, the representatives of the United States signed the convention for the protection of industrial property. This new convention effects a revision of the convention signed at Washington on June 2, 1911, to which the United States is a party. (38 Stat. 1645, supplement to this Journal, vol. 6, p. 122.) On February 5, 1927, the President of the United States transmitted the text of the convention of November 6, 1925, to the Senate, with a request for its advice and consent to ratification. The Senate has not yet given its advice and consent, and therefore the convention has not been ratified by the President of the United States. On May 1, 1928, the

ratifications of seven of the signatories were deposited at the Ministry of Foreign Affairs at The Hague, and on June 1, 1928, the convention came into force for those seven states. On June 12, 1928, the convention was registered with the Secretariat of the League of Nations at Geneva.

The text of the convention has been published in various places. In November, 1925, the text (in French) was published in La Propriété Industrielle. (41 La Propriété Industrielle, p. 221.) In 1926 the Actes de la Conference de la Haye were published, setting forth the text (in French). The French text and an English translation of the convention were published by the British Government in 1926 (in Papers and Correspondence relative to the Conference of the International Union for the Protection of Industrial Property held at The Hague, November, 1925, pp. 105, 117), before the convention was ratified by His Brittanic Majesty, and in 1928 the French text and an English translation were published by the British Government in the British Treaty Series (British Treaty Series, No. 16, Cmd. 3167 (1928). The text of the convention published in this Journal for January, 1929 (vol. 23, supplement, p. 21), is taken from the British Treaty Series. Although these publications were available to him, the writer desired a text of this convention for use in the United States as it might have been translated and published by the Government of the United States. On November 9, 1928, he addressed the United States Patent Office, Department of Commerce, Washington, asking for a copy of the text of the convention, and he was informed that the Patent Office had no text for distribution. The writer then addressed the Superintendent of Documents, Government Printing Office, asking for the text of the convention, and he was informed that the French and English texts were "still held confidential," and that his request had been referred to the Department of State. Later, on December 29, 1928, the writer was informed by an official of the Department of State that since "the injunction to secrecy has not been removed" he was unable to send "a copy of the text as printed by the Senate."

The situation then seems to be this. In 1925 representatives of the United States signed a treaty the ratification of which would effect an important change in the law of the United States. Since February, 1927, the treaty has been before the Senate for consent to its ratification. Since 1925 its text has been public, having been first published (in French) by an international bureau which the United States helps to maintain at Berne. The convention has been registered by the Secretariat of the League of Nations. There can be no possible reason for a desire on the part of the Government of the United States that the text of the convention should be kept secret. Yet at the end of 1928, more than three years after the treaty was signed, no American official document is available to an American lawyer who would study the convention, nor can he obtain the text of the convention from any department of the Government of the United States. He is therefore handicapped in his advice to clients whose industrial property rights will be affected by the ratification of the convention.

SENATE RULE XXXVI

Why does such a situation exist? It is due to the "injunction of secrecy" which obtains with respect to treaties signed by representatives of the United States until the Senate has released the texts for publication or has given its advice and consent to their ratification. (When the advice and consent of the Senate is given, the injunction of secrecy is now invariably removed and the text of the treaty is published in the CONGRESSIONAL RECORD. As indicating the practice, see volume 70, CONGRESSIONAL RECORD, p. 2371 (January 26, 1929). When the Senate consented to the ratification of certain of the Bryan treaties on August 13, 1914, the fact did not appear in the CONGRESSIONAL RECORD at the time, but the record of the executive session was later published. (59 CONGRESSIONAL RECORD, page 2304. The standing rules of the Senate provide as follows (Rule XXXVI, par. 3) (Senate Manual (1925), p. 38):

"All confidential communications made by the President of the United States to the Senate shall be by the Senators and the officers of the Senate kept secret; and all treaties which may be laid before the Senate, and all remarks, votes, and proceedings thereon shall also be kept secret, until the Senate shall, by their resolution, take off the injunction of secrecy, or unless the same shall be considered in open executive session."

1. The substance of this became a rule of the Senate on December 22, 1800 (Senate Journal of Executive Proceedings, p. 361; Gilfry, Precedents in the Senate (1914), p. 423; Crandall, Treaties, their Making and Enforcement (2d ed.), p. 84. The provision for removing the injunction of secrecy was added by the amendment of March 6, 1888), and it has not since been materially modified. In 1885 the Senate Committee on Rules, reporting on the operation of this rule, stated "that it extends the injunction of secrecy to each step in the consideration of treaties, including the fact of ratification; that no modification of this clause of the rules ought to be made; that secrecy as to the fact of ratification of a treaty may be of the utmost importance, and ought not to be removed except by order of the Senate or until it has been made public by proclamation of the Executive." (17 CONGRESSIONAL RECORD, p. 77.) While "there is no inflexible rule requiring closed doors," yet "it has been the almost uniform practice of the Senate since the organization of the Congress to consider treaties, presidential nominations, and confidential communications from the President and the heads of the executive departments within closed doors." (Gilfry, Precedents in the Senate (1914), p. 247.)

When the Constitution was being adopted secret treaties and secret negotiations between governments had not been proscribed by public opinion as they are to-day. Throughout the Federalist it was assumed that treaties should be kept secret, at any rate until they were finally brought into force. (See the Federalist (ed. by Lodge, 1888), p. 469.) It was argued that this was possible in the Senate and not possible in the House of Representatives, and for this reason the constitutional provision was defended requiring the "advice and consent" of the former body only. The earlier sessions of the Senate were held behind closed doors, and it was not until 1794 that this practice was abandoned. (Gilfry, Precedents in the Senate, p. 248. By 1797 "it had become the usual custom to order treaties to be printed in confidence for the use of the Senate." Hayden, the Senate and Treaties, 1789–1817 (1920), p. 107. Apparently no treaties were made between 1789 and 1794. Butler, The Treaty-Making Power (1902), p. 420.) In that year a rule was adopted providing that on the motion of any Senator, seconded by another, the doors might be closed for dealing with any matter requiring secrecy. (This is the effect of what is now Rule XXXV of the Standing Rules of the Senate.) Under a special "injunction of secrecy" the Jay treaty was considered by the Senate in 1795 (1 Senate Journal of Executive Proceedings, p. 178); the Senate's action in not publishing the Jay treaty was "because they thought it the affair of the President to do as he thought fit." (Alexander Hamilton, quoted in Hayden, op. cit. p. 90.) When the present rule was adopted in 1800 there was this background of thought and precedent to justify it, and in a Senate composed of but 26 Members it was a relatively simple thing to maintain the secrecy thought to be necessary. (For an account of the violation of the injunction of secrecy with reference to the Jay treaty see Hayden, op. cit. p. 89.)

PRACTICE OF THE EXECUTIVE

A rule of the Senate is not binding on the President. (In an interesting note on Government by Secret Diplomacy, Dean John H. Wigmore has recently stated that the Department of State "is not allowed by the Senate" to print or make public a duly signed treaty until after the Senate removes "the injunction of secrecy." 23 Illinois Law Review (1929), p. 689. But it is submitted that the Senate has not power to forbid such action by the Executive.) Yet it has long been the practice of the Executive to withhold the texts of treaties signed on behalf of the United States from publication pending final action by the Senate. It is therefore the Senate and not the President which usually decides when the time has come, prior to ratification by the President, for a treaty text to be published. This decision may be taken by the Senate's resolution that its own consideration of the treaty shall be in public and not in executive session (such a resolution must be adopted in executive session, according to a precedent followed on January 15, 1912, with reference to the arbitration treaty with Great Britain. See Gilfry, Precedents of the Senate, p. 253); or, as is more often the case, it may be due to the Senate's ordering the "injunction of secrecy" to be removed before or after it has voted to give its advice and consent to ratification. In either event, according to the present practice, the text of the trenty will then be published in the CONGRESSIONAL RECORD. (This is the present practice, but it seems to be recent in origin.) The function this assumed by the Senate and acquiesced in by the President may be defended as a method of orderly procedure, assuring to the Senate the privilege of learning of the text of a treaty from the President and not from the newspapers, and protecting the Senate in the exercise of its constitutional power to give or withhold advice and consent before the treaty text has been published. If these reasons seem convincing on Capitol Hill, they may be less so at the other end of Pennsylvania Avenue. But the President has observed this rule of courtesy without challenge for many years out of "deference to the Senate's procedure."

The practice is not uniform, however. When a great public interest is aroused, the text of a treaty signed on behalf of the United States is often published before it is submitted to the Senate. This is frequently the case in recent years with respect to multipartite instruments. The text of the Paris pact for the renunciation of war was published by the Department of State without objection by the Senate as soon as it was signed, on August 28, 1928. So, also, the texts of the inter-American conciliation and arbitration treaties, signed at Washington on January 5, 1929, were at once released for publication. Even bipartite treaties are sometimes published after signature and before action by the Senate. (Foster refers to "the fisheries treaty of 1888" as having been "acted upon in open Senate." John W. Foster, The Practice of Diplomacy (1906), p. 279. The text of this treaty had previously been published in Canada. 2 Butler, Treaty-Making Power (1902), p. 380.) Under the existing practice it may prove difficult for the Executive to follow either course, and friction with the Senate has sometimes resulted. When the conditions of peace were presented to the German representatives at Paris on May 7, 1919, it was decided by the supreme council, against the insistence of M. Clemenceau, that only a summary should

be published. (Ray Stannard Baker, Woodrow Wilson and World Settlement, I, pp. 157–160.) President Wilson's failure to communicate these conditions of peace to the Senate was severely criticized in that body. (58 CONGRESSIONAL RECORD, pp. 157 ff, 558–561.) By early June, 1919, copies had reached the United States, and on June 9, 1919, Senator BORAH read the conditions of peace into the CONGRESSIONAL RECORD. (Ibid., pp. 802–857.) Objection was made by Senator SWANSON on the basis of Rule XXXVI, paragraph 3, but was overruled by the Presiding Officer (Ibid., p. 799. See 70 CONGRESSIONAL RECORD, pp. 2754 ff); clearly the rule had no application. The treaty of Versailles was signed on June 28, 1919, and the text was made public at the time; when it was submitted to the Senate by the President on July 10, 1919, it seems to have been generally assumed to be unnecessary to remove the "injunction of secrecy" and the debate was held in public session.

SECRECY WITH REFERENCE TO NOMINATIONS

Senate Rule XXXVI, paragraph 3, concerning secrecy of treaties is to be compared with its Senate Rule XXXVIII, paragraph 2, concerning the secrecy of "all information communicated or remarks made by a Senator when acting upon nominations," as well as of "all votes upon any nomination." The latter has frequently been the subject of criticism. In 1886 a determined effort was made to change it. (See 17 CONGRESSIONAL RECORD, pp. 966, 1192, 2610, 6308; 70 id., p. 2607.) Recently Senator NORRIS has vigorously attacked it (GEORGE W. NORRIS, Secrecy in the Senate, The Nation, May 5, 1926, vol. 122, p. 498, sec. also, Dorman B. Eaton, Secret Sessions of the Senate (1886)), and on January 28, 1929, Senator JONES proposed that it be amended by adding to Rule XXXVIII the following new paragraph (No. 7):

"Hereafter nominations shall be considered in open executive session unless the Senate in closed executive session shall by a two-thirds vote determine that any particular nomination shall be considered in closed executive session, and in that case paragraph 2 of this rule shall apply to such nomination and its consideration."

This proposal was debated in the Senate on January 31, 1929 (70 CONGRESSIONAL RECORD, pp. 2603–2613), but no action was taken concerning it.

It seems even more important that Rule XXXVI should be amended, and perhaps in the direction of Senator JONES's proposal as to Rule XXXVIII. Much water has passed over the dam since the Senate rule was adopted 129 years ago. The attitude toward secrecy in public affairs, and especially in treaty relations, has been radically changed. Fifty-five countries have committed themselves to have no secret treaties or engagements. (In article 18 of the covenant of the League of Nations. See Manley O. Hudson, Registration and Publication of Treaties, this journal, vol. 19, p. 273.) For the United States there is no temptation to keep engagements secret after they are finally concluded. (An "additional secret article" was added to the treaty with Mexico of February 2, 1848. Cf., 3 Stat. 472; David Hunter Miller, Secret Statutes of the United States (1918). See also David Hunter Miller, My Diary at the Conference of Paris, vol. 2, p. 337.) Secrecy may therefore be eliminated, or at any rate, reduced, in the process by which our treaties are made. Before a treaty is signed the negotiations may have to be withheld from the public, though recently a good example was set in the negotiation of the Paris pact for renunciation of war, which was conducted in the open. But once a treaty has been signed it would be only very exceptional circumstances which might call for withholding the text from publication. Whether those circumstances exist can better be determined by the executive who is familiar with the preliminary negotiations than by the Senate. (Of course, there might be cases in which the government of the other party to the treaty would desire that the text be withheld from publication pending ratification.) If the President and Secretary of State should find no impelling reasons which call for keeping the text of a signed treaty secret, then its text should be released at once; and it is in line with the duty of the Department of State to educate public opinion on our relations with other states to make the text available to those who are interested. (In rare cases the texts of international conventions are published by other departments of the Government than the Department of State. Thus, the text of the Convention on the Protection of Literary and Artistic Works, signed at Rome June 2, 1928, was published in the 1928 report of the register of copyrights, by the Copyright Office of the Library of Congress.) This is even more important where a multipartite treaty is concerned and where people in other countries are likely to have available texts not available in the United States, as is true of the Convention on Protection of Industrial Property of November 6, 1925. (On February 25, 1929, the injunction of secrecy was removed from the slavery convention signed at Geneva on September 25, 1926, when the Senate consented to accession to that convention. (70 CONGRESSIONAL RECORD, p. 4311.) As the text of the convention has been public since September 25, 1926, having been published by the League of Nations' secretariat and by various other bodies, there is a touch of irony in this removal of the injunction of secrecy.)

SUGGESTIONS FOR THE FUTURE

It may be necessary for the Senate to have provisions in its rules for its own consideration of treaties when it is asked for advice and consent to their ratification. Even with the text made public the Senate might desire to debate a particular treaty in closed executive session. That case will be the exception and not the rule, however, and the rule of 1800 ought to be changed to make it so. (Rule XXXVII, par. 3, of the Senate's Standing Rules now reads: "All treaties concluded with Indian tribes shall be considered and acted upon by the Senate in its open or legislative session, unless the same shall be transmitted by the President to the Senate in confidence, in which case they shall be acted upon with closed doors.") At the present time the Senate will usually consider in public any treaty in which the public manifests much interest, while treaties of no general popular concern, such as those dealing with the protection of industrial property, will be relegated to executive session. The rule ought to be that all treaties will be considered in public unless the President submits a particular treaty in confidence or unless the Senate specially determines that a particular treaty should be considered otherwise.

The writer presents, therefore, two suggestions:

(1) That for the creation of the public opinion upon which our Government's policy depends the President and Secretary of State adopt it as a policy to publish the texts of all treaties as soon as they are signed, unless special circumstances in any case necessitate the maintenance of secrecy until a treaty can be ratified.

(2) That the Senate rules be amended by the Senate to provide that all treaties which may be submitted for the advice and consent of the Senate shall be considered in open executive session unless under Rule XXXV the Senate shall determine that a particular treaty shall be considered in closed executive session.

These suggestions would still leave it possible for the President in a rare case to submit a treaty for the advice and consent of the Senate as a confidential communication, and for the Senate to deal with it in closed executive session.

THE NARCOTIC PROBLEM

Mr. COPELAND. Mr. President, I send to the desk and ask to have printed in the RECORD some conclusions reached by the Eastern Medical Society of the City of New York in regard to the narcotic problem.

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

NEW YORK, *May 17, 1929.*

Hon. Dr. ROYAL S. COPELAND,
Senate Office Building, Washington, D. C.

DEAR SIR: A meeting for the purpose of studying the narcotic problem was held at the Hotel Brevoort, New York City, on Friday evening, April 12, 1929, under the auspices of the Eastern Medical Society, one of the oldest and largest medical organizations in New York, consisting of over 1,300 physicians.

The meeting was addressed by the following speakers, each an authority in his branch of the subject: Hon. Charles H. Tuttle, in charge of the criminal division; Mr. George J. Mintzer, assistant United States attorney; Mr. George W. Cunningham, chief of the narcotic division of New York; Col. Arthur Woods, assessor, advisory committee on narcotics, League of Nations; also many prominent physicians of New York.

The conclusions of the meeting were:

1. That the narcotic problem is a very serious menace to the Nation.

2. That there is no means of finding out the exact extent of addiction in the United States; that the estimate of 100,000 is much too small.

3. That there is no cure for the disease.

4. That drug addiction is continually increasing, each addict creating many new ones.

5. That drug addicts form a major part of the criminal element of our country.

6. That the apprehension and conviction of the smugglers and large sellers of narcotics, while most desirable, is impossible.

7. That the apprehension and sentencing to jail of the small "dope peddlers" is useless as a deterrent.

8. That the narcotics are manufactured in eight countries and in less than 50 factories, all known to the authorities.

9. That unless the supply is controlled at the source all internal methods of control and prosecution are useless.

10. That, in the opinion of Col. Arthur Woods, a world authority on this subject, the control of the manufacture of the drug in the countries referred to would immediately solve the narcotic problem.

We therefore urge you to exert your offices to call another World Conference on Narcotics, so that the United States may lead the world in eradicating forever this serious menace to humanity.

Respectfully yours,

HARRY COHEN, M. D.,
President Eastern Medical Society.

SALE OF MORTGAGE BONDS IN DISTRICT OF COLUMBIA

Mr. BROOKHART. Mr. President, a few days ago I offered a resolution proposing an investigation of certain mortgage com-

panies in the District of Columbia. Since that time the situation has developed which I shall state.

It is unfortunate that this endeavor to get the proper facts relative to certain financing in the District of Columbia is being used by questionable and improper men posing as security and bond dealers, in many instances, to further victimize the unfortunate investor.

A letter has been received in Washington from a doctor in Chicago reading:

> This morning I received a telephone call alleged to be long distance from Washington, advising that the F. H. Smith Co. is about to be indicted by the Senate of the United States for pyramiding loans, and requesting that I forward to the informant, Lee & Co., 306 Hill Building, Washington, D. C., immediately, all of the bonds issued by the F. H. Smith Co. which I hold, in order to get as much out of them as possible before the said investigation develops.

The Lee & Co. is a device of one William Lee Moffatt, a notorious promoter of Washington who has been under indictment.

Almost immediately after the breaking of the publicity on the F. H. Smith Co., another company in Washington, the Finance & Trading Co., located at 1108 Sixteenth Street NW., sent out special-delivery circulars.

The Finance & Trading Co. is headed by one Patrick H. Lennon, a notorious peddler of blue-sky securities and a former inmate of the Elmira (N. Y.) Penitentiary because of fraud activities in New York.

These instances indicate that a warning is necessary to the people of the country who have purchased first-mortgage securities, not to permit strangers to frighten them and to be sure that before they sacrifice their present holdings, or trade for some other security, they investigate first.

The old game of switching the investor from one security to an inferior one is well known, and it is not the purpose of the proposed congressional inquiry to add fodder to such schemers. Persons who hold Smith bonds or other securities now being criticized should certainly not be frightened into taking the advice of questionable persons who have selfish purposes, but should make a sound investigation of their holdings. This may be accomplished through their banks, through reputable investment bankers, or through better-business bureaus. The latter organizations exist in forty-odd of the larger cities throughout the country.

I wish, Mr. President, to call the especial attention of the Post Office Department to the situation. I think a fraud order should be issued against these outfits at once. I also think that the Department of Justice should take action.

I should like to ask the Senator from Wisconsin [Mr. BLAINE] how the investigation is proceeding? It seems to me under these circumstances we need quick action.

Mr. BLAINE. Mr. President, with the permission of the Senator from Nebraska [Mr. NORRIS], if he will yield, I desire to answer the question the Senator from Iowa has propounded with a brief statement of what I consider to be the problems involved.

So far as I am concerned, it is not my purpose to undertake to indict anyone, either to convict them or find them not guilty; that rests with the Department of Justice. Some of the other problems to which the Senator has referred rest with the Post Office Department. But I have observed, Mr. President, that the District of Columbia has no adequate legislation either for the protection of the honest business man or of the innocent purchaser. There is no law in the District of Columbia to protect the honest business man against crooked financial operators; there is no law to protect the innocent purchaser of securities; there is no law to prohibit unethical and fraudulent practices in the sale of real estate; there is no law that gives to a debtor in the District of Columbia the right to appear in court to present a defense against a foreclosure. A foreclosure in the District of Columbia of a mortgage or a trust deed or a contract of purchase is done by publication, even without the opportunity for redemption. Moreover, the laws relating to usury in the District of Columbia are so defective that some financial operators may take from a widow as a commission 20 per cent of the loan she obtains upon her little home.

These financial operators have gone so far as to inflate the valuation of properties within the District of Columbia until they have skyrocketed, with the result that honest men engaged in dealing in real-estate securities, in loaning money, in financing legitimate business enterprises, are constantly met by the crooked operations of crooked men and crooked institutions.

So far as I am concerned, I propose to ascertain what are the defects in the system in the District of Columbia and to indict a bad system and mend it if possible. I have called a meeting of the subcommittee for to-morrow at 11 o'clock in executive session to determine the procedure we shall follow.

Mr. BROOKHART. Mr. President, I thank the Senator from Wisconsin. I desire to say that I have here circulars of this Finance & Trading Co. which I have mentioned, together with the envelope in which they sent them through the mails. Those I will hold available for the Post Office Department.

EVASION OF TAXES BY STOCK COMPANIES

Mr. McKELLAR. Mr. President, on April 25 I wrote a letter to Commissioner Blair, of the Internal Revenue Bureau, in reference to article 574 of regulations 74 of the income tax law of 1928. Under date of May 16 I have his reply to the questions asked and I desire to put the two letters into the RECORD.

In this connection I wish to call these letters especially to the attention of the chairman of the Finance Committee, the senior Senator from Utah [Mr. SMOOT], and I hope that something may be done in the next revenue bill to correct the situation that is apparent from them.

It appears from the letters that practically all of the great mergers and consolidations of stock companies in this country are consummated without the payment of any taxes to the Government. I want to call the especial attention of the chairman and members of the Finance Committee to these two letters, and I hope that they may be read.

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

APRIL 25, 1929.

Hon. DAVID H. BLAIR,

Commissioner of Internal Revenue, Washington, D. C.

MY DEAR MR. COMMISSIONER: I desire to call your attention to page 165, article 574, of regulations 74, income tax, of the revenue act of 1928.

"The act provides that no gain or loss shall be recognized if, in pursuance of a plan of reorganization, stock or securities in a corporation a party to a reorganization are exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization, or if, in pursuance of a reorganization plan, a corporation a party to a reorganization exchanges property solely for stock or securities in another corporation a party to the reorganization."

Subsection 4, on page 165, provides:

"The transfer by the X Corporation of a part of its assets to the Y Corporation where immediately after the transfer the X Corporation or its shareholders or both are in control of the Y Corporation."

Page 167, subsection B of section 112 of the revenue act, article 577, of 1928, provides:

"A transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its stockholders or both are in control of the corporation to which the assets are transferred."

Will you kindly advise me whether, in the execution of this law, you are following the law itself or following your regulations? If you are following the regulations, then any corporation may sell its assets for stocks or securities of another corporation and escape taxation entirely. Will you kindly advise me if this is the practice of the department? I will greatly appreciate it if you will give the reason why you have changed the law.

To illustrate it: If you were following the regulations, then a corporation, A, could sell a piece of its real estate, being a part of its assets, to another corporation, B, organized for the purpose of receiving it, for stocks or securities without having to pay any taxes. Immediately, that corporation thus formed can sell all of its assets to another corporation for stocks and bonds, and the sellers in both instances could profit without paying any taxes. I am informed that this is constantly done. Surely, it is in violation of the law whether it is in violation of your regulations or not, and the purpose of this letter is to find out whether or not under your regulations you are allowing these transactions to escape taxation.

Second. It has been claimed in some quarters that by reason of your construction of the exemptions under the head of reorganizations or mergers that stock sales in enormous suits escape taxation entirely. It is claimed that if these transactions were taxed in accordance with the intention of the law and not allowed to escape because of the interpretation of the words "reorganization" and "consolidation," the amount of revenue arising to the Government by reason of such transaction would amount to several hundred millions of dollars a year.

Can your bureau furnish me any estimate of what the revenue to the Government would be annually but for these evasions, apparently allowed by your regulations?

Third. Has this matter ever been considered by your bureau and has your bureau ever made any recommendation to Congress in reference to a change of law, so that sales of stock for profit, thus evasively carried on, should be taxed?

I will greatly appreciate your early attention to this matter.

Very sincerely yours,

KENNETH McKELLAR.

TREASURY DEPARTMENT,
Washington, May 16, 1929.

Hon. KENNETH MCKELLAR,
United States Senate.

MY DEAR SENATOR: I have your letter of April 25, 1929, in which you question the correctness of the following provisions of article 574 of Regulations 74:

"The act provides that no gain or loss shall be recognized if, in pursuance of a plan of reorganization, stock or securities in a corporation a party to a reorganization are exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization, or if, in pursuance of a reorganization plan, a corporation a party to a reorganization exchanges property solely for stock or securities in another corporation a party to the reorganization. If two or more corporations reorganize, for example, by—

* * * * * * *

"(4) The transfer by the X Corporation *of a part of its assets* to the Y Corporation where immediately after the transfer the X Corporation or its shareholders or both are in control of the Y Corporation—then no taxable income is received from the transaction by the X Corporation * * * if the sole consideration received by the corporations is stock or securities of the Y Corporation * * *." [Italics supplied.]

The first sentence of article 574, above quoted, is merely a restatement of the provisions of section 112(b) (3) and (4) of the revenue act of 1928, which read:

"(3) Stock for stock on reorganization: No gain or loss shall be recognized if stock or securities in a corporation a party to a reorganization are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization.

"(4) Same—Gain of corporation. No gain or loss shall be recognized if a corporation a party to a reorganization exchanges property, in pursuance of the plan of reorganization, solely for stock or securities in another corporation a party to the reorganization."

Certainly, then, there can be no question as to the correctness of the first sentence of article 574.

The second sentence of article 574, above quoted, to which you refer in your letter is merely an application of section 112 (b) (4), supra, and section 112 (i) of the 1928 act, which latter section provides that, as used in section 112—

"The term 'reorganization' means * * * (B) a transfer by a corporation *of all or a part of its assets* to another corporation if immediately after the transfer the transferor or its stockholders or both are in control of the corporation to which the assets are transferred * * *." (Italics supplied.)

It will be noted that the word "or" is used, that the provisions of section 112 (i) are in the disjunctive, and that the section provides in unambiguous language that the term "reorganization" means a transfer by a corporation of all of its assets to another corporation *or* a transfer by a corporation of a part of its assets to another corporation (either alternative coming without any possible question within the terms of the statute), if immediately after the transfer the transferor or its stockholders or both are in control of the corporation to which the assets are transferred. Therefore the second sentence of article 574 of Regulations 74, in providing that the "transfer by the X Corporation *of a part of its assets* to the Y Corporation where immediately after the transfer the X Corporation or its shareholders or both are in control of the Y Corporation" is a reorganization, and that in such case no taxable income is received from the transaction by the X Corporation if the sole consideration received by the X Corporation is stock or securities of the Y Corporation, can not be open to the slightest doubt or question in respect to its correctness or validity. Since section 112 (i) of the revenue act of 1928 includes within the term "reorganization" a transfer by a corporation *of a part of its assets* to another corporation which is immediately thereafter in the control of the transferor or its stockholders or both, as well as a transfer by a corporation *of all of its assets* to another controlled corporation, that portion of the second sentence of article 574 to which you refer in your letter, in covering the former of the two situations, comes strictly within the express terms of the statute.

In regard to reorganization transactions falling within the provisions of article 574, since the provisions of that article to which you refer do not go in any respect beyond the revenue act itself, you are advised that such transactions are always treated under the practice of the department in accordance with the strict provisions of the act itself. If a corporation transfers a part of its assets to another corporation solely for stock or securities in such other corporation where immediately after the transfer the transferor corporation or its stockholders or both are in control of the corporation to which the assets are transferred, the department holds that no gain or loss is recognized to the transferor corporation, because the transaction falls clearly within the provisions of section 112 (b) (4) and section 112 (i) of the revenue act of 1928.

You state in your letter:

"To illustrate it, if you were following the regulations, then a corporation A could sell a piece of its real estate, being a part of its assets, to another corporation, B, organized for the purpose of receiving it, for stocks or securities without having to pay any taxes. Immediately that corporation thus formed can sell all of its assets to another corporation for stocks and bonds, and the sellers in both instances could profit without paying any taxes. I am informed that this is constantly done. Surely it is in violation of the law whether it is in violation of your regulations or not, and the purpose of this letter is to find out whether or not under your regulations you are allowing these transactions to escape taxation."

If in the cases you give it is assumed, first, that the stocks and bonds received are those of the transferee corporation, and second, that immediately after the transfer the transferor corporation or its stockholders or both are in control of the corporation to which the assets are transferred, you are correct that there would be no recognition of gain or loss to the transferor corporation. These two assumptions bring into the cases the conditions which the revenue act and the regulations following the act require shall be present if the transfers are to be regarded as nontaxable. When these conditions are present, the real reason why the transfers are nontaxable is because section 112 of the revenue act of 1928 expressly makes them so.

Section 112 (b) (4), in providing that no gain or loss shall be recognized in certain instances as the result of transfers of property by a corporation solely for stock or securities, is similar to section 203 (b) (3) of the revenue act of 1924, in respect of which section the Senate Committee on Finance in its report on the revenue bill of 1924 said (p. 14):

"Congress has heretofore adopted the policy of exempting from tax the gain from exchanges made in connection with a reorganization in order that ordinary business transactions will not be prevented on account of the provisions of the tax law. If it is necessary for this reason to exempt from tax the gain realized by the stockholders, it is even more necessary to exempt from tax the gain realized by the corporation."

As to the claim that reorganization transactions have not been taxed by the Treasury but "allowed to escape because of the interpretation of the words 'reorganization' and 'consolidation,'" you are advised that the Treasury has strictly followed the revenue acts in interpreting those terms, but that Congress itself has directed that those terms be given a broad interpretation by providing that:

"The term 'reorganization' means (a) a merger or consolidation (including the acquisition by one corporation of at least a majority of the voting stock and at least a majority of the total number of shares of all other classes of stock of another corporation, or substantially all the properties of another corporation); or (b) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its stockholders, or both, are in control of the corporation to which the assets are transferred; or (c) a recapitalization; or (d) a mere change in identity, form, or place of organization, however effected." (Sec. 112 (i), revenue act of 1928; sec. 203 (h), revenue acts of 1926 and 1924.)

The Senate Committee on Finance in its report on the revenue bill of 1924, in explanation of the provisions of the reorganization section (sec. 203) of the bill, indicates (p. 17) its purpose to broaden the definition of the term "reorganization" and sets forth (pp. 17 and 18) the general policy and theory which lead to the enactment of those provisions. The report says:

"Subdivision (h) (1)" of the revenue bill of 1924 "contains a definition of reorganization which corresponds to the definition contained in section 202 (c) (2) of the existing law. The only change in the definition is to include within its terms the case of a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its stockholders, or both, are in control of the corporation to which the assets are transferred. This is a common type of reorganization and clearly should be included within the reorganization provisions of the statute.

* * * * * * *

"* * * The provisions of section 203 of the bill that no gain or loss is recognized from certain exchanges do not grant an exemption and are not so intended. These provisions are based upon the theory that the types of exchanges specified in section 203 are merely changes in form and not in substance, and consequently should not be considered as effecting a realization of income at the time of the exchange. In other words, these provisions result not in an exemption from tax but in a postponement of tax until the gain is realized by a pure sale or by such an exchange as amounts to a pure sale. It follows, therefore, that in the case of such an exchange the property received should be considered as taking the place of the property exchanged. * * *"

It is impossible to estimate what additional taxes would be collected had Congress not enacted the reorganization provisions in the revenue acts, since the statutes, in providing that the gain on these reorganization transactions shall not be recognized, have made it unnecessary for taxpayers to report these items on their returns. There are, therefore, no available sources of information on that subject. Furthermore, it is quite obvious that many of the transactions would never have taken place had they been taxable.

The Treasury Department has accepted the reorganization provisions of the revenue acts as they now stand as being in accord with sound policy (see extract from Finance Committee report quoted above), and

has made no specific recommendations as to any changes in those provisions since their enactment in the revenue act of 1924.

I regret the necessity of writing a reply of this length, but the provisions in which you are interested are rather complicated, and it seems to me desirable to place before you a rather complete explanation of them.

Very truly yours,

D. H. BLAIR, *Commissioner.*

MESSAGE FROM THE HOUSE—ENROLLED JOINT RESOLUTION SIGNED

A message from the House of Representatives by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the enrolled joint resolution (S. J. Res. 36) to amend Public Resolution No. 89, Seventieth Congress, second session, approved February 20, 1929, entitled "Joint resolution to provide for accepting, ratifying, and confirming the cessions of certain islands of the Samoan group to the United States, and for other purposes," and it was signed by the Vice President.

ACQUISITION OF NEWSPAPERS BY POWER TRUST

Mr. NORRIS addressed the Senate. After having spoken for nearly two hours—

Mr. WALSH of Massachusetts. Mr. President——

The PRESIDING OFFICER (Mr. CUTTING in the chair). Does the Senator from Nebraska yield to the Senator from Massachusetts?

Mr. NORRIS. I yield.

Mr. WALSH of Massachusetts. The Senator from Nebraska has been speaking at great length on a very important subject and has been presenting the facts in a very illuminating and able manner. I think, therefore, it is appropriate that he should have an opportunity to catch his breath, and I raise the point of no quorum.

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

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

Allen	Fletcher	Kendrick	Sheppard
Ashurst	Frazier	Keyes	Simmons
Barkley	George	King	Smith
Bingham	Gillett	La Follette	Smoot
Black	Glenn	McKellar	Steck
Blaine	Goff	McMaster	Steiwer
Blease	Goldsborough	McNary	Stephens
Borah	Gould	Metcalf	Swanson
Brookhart	Greene	Moses	Thomas, Idaho
Broussard	Hale	Norbeck	Thomas, Okla.
Burton	Harris	Norris	Trammell
Capper	Harrison	Nye	Tydings
Caraway	Hastings	Oddie	Tyson
Connally	Hatfield	Overman	Vandenberg
Copeland	Hawes	Patterson	Wagner
Couzens	Hayden	Phipps	Walcott
Cutting	Hebert	Pine	Walsh, Mass.
Dale	Heflin	Pittman	Walsh, Mont.
Deneen	Howell	Ransdell	Waterman
Dill	Johnson	Reed	Watson
Edge	Jones	Robinson, Ind.	Wheeler
Fess	Kean	Sackett	

The VICE PRESIDENT. Eighty-seven Senators having answered to their names, a quorum is present. The Senator from Nebraska will proceed.

Mr. TYSON. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Tennessee?

Mr. NORRIS. I yield to the Senator from Tennessee.

Mr. TYSON. I ask unanimous consent——

The VICE PRESIDENT. The Chair desires again to call the Senate's attention to the fact that when a Senator has the floor and starts to address the Senate he can not be interrupted for the purpose of introducing bills, and so forth, and it is made the duty of the Chair to call the attention of the Senate to that fact. The Chair has been permitting it to be done until the Senator obtaining the floor began to speak. The Chair thinks the rule ought to be enforced. The Senator from Nebraska will proceed.

Mr. NORRIS resumed his speech. After having spoken in all for three hours and a half—

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

Mr. NORRIS. I yield.

Mr. DILL. I make a point of no quorum.

The PRESIDING OFFICER (Mr. GEORGE in the chair). The Secretary will call the roll.

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

Allen	Brookhart	Cutting	George
Ashurst	Broussard	Dale	Gillett
Barkley	Burton	Deneen	Glenn
Bingham	Capper	Dill	Goff
Black	Caraway	Edge	Goldsborough
Blaine	Connally	Fess	Gould
Blease	Copeland	Fletcher	Greene
Borah	Couzens	Frazier	Hale
Harris	King	Pine	Thomas, Idaho
Harrison	La Follette	Pittman	Thomas, Okla.
Hastings	McKellar	Ransdell	Trammell
Hatfield	McMaster	Reed	Tydings
Hawes	McNary	Robinson, Ind.	Tyson
Hayden	Metcalf	Sackett	Vandenberg
Hebert	Moses	Sheppard	Wagner
Heflin	Norbeck	Simmons	Walcott
Howell	Norris	Smith	Walsh, Mass.
Johnson	Nye	Smoot	Walsh, Mont.
Jones	Oddie	Steck	Waterman
Kean	Overman	Steiwer	Watson
Kendrick	Patterson	Stephens	Wheeler
Keyes	Phipps	Swanson	

The PRESIDING OFFICER. Eighty-seven Senators having answered to their names, a quorum is present.

SUPREME COURT OPINION IN O'FALLON RATE CASE

Mr. DILL. Mr. President, the Supreme Court of the United States to-day decided the O'Fallon railroad case, which is of great interest to the country. I ask unanimous consent to have printed in the RECORD the opinion of the court and the dissenting opinions.

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

Mr. MOSES. Mr. President, was there a minority opinion?

Mr. DILL. I understand there were two dissenting opinions.

Mr. MOSES. Did the Senator ask to have both opinions printed in the RECORD?

Mr. DILL. I did.

Mr. MOSES. I am informed there were two dissenting opinions.

Mr. DILL. I said "dissenting opinions."

The PRESIDING OFFICER. Without objection, all three opinions delivered by the court will be printed in the RECORD.

The opinions are as follows:

SUPREME COURT OF THE UNITED STATES

Nos. 131 and 132—October Term, 1928

The St. Louis & O'Fallon Railway Co. and Manufacturers' Railway Co., appellants *v.* The United States of America and the Interstate Commerce Commission.

The United States of America and The Interstate Commerce Commission, appellants, *v.* The St. Louis & O'Fallon Railway Co. and Manufacturers' Railway Co.

Appeal from the District Court of the United States for the Eastern District of Missouri.

[May 20, 1929]

Mr. Justice McReynolds delivered the opinion of the Court.

These are cross appeals from the final decree of the District Court, Eastern Missouri,—three judges sitting—in a suit to annul an Interstate Commerce Commission order, dated February 15, 1927, which directed St. Louis and O'Fallon Railway Company to place in a reserve fund one-half of its determined excess income for the years 1920 (ten months), 1921, 1922 and 1923 (that is half of the sum by which the net railway operating income for each of those years exceeded six per cent of the ascertained value of property devoted to public service); and to pay to the Commission the remaining one-half with six per cent interest beginning four months after termination of the year, i. e., May 1, 1921, 1922, 1923 and 1924.

Section 15a, added to the Interstate Commerce Act by Transportation Act, 1920, contains nineteen paragraphs. Of those specially important here, 1, 2, 3, 5, 7 and 8 are copied in the margin;[1] 4 and 6 follows:—

[1] "Section 15a. (1) [This defines the terms employed.]

"(2) In the exercise of its power to prescribe just and reasonable rates the Commission shall initiate, modify, establish or adjust such rates so that carriers as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate) will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment, earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation: *Provided*, That the Commission shall have reasonable latitude to modify or adjust any particular rate which it may find to be unjust or unreasonable, and to prescribe different rates for different sections of the country.

"(3) The Commission shall from time to time determine and make public what percentage of such aggregate property value constitutes a fair return thereon, and such percentage shall be uniform for all rate groups or territories which may be designated by the Commission. In making such determination it shall give due consideration, among other things, to the transportation needs of the country and the necessity (under honest, efficient and economical management of existing transportation facilities) of enlarging such facilities in order to provide the people of the United States with adequate transportation: *Provided*, That during the two years beginning March 1, 1920, the Commission shall take as such fair return a sum equal to 5½ per centum, of such aggregate value, but may, in its discretion, add thereto a sum not exceeding one-half of one per centum of such aggregate value to make provision in whole or in part for improvements, betterments or equipment, which, according to the

After an investigation instituted under Section 15a, May 14, 1924, for the purpose of determining incomes received by St. Louis and O'Fallon Railway Company (The O'Fallon) and Manufacturers' Railway Company (The Manufacturers'), asserted to be parts of one system, for the years 1920–1923, the Commission found:—(1) Although the stock of both corporations was mostly owned by the Adolph Busch Estate and their principal officers were the same, they were not carriers operated under common control and management as a single system within paragraph 6. (2) The Manufacturers' had received no excess operating income. (3) The value of The O'Fallon's property devoted to public service in 1920 (ten months) was $856,065; in 1921, $875,360; in 1922, $978,874; in 1923, $997,236; and during each of those years it received net operative income exceeding six per cent upon the stated valuation.

The above-described recapture order followed.

The cause is properly here under the Judicial Code, as amended by Act of February 13, 1925, (U. S. C., Title 28, Sec. 345)—

"Sec. 238. A direct review by the Supreme Court of an interlocutory or final judgment or decree of a district court may be had where it is so provided in the following Acts or parts of Acts, and not otherwise: . . .

"(4) So much of 'An Act making appropriations for the fiscal year 1913, and for other purposes,' approved October 22, 1913, as relates to the review of interlocutory and final judgments and decrees in suits to enforce, suspend, or set aside orders of the Interstate Commerce Commission other than for the payment of money. . . ."

The Act of October 22, 1913, (38 Stat. 219, 220) transferred to District Courts the jurisdiction granted to the Commerce Court by Act of June 18, 1910, (36 Stat. 539); and provided for review by this Court of causes embraced therein. The jurisdiction of the Commerce Court included—

"First. All cases for the enforcement, otherwise than by adjudication and collection of a forfeiture or penalty or by infliction of criminal punishment, of any order of the Interstate Commerce Commission other than for the payment of money.

"Second. Cases brought to enjoin, set aside, annul, or suspend in whole or in part any order of the Interstate Commerce Commission. . . ."

Paragraph (4), Section 238, applies to all those causes formerly cognizable by the Commerce Court and reviewable here. The words "other than for the payment of money" were taken from clause First, Act of 1910, above quoted, and, as there, they delimit the trial court's jurisdiction. They do not inhibit review here of any cause formerly cognizable by the Commerce Court. Moreover, the order under consideration was not merely for payment of money; and the proceeding below was to set aside, not to enforce it.

Wisconsin Railroad Commission *v.* Chicago, Burlington & Quincy R. R. Co., 257 U. S. 553, and Dayton-Goose Creek Railway Co. *v.* The United States, 263 U. S. 456, point out the general purpose of the Transportation Act, 1920, and uphold the validity of Section 15a.

The Manufacturers' is a switching road with thirty miles of track within St. Louis, Missouri. The O'Fallon—a coal-carrying road—has nine miles of main line, all in Illinois, and this connects with The Terminal Railroad at East St. Louis. Through the latter deliveries are made to sundry points in St. Louis, some of which are on The Manufacturers' line. "The distance between the railroad of the O'Fallon and the railroad of the Manufacturers' is about 12 miles, and all communication by rail between the two properties is effected over the tracks of the Terminal, including a bridge over the Mississippi River." Both the Commission and the District Court held that the record failed to show these two roads were under common control and management and operated as a single system within the meaning of paragraph 6. We accept their conclusion.

The Commission directed The O'Fallon to pay 6% interest on the recaptured one-half of its ascertained excess net railway operating income beginning four months from the end of the year during which the excess accrued (Sec. 6). The District Court rightly ruled that as the carrier made bona fide denial of any excess under circumstances sufficient to justify a contest, no interest should have been imposed for any time prior to the final order. Not until then could the carrier know what, if anything, it should pay.

Also, we think the District Court rightly rejected the claim that excess earnings were not recapturable unless and until the Commission had fixed a general level of rates intended to yield fair return upon the aggregate value of carrier property either as a whole, or in some prescribed rate or territorial group. Congress, of course, realized that final valuations would require prodigious expenditure of time and effort; but the language concerning recapture indicates that prompt action was expected. Practical application of paragraphs 5 and 6 does not necessarily depend upon prior compliance with paragraphs 2 and 3. The Act should be construed so as to carry out the legislative purpose. The proviso of paragraph 3 prescribing action to be taken during two years beginning March 1, 1920, and the clause of paragraph 6 excepting the income of certain roads prior to September 1, 1920, are hardly compatible with this claim by the carrier.

Paragraph 4, Section 15a, directs that in determining values of railway property for purposes of recapture the Commission "shall give due consideration to all the elements of value recognized by the law of the land for rate-making purposes, and shall give to the property investment account of the carriers only that consideration which under such law it is entitled to in establishing values for rate-making purposes." This is an express command; and the carrier has clear right to demand compliance therewith. United States ex rel. Kansas City Southern Railway Co. *v.* Interstate Commerce Commission, 252 U. S. 178.

"The elements of value recognized by the law of the land for rate-making purposes" have been pointed out many times by this Court. Smyth *v.* Ames, 169 U. S. 466; Wilcox *v.* Consolidated Gas Co., 212 U. S. 19; Minnesota Rate Cases, 230 U. S. 352; Southwestern Bell Telephone Co. *v.* Public Service Commission, 262 U. S. 276; Bluefield Water Works & Improvement Co. *v.* Public Service Commission, 262 U. S. 679; McCardle *v.* Indianapolis Water Co., 272 U. S. 400. Among them is the present cost of construction or reproduction.

Thirty years ago, Smyth *v.* Ames announced (546):

"We hold, however, that the basis of all calculations as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction must be the fair value of the property being used by it for the convenience of the public. And in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stock, the present as compared with the original cost of construction, the probable earning capacity of the property under particular rates prescribed by statute, and the sum required to meet operating expenses, are all matters for consideration, and are

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accounting system prescribed by the Commission, are chargeable to capital account.

"(5) Inasmuch as it is impossible (without regulation and control in the interest of the commerce of the United States considered as a whole) to establish uniform rates upon competitive traffic which will adequately sustain all the carriers which are engaged in such traffic and which are indispensable to the communities to which they render the service of transportation, without enabling some of such carriers to receive a net railway operating income substantially and unreasonably in excess of a fair return upon the value of their railway property held for and used in the service of transportation, it is hereby declared that any carrier which receives such an income so in excess of a fair return, shall hold such part of the excess, as hereinafter prescribed, as trustee for, and shall pay it to, the United States.

"(7) For the purpose of paying dividends or interest on its stocks, bonds or other securities, or rent for leased roads, a carrier may draw from the reserve fund established and maintained by it under the provisions of this section to the extent that its net railway operating income for any year is less than a sum equal to 6 per centum of the value of the railway property held for and used by it in the service of transportation, determined as provided in paragraph (6); but such fund shall not be drawn upon for any other purpose.

"(8) Such reserve fund need not be accumulated and maintained by any carrier beyond a sum equal to 5 per centum of the value of its railway property determined as herein provided, and when such fund is so accumulated and maintained the portion of its excess income which the carrier is permitted to retain under paragraph (6) may be used by it for any lawful purpose."

"(4) For the purpose of this section, such aggregate value of the property of the carriers shall be determined by the Commission from time to time and as often as may be necessary. The Commission may utilize the results of its investigation under section 19a of this Act, in so far as deemed by it available, and shall give due consideration to all the elements of value recognized by the law of the land for rate-making purposes, and shall give to the property investment account of the carriers only that consideration which under such law it is entitled to in establishing values for rate-making purposes. Whenever pursuant to section 19a of this Act the value of the railway property of any carrier held for and used in the service of transportation has been finally ascertained, the value so ascertained shall be deemed by the Commission to be the value thereof for the purpose of determining such aggregate value."

"(6) If, under the provisions of this section, any carrier receives for any year a net railway operating income in excess of 6 per centum of the value of the railway property held for and used by it in the service of transportation, one-half of such excess shall be placed in a reserve fund established and maintained by such carrier, and the remaining one-half thereof shall, within the first four months following the close of the period for which such computation is made, be recoverable by and paid to the Commission for the purpose of establishing and maintaining a general railroad contingent fund as hereinafter described. For the purposes of this paragraph the value of the railway property and the net railway operating income of a group of carriers which the Commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole irrespective of the separate ownership and accounting returns of the various parts of such system. In the case of any carrier which has accepted the provisions of section 209 of this amendatory Act the provisions of this paragraph shall not be applicable to the income for any period prior to September 1, 1920. The value of such railway property shall be determined by the Commission in the manner provided in paragraph (4)."

to be given such weight as may be just and right in each case. We do not say that there may not be other matters to be regarded in estimating the value of the property. What the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience. On the other hand, what the public is entitled to demand is that no more be exacted from it for the use of a public highway than the services rendered by it are reasonably worth."

In *Southwestern Bell Telephone Co.* v. *Public Service Commission*, (287) we said: "It is impossible to ascertain what will amount to a fair return upon properties devoted to public service without giving consideration to the cost of labor, supplies, etc., at the time the investigation is made. An honest and intelligent forecast of probable future values made upon a view of all the relevant circumstances, is essential. If the highly important element of present costs is wholly disregarded such a forecast becomes impossible. Estimates for tomorrow cannot ignore prices of today."

The doctrine above stated has been consistently adhered to by this Court.

The report of the Commission is long and argumentative. Much of it is devoted to general observations relative to the method and purpose of making valuations; many objections are urged to doctrine approved by us; and the superiority of another view is stoutly asserted. It carefully refrains from stating that any consideration whatever was given to present or reproduction costs in estimating the value of the carrier's property. Four dissenting Commissioners declare that reproduction costs were not considered; and the report itself confirms their view. Two of the majority avow a like understanding of the course pursued.

The following from the dissenting opinion of Commissioner Hall, concurred in by three others, accurately describes the action of the Commission:—

"In order to determine the value of the O'Fallon property devoted to carrier service during the recapture periods, 10 months in the year 1920 and the years 1921, 1922, and 1923, we start with a valuation or inventory date of June 30, 1919. The units in existence on that date are known. Original cost of the entire property can not be ascertained. As to the man-made units we estimate the cost of reproducing them in their condition on that date and in so doing apply to the units installed prior to June 30, 1914, the unit prices of 1914, representing a fairly consistent price level for the preceding 5 or 10 years. To like units, installed after June 30, 1914, and prior to June 30, 1919, we apply the same prices, but add a sum representing price increases on those units during that period. For the third period, from June 30, 1919, down to each recapture date, we abandon estimate and turn to recorded net cost of additions less retirements. On this composite, made up of estimated value for two periods and ascertained net cost for the third period, the majority base a conclusion as to value at recapture date of the man-made items. Land goes in at its current value as measured by that of neighboring lands.

"Without summarizing the other processes, all clearly stated in the majority report, it will be observed that the rate-making value arrived at for the successive recapture periods, as for example the year 1923, rests upon 1923 market value of lands; costs of other property installed since June 30, 1919; unit prices of 1914, enhanced by allowance for increased cost of units installed during June 30, 1914–1919; and, for the units installed prior to June 30, 1914, constituting by far the major part of the property, unit prices of 1914 without any enhancement whatever. As to this major part of the carrier's property devoted to carrier purposes in 1923 no consideration is given to costs and prices then obtaining or to increase therein since 1914."

In the exercise of its proper function this Court has declared the law of the land concerning valuations for rate-making purposes. The Commission disregarded the approved rule and has thereby failed to discharge the definite duty imposed by Congress. Unfortunately, proper heed was denied the timely admonition of the minority—"The function of this commission is not to act as an arbiter in economics, but as an agency of Congress, to apply the law of the land to facts developed of record in matters committed by Congress to our jurisdiction."

The question on which the Commission divided is this: When seeking to ascertain the value of railroad property for recapture purposes, must it give consideration to current, or reproduction, costs? The weight to be accorded thereto is not the matter before us. No doubt there are some, perhaps many, railroads the ultimate value of which should be placed far below the sum necessary for reproduction. But Congress has directed that values shall be fixed upon a consideration of present costs along with all other pertinent facts; and this mandate must be obeyed.

It was deemed unnecessary by the Court below to determine whether the Commission obeyed the statutory mandate touching valuations since the order permitted The O'Fallon to retain an income great enough to negative any suggestion of actual confiscation. With this we cannot agree. Whether the Commission acted as directed by Congress was the fundamental question presented. If it did not, the action taken, being beyond the authority granted, was invalid. The only power to make any recapture order arose from the statute.

The judgment of the court below must be reversed. A decree will be entered here annulling the challenged order.

Reversed.

Mr. Justice Butler took no part in the consideration or determination of this cause.

SUPREME COURT OF THE UNITED STATES

Nos. 131 and 132—October Term, 1928

The St. Louis and O'Fallon Ry. Co., et al., Appellants *vs.* United States et al.

United States et al., *vs.* The St. Louis and O'Fallon Ry. Co., et al.

Appeal from the District Court of the United States for the Eastern Division of the Eastern District of Missouri.

[May 20, 1929]

Mr. Justice Brandeis, dissenting.

The main question for consideration is that of statutory construction. By Transportation Act, 1920, February 28, 1920, c. 91, § 15a, 41 Stat. 456, 488, Congress delegated to the Interstate Commerce Commission the duty to establish and maintain rates which will yield "a fair return upon the aggregate value of the railway property" of the United States. By paragraph 4 thereof, it directs that in ascertaining value the Commission shall "give due consideration to all the elements of value recognized by the law of the land for rate-making purposes;" and shall "give to the property investment account only that consideration which under such law it is entitled to in establishing values for rate-making purposes." The report of the Commission, which accompanies the order challenged, declares: "In the methods of valuation which we have followed in this proceeding we have endeavored to give heed to this direction [that contained in paragraph 4] . . ." Excess Income of St. Louis and O'Fallon Ry. Co., 124 I. C. C. 3, 19. Speaking for the dissenting members, Mr. Commissioner Hall said: "If the law needs change, let those who made it change it. Our duty is to apply the law as it stands." (pp. 63, 64.) And Mr. Commissioner Atchison added: "If we anticipate grave results will follow, our responsibility will be fully met if we suggest to the Congress, under our statutory powers to recommend new legislation to that body, the enactment of a rule for rate making under the commerce clause which will have no such unfavorable effects." (p. 64.)

Section 15a makes no specific reference either to the original cost of the property, or to prudent investment, or to current reproduction cost, or to the then existing price level. Section 19 (a) (the valuation provisions of the Act of 1913), to which § 15a refers, directs the Commission to report, among other things, "in detail as to each piece of property, . . the original cost to date, the cost of reproduction new, the cost of reproduction less depreciation"; and also "other values, and elements of value." After the enactment of § 15a and before entry of the order challenged, it was held in Southwestern Bell Telephone Co. *v.* Public Service Commission, 262 U. S. 276, a case arising under a state law, that the rate-base on which a public utility is constitutionally entitled to earn a fair return is the then actual value of the property used and useful in the business, not the original cost or the amount prudently invested in the enterprise. The Government concedes that current reproduction cost is admissible as evidence to show present value under § 15a. The carrier concedes now that neither Congress, nor the common law, made current reproduction cost the measure of value. The question on which the Commission divided is this: Did Congress require the Commission when acting under § 15a to give, in all cases and in respect to all property, some, if not controlling, effect to evidence establishing the estimated current cost of reproduction? Or did Congress intend to leave to the Commission the authority to determine, as in passing upon other controverted issues of fact, what weight, if any, it should give to that evidence?

The O'Fallon contends, among other things, that the order is confiscatory. The claim is that the order left to the company a return of only 4.35 per cent upon the value ascertained in accordance with the rule declared in the Southwestern Bell case and McCardle *v.* Indianapolis Water Co., 272 U. S. 400. If this were true, it would be immaterial whether Congress purported to authorize the course pursued by the Commission. But the fact is that, in each of the recapture periods, the earnings were so large as to leave, after making the required payments to the Commission, about 8 per cent on what the carrier alleged was the fair value of the property. The O'Fallon argues that, since the statute and the order required it to hold as a reserve one-half of the excess over 6 per cent, it is deprived of that property. This is not true. The requirement that one-half of the earnings in excess of 6 per cent shall be retained by the carrier until the reserve equals 5 per cent of the value of the railroad does not deprive the carrier of any property. it merely regulates the use thereof. Compare Kansas City Southern Ry. Co. *v.* United States, 231 U. S. 423, 453. The provision is one designated to secure financial stability; and is similar to those prescribing sinking

funds, depreciation, and other appropriate accounts.[1] Congress may regulate the use of railroad property so as to ensure financial as well as physical stability. Both are essential to the safety and the service of the public. In Dayton-Goose Creek Ry. Co. *v.* United States, 263 U. S. 456, 486, where the facts were in this respect identical with those in the case at bar, the constitutional validity of the order was sustained. If the failure to give to the evidence of current reproduction costs the effect claimed for it by the O'Fallon was error, it is not because the carrier's constitutional rights have been invaded, but because the Commission failed to observe a rule prescribed by Congress for determining the amounts to be recaptured and reserved.

The claim of the O'Fallon is in substance that, since construction costs were higher during the recapture periods than in 1914, the order should be set aside, because the Commission failed to find that the existing structural property and equipment which had been acquired before June 30, 1914, was worth more than it had been then.[2] The Commission undertook, as will be shown, to find present actual value and, in so doing, both to follow the direction of Congress and to apply the rule declared in the Southwestern Bell case. It is true that this Court there declared that current reconstruction cost is an element of actual value; and that Congress directed the Commission "to give due consideration to all the elements of value recognized by the law of the land for rate making purposes". But, while the Act required the Commission to consider all such evidence, neither Congress nor this Court required it to give to evidence of reconstruction cost a mechanical effect or artificial weight. They left untrammeled its duty to give to all relevant evidence such probative force as, in its judgment, the evidence inherently possesses. The Commission concluded that in respect to the evidence of reproduction costs the differences between the Southwestern Bell case and that at bar were such as to lead to different results in the two cases. It did so mainly because "in the administration of the valuation and recapture provisions," ascertainment of value "is affected by a vast variety of considerations that either do not enter into, or are less easily perceived in, problems incident to the regulation of local public utilities." (p. 27.) In my opinion the conclusion of the Commission are well founded. To make clear the reasons, requires consideration of the function of the Commission in applying § 15a and of the problems with which it is confronted.

First. The Commission is a fact-finding body. The question whether it must give to confessedly relevant facts evidential effect is solely one of adjective law. Statutes have sometimes limited the weight or effect of evidence. They have often created rebuttable presumptions and have shifted the burden of proof. But no instance has been found where under our law a fact-finding body has been required to give to evidence an effect which it does not inherently possess. Proof implies persuasion. To compel the human mind to infer in any respect that which observation and logic tells us is not true interferes with the process of reasoning of the fact-finding body. It would be a departure from the unbroken practice to require an artificial legal conviction where no real conviction exists.[3]

An arbitrary disregard by the Commission of the probative effect of evidence would, of course, be ground for setting aside an order, as this would be an abuse of discretion. Orders have been set aside because entered without evidence;[4] or because matters of fact had been considered which were not in the record;[5] or because the Commission excluded from consideration facts and circumstances which ought to have been considered;[6] or because it took into consideration facts which could not legally influence its judgment.[7] But no case has been found in which this Court has set aside an order on the ground that the Commission failed to give effect to evidence which seemed to the Court to be of probative force, or on the ground that the Commission had drawn from the evidence an inference or conclusion deemed by the Court to be erroneous.[8] On the contrary, findings of the Commission involving the appreciation or effect of evidence have been treated with the deference due to those of a tribunal "informed by experience" and "appointed by law" to deal with an intricate subject. Illinois Central R. R. Co. *v.* Interstate Commerce Commission, 206 U. S. 441, 454. Unless, therefore, Congress required the Commission, not only to consider evidence of reconstruction cost in ascertaining values for rate making purposes under § 15a, but also to give, in all cases and in respect to all property, some weight to evidence of enhanced reconstruction cost, even if that evidence was not inherently persuasive, the Commission was clearly authorized to determine for itself to what extent, if any, weight should be given to the evidence; and its findings should not be disturbed by the Court, unless it appears that there was an abuse of discretion.

Second. While current reproduction cost may be said to be an element in the present value of property, in the sense that it is "evidence properly to be considered in the ascertainment of value," Standard Oil Co. *v.* Southern Pacific Co., 268 U. S. 146, 156, it is clear that current cost of reproduction higher than the original cost does not necessarily tend to prove a present higher value. Often the fact of higher reconstruction cost is without any influence on present values. It is common knowledge that the current market value of many office buildings and residences constructed prior to the World War have failed to reflect the greatly increased building costs of recent years, although the need of new buildings of like character was being demonstrated by the large volume of construction at the higher price level. Many railroads built before the World War have never been worth as much as their original cost, because high construction cost combined with adverse operating conditions and limited traffic have at all times prevented their earning, despite reasonable rates, a fair return on the original cost. The Puget Sound extension of the Chicago, Milwaukee and St. Paul is a notable example.[9] Many branches, and indeed whole lines of railroad, have been scrapped since 1920. Abandonment of 2,439 miles of railroad was authorized under paragraph 18 of § 1 of the Interstate Commerce Act between 1920 and 1925; and in the three following years 2,010 miles more.[10] These properties had, in the main, become valueless for transportation, either because traffic ceased to be available or because competitive means of transportation precluded the establish-

[1] See Report of Senate Committee reporting S. 3288, Report No. 307, p. 19, 66th Congress, 1st Session: "The Company reserve fund may be drawn upon by the carrier whenever its annual railway operating income falls below 6 per cent of the value of the property. The reserve fund is, of course, the absolute property of the carrier; and the purpose in requiring it to be established and maintained is to give stability to the credit of the carrier and enable it to render more efficiently the public service in which it is engaged."

[2] The complaint concerns all the structural property and equipment acquired before June 30, 1919. But, as nearly all of this had been installed before July 1, 1914, the discussion is limited to the property acquired before June 30, 1914—the valuation being made on the basis of construction costs as of that date.

[3] Compare Best on Evidence (seventh English edition) §§ 69, 70; Manley *v.* Georgia, 278 U. S. —.

[4] See Interstate Commerce Commission *v.* Union Pacific R. R., 222 U. S. 541, 547; Interstate Commerce Commission *v.* Louisville & Nashville R. R., 227 U. S. 88, 92; Florida East Coast Ry. *v.* United States, 234 U. S. 167; New England Divisions Case, 261 U. S. 184, 203.

[5] See Interstate Commerce Commission *v.* Louisville & Nashville R. R., 227 U. S. 88, 93; Chicago Junction Case, 264 U. S. 258, 263.

[6] See Texas & Pac. Ry. *v.* Interstate Commerce Commission, 162 U. S. 197; Interstate Commerce Commission *v.* Alabama Midland Ry., 168 U. S. 144; Interstate Commerce Commission *v.* Northern Pacific Ry., 216 U. S. 538.

[7] See Florida East Coast Line *v.* United States, 234 U. S. 167, 187; Central R. R. Co. *v.* United States, 257 U. S. 247.

[8] Alleged errors of the Interstate Commerce Commission in weighing evidence or drawing inferences therefrom have been urged as grounds for reversal in many cases. This Court has consistently held that the Commission's decisions as to such matters are not the proper subject for judicial review. See e. g., Cincinnati, &c. Ry. *v.* Interstate Commerce Commission, 206 U. S. 142, 154; Illinois Central R. R. *v.* Interstate Commerce Commission, 206 U. S. 441; Interstate Commerce Commission *v.* Illinois Central R. R., 215 U. S. 452, 470; Los Angeles Switching Case, 234 U. S. 294; United States *v.* New River Co., 265 U. S. 533; Western Chemical Co. *v.* United States, 271 U. S. 268; Virginian Ry. *v.* United States, 272 U. S. 658; Chi., R. I. & Pac. Ry. *v.* United States, 274 U. S. 29; Assigned Car Cases, 274 U. S. 564. The following excerpts from recent opinions succinctly express the Court's position in the matter:—"The courts will not review determinations of the Commission made within the scope of its powers or substitute their judgment for its findings and conclusions." United States *v.* New River Co., 265 U. S. 533, 542. "To consider the weight of the evidence is beyond our province." Western Chemical Co. *v.* United States, 271 U. S. 268, 271. "This Court has no concern with the correctness of the Commission's reasoning, with the soundness of its conclusions, or with the alleged inconsistency with findings made in other proceedings before it." Virginian Ry. *v.* United States, 272 U. S. 658, 565–666. "But if the determination of the commission finds substantial support in the evidence, the courts will not weigh the evidence nor consider the wisdom of the commission's action." Chicago, R. I. & Pac. Ry. *v.* United States, 274 U. S. 29, 33–34.

[9] The Puget Sound Extension of the Chicago, Milwaukee & St. Paul Railway was completed in 1909 at a cost of about $257,000,000. It earned, during fifteen years, little more than operating expenses. As late as 1925, its net operating income was "only about one-half of 1 per cent on this investment." Investigation of Chicago, Milwaukee & St. Paul Ry. Co., 131 I. C. C. 615, 617, 619, 621. The upset cash price fixed by the court in the foreclosure proceeding was $42,500,000. Guaranty Trust Co. v. Chicago, M. & St. P. Ry., 15 F. (2d) 434, 443.

Another striking example of the discrepancy often existing between market price or actual value, and reproduction cost is to be found in the case of the Detroit, Teledo & Ironton Railroad, which Mr. Ford purchased in 1920 for $6,800,000. It was said to have a physical value of between $16,000,000 and $20,000,000. Railway Age, Vol. 69.1, p. 132.

In an order granting, on March 8, 1929, the application of the Nashville, Chattanooga & St. Louis Ry. to abandon its Middle Tennessee & Alabama branch, which had been in operation more than thirty years, the Interstate Commerce Commission said: "The applicant contends that the project was poorly conceived and doomed to failure from the outset." 150 I. C. C. 539, 540.

"But cost of reproduction obviously does not measure value in the sense of what a purchaser would pay for a property. Let the owners of the old Wabash Pittsburgh Terminal put their road upon the market to prove the Reports of the Interstate Commerce Commission, 1921, p. 19; 1922, p. 219; 1923, p. 237; 1924, p. 253; 1925, p. 263; 1926, p. 286; 1927, p. 294; 1928, p. 298.

[10] Motor Bus and Motor Truck Operation, 140 I. C. C. 685, 727. See Annual Reports of the Commission, 1921, p. 19; 1922, p. 219; 1923, p. 237; 1924, p. 253; 1925, p. 263; 1926, p. 286; 1927, p. 294; 1928, p. 298.

ment of remunerative rail rates.[11] Obviously, no one would contend that their actual value just before abandonment was what it originally cost to construct them or what it would then have cost to reconstruct them.

Third. The terms of § 15a and its legislative history preclude the assumption that Congress intended by paragraph 4 to deny to the Commission in respect to evidence of reconstruction cost the discretion commonly exercised in determining what weight, if any, shall be given to an evidential fact. In 1920, no fact was more prominent in the mind of the public and of Congress than that the cost of living was far greater than that prevailing when the existing railroads were built.[12] But, neither in Transportation Act, 1920, nor in any Committee report, is there even a suggestion that the Commission would be required to give to that fact any effect in ascertaining values for rate making purposes under § 15a. If it had been the intention of Congress to compel the Commission to increase values for rate making purposes because the price level had risen, it would naturally have incorporated such a direction in the paragraph. On the other hand, the Committee reports and the debates show that the opinion was quite commonly held that the actual values were less than the property investment account appearing on the books of the carriers;[13] and the proposal made by the railroads that the investment account be accepted as the measure of value was resisted as being excessive.[14] The property investment account in 1920 was about 19 billions of dollars.[15] The then reproduction cost of the railroads, applying index figures to estimated actual cost, was over 40 billions.[16] It is inconceivable that Congress, after rejecting property investment account as excessive, intended by § 15a to make mandatory on the Commission the consideration of elements which would give a valuation double that which had been rejected. The insertion in § 15a of the provision that the Commission "shall give to the property investment account of the carriers only that consideration which under the law it is entitled to in establishing values for rate making purposes" and the rejection of other proposed measures of value show that Congress intended not to impose restrictions upon the discretion of the Commission.[17]

Congress did intend to provide a return on the existing railroad property which should be only slightly more than that which had been enjoyed during the six preceding years. To have required that the then price level be reflected in the values to be fixed under § 15a would have resulted in a rate-base of double the property investment account of the carriers. For the cost of living was then about double prewar prices. The prescribed fair return applied to such a rate base would have produced more than double the average net earnings from operation of the several properties during the three years preceding federal control; more than double the amount which the carriers agreed to accept under the Federal Contral Act, March 21, 1918, c. 25, § 1, 40 Stat. 451, as fair compensation for the use of their property; more than double the guarantee provided by Transportation Act, 1920, § 209, for the six months' period after the surrender of control. The sum which the railroads had thus earned net in those six years equalled 5.2 per cent on the property investment account, as carried on their books.

In making provisions for a fair return, the main purpose was not to increase the earnings of capital already invested in railroads, but to attract the new capital needed for improvement or extension of facilities.[18] This was to be accomplished by raising the rate of return from 5.2 per cent to 5.5 per cent (Senate Reports, Vol. 1, No. 304, 66th Cong., 1st Sess.):

"The basis adopted by the Committee is three tenth of 1 per cent higher than the basis of the test period [the three years preceding June 30, 1917]; and assuming, though not conceding that the value of the property is equal to the property investment accounts, it will yield for all the railways a net operating income of $54,000,000 in excess of the income of the test period. There were two considerations which led the majority of the committee to believe that this increase is not only warranted but necessary:

"First. The railways are being returned to their owners when everything is unsettled and abnormal; when there is suspicion and distrust everywhere. Just what rate of return will enable the carriers to finance themselves under such conditions can not, with certainty be determined. It was felt, therefore, that some increase over the prewar period was justifiable.

"Second. As compared with all kinds of commodities, money is much less valuable than it was a few years ago, and it would seem to be only fair that the returns from railway investments should be reasonably advanced."

The means by which the bill was to accomplish the desired end are thus stated in the report:

"First: By prescribing a basis of return upon the value of the railway property, to give such assurance to investors as will incline them to look with favor upon railway securities; that is to say, by making a moderate return reasonably certain to establish credit for the carriers.

"Second: In making the return fairly certain to secure for the public a lower capital charge than would otherwise be necessary.

"Third. In requiring some carriers, which under any given body of rates will earn more than a fair return, to pay the excess to the Government and in so using this excess that transportation facilities or credit can be furnished to the weaker carriers, and thus help to maintain the general system of transportation."

Either increase in the rate of return or increase of the base on which that return is measured would have served to adjust compensation to higher price levels. The adoption by Congress of the increase in the return, as the means of compenasting for the decreased purchasing power of the dollar, precludes the assumption that it intended that the valuation should reflect that lessened purchasing power. By explicitly choosing the former Congress implicitly rejected the latter.[19] For to have allowed an increase in both would have gone beyond adjusting earnings to increased costs and have made this increase a mere pretext for allowing unwarranted profits to the railroads. The proceedings which led to the passage of the Act make it clear that Congress intended no such result.

Fourth. The declared purpose of Congress in enacting § 15a was the maintenance of an adequate national system of railway transportation, capable of providing the best possible service to the public at the lowest cost consistent with full justice to the private owners. Following the course consistently pursued by this Court in applying other provisions of the Interstate Commerce Act, Texas & Pacific Ry. Co. *v.* Interstate Commerce Commission, 162 U. S. 197, 211,

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[11] Motor competition has to some extent been a factor in such abandonments. For instances arising since October 31, 1927, see Abandonment of Potato Creek R. R. Co., 131 I. C. C. 481, 482; Pennsylvania R. R. Co., 131 I. C. C. 547, 548; Grand Rapids and Indiana Ry. Co., 138 I. C. C. 345; Spokane, Coeur d'Alene & Palouse Ry. Co., 138 I. C. C. 722, 723; Illinois Traction, Inc., 145 I. C. C. 20; Western Maryland Ry. Co., 145 I. C. C. 232; Southern Ry. Co., 145 I. C. C. 355; St. Louis-San Francisco Ry. Co., 145 I. C. C. 379, 383; Pere Marquette Ry. Co., 145 I. C. C. 560, 561; Chicago, Rock Island & Pacific Ry. Co., 145 I. C. C. 698, 699; Southern Pacific Co., 145 I. C. C. 705, 707. Compare Hill City Ry. Co., 150 I. C. C. 159.

[12] Senator Cummins stated that the cost of living was then from 80 to 100 per cent above prewar prices. 59 Cong. Rec., Part I, p. 129. See, also, Senate Committee Hearings, Vol. 148, Part II, p. 277; House Committee Hearings, Vol. 232, Part I, pp. 376–377.

[13] Senator Cummins said "I think there are a great many instances in which the investment accounts are larger than any possible value that could be attributed to the property." 59 Cong. Rec., Part 1, p. 126. "My own judgment is, however, that the value of the properties is less than the aggregate investment accounts . . ." pp. 135–136. For other expressions of opinion to the same effect see pp. 224, 228, 905. Senator Cummins stated that the aggregate of the investment accounts was about $19,000,000,000. (p. 127.) See also p. 130. Compare Mr. Esch, 50 CONGRESSIONAL RECORD, Part 4, p. 3269.

[14] The Commission says (124 I. C. C. 39): "In this connection it is significant that when the legislation of 1920, of which § 15a is a part, was under congressional consideration there was offered in behalf of the carriers a proposed bill in which their recorded investment in road and equipment was made the sole element in the determination of the rate base. It is also worthy of note that when the legislation of 1920 was under such consideration a representative of this commission on September 26, 1919, in response to a question, publicly informed the congressional committee that he knew of no warrant for an assumption 'that the commission will base the value of the property wholly or in part on present prices.'"

The investment in road and equipment as stated on the books of the Kansas City, Mexico and Orient R. R. Co. (of Kansas) as of June 30, 1919, was $22.190,935. The final valuation by the Commission as of that date was $6,453,528. After that date $1,064,782 was expended for additions and betterments, making a total value of $7,518,310. The Kansas City, Mexico & Orient of Texas (with expenditures for additions) was valued at $6,854,522. Kansas City, Mexico & Orient R. R. Co., 135 I. C. C. 217; Kansas City, Mexico & Orient Reorganization, 145 I. C. C. 339, 344. These properties, with an aggregate book value of $29,045.457 were valued by the Commission at $14,372,832 and, with 320 miles of road in Mexico added, were purchased by the Atchison, Topeka and Santa Fe R. R. for $14,507,500. See Control of Kansas City, Mexico & Orient Ry. Co., 145 I. C. C. 350.

[15] See note 13.

[16] Excess Income of St. Louis and O'Fallon Ry. Co., 124 I. C. C. 3, 32.

[17] Contemporary opinion of the railroads to this effect was expressed in their behalf in the hearings held before the Interstate Commerce Commission on March 22–24, 1920 (Hearings, In re: § 422 of the Transportation Act, Ex parte 71, p. 134).

[18] "The writer of this report is firmly convinced that when the Government assumed the operation of the railways they were, taken as a whole, earning all that they should be permitted to earn; but, in the inevitable distribution of these earnings among the various railway companies, the railways which carried 30 per cent of the traffic were earning so little that they could not, by any economy or good management, sustain themselves." Senate Reports, No. 304, Vol. 1, 66th Cong., 1st Sess. A rate base which reflected the then increase in price levels over 1914 would have yielded about $700,000,000 more than the income of the test period.

[19] Senator Kellogg, in the debate on the bill, justified the 5½ per cent return by the same argument as used by the Committee in reporting the bill: "Again it must be remembered that 5½% today is not equal to 5½% five years ago. The great inflation of currency and the general rise in all commodities have made a dollar very much less in purchasing power." (59 Cong. Rec., Part 1, p. 224). The same recognition of increased costs had been given as a justification for the liberal return authorized by the Federal Control Act, 1916 and 1917, two of the three years taken as a basis for measuring the return, were the most prosperous in the history of the railroads. (See 56 Cong. Rec., Part II, p. 2021.)

219; New England Divisions Case, 261 U. S. 184, 189–190; Dayton-Goose Creek Ry. Co. *v.* United States, 263 U. S. 456, 478, the Commission construed § 15a in the light of the declared purpose of Congress and of the economic factors involved. From its wide knowledge of actual condition and its practical experience in rate making, it concluded that to give effect to enhanced reproduction costs would defeat that purpose. (p. 27.)

It knew that the value for rate making purposes could not be more than that sum on which a fair return could be earned by legal rates; and that the earnings were limited both by the commercial prohibition of rates higher than the traffic would bear and the legal prohibition of rates higher than are just and reasonable. It knew that a rate-base fluctuating with changes in the level of general prices would imperil industry and commerce. It knew that the adoption of a fluctuating rate-base would not, as is claimed, do justice to those prewar investors in railroad securities who were suffering from the lessened value of the dollar, since the great majority of the railroad securities are represented by long term bonds or the guaranteed stocks of leased lines which bear a fixed return; and that only the stockholders could gain through the greater earnings required to satisfy the higher rate base. It recognized that an adequate national system of railways, so long as it is privately owned, cannot be provided and maintained without a continuous inflow of capital; that "obviously, also, such an inflow of capital can only be assured by treatment of capital already invested which will invite and encourage *further* investment," (p. 30); and that as was said in Dayton-Goose Creek Ry. Co. *v.* United States, 263 U. S. 456, 481; "By investment in a business dedicated to the public service the owner must recognize that as compared with investment in private business, he cannot expect either high or speculative dividends but that his obligation limits him to only fair or reasonable profit." [20]

The conviction that there would in time be a fall in the price level was generally held. As a fluctuating rate-base would thus directly imperil industry and commerce and investments made at relatively high price levels during and since the world war; [21] would tend to increase the cost of new money required to supply adequate service to the public; and would discourage such investment, the Commission concluded that Congress could not have intended to require it to measure the value or rate-base by reproduction cost, since this would produce a result contrary to its declared purpose. And as confirming its construction of § 15a the Commission showed that, with the stable rate-base which it had accepted as the basis for administering the Act, the aim of Congress to establish an adequate national system had been attained. It pointed out that: "During the period 1920–1926, inclusive, the investment in railroad property increased by 4 billions of dollars. A substantial part of this money was derived from income, but much of it was obtained by the sale of new securities. The market for railroad securities since the passage of the transportation act, 1920, has steadily improved and the general trend of interest rates has been downward. The credit of the railroads in general is now excellent. . . ." (p. 33.)

Fifth. Other considerations confirm the construction given by the Commission to the phrase "value for rate making purposes," as used in § 15a. In condemnation proceedings, the owner recovers what he has lost by the taking of the property, Boston Chamber of Commerce *v.* Boston, 217 U. S. 189, 195; and such loss must be determined "not merely with reference to the uses to which it is at the time applied, but with reference to the uses to which it is plainly adapted." Boom Co. *v.* Patterson, 98 U. S. 403, 408. Compare Louisville & Nashville R. R. Co. *v.* Barber Asphalt Co., 197 U. S. 430, 435. But the actual value of a railroad—its value for rate making purposes under § 15a—may be less than its condemnation value. As was said in Southern Ry. Co. *v.* Kentucky, 274 U. S. 76, 81–82, a case involving state taxation: "The value of the physical elements of a railroad—whether that value be deemed actual cost, cost of reproduction less depreciation or some other figure—is not the sole measure of or guide to its value in operation. Smyth *v.* Ames, 169 U. S. 466, 557. Much weight is to be given to present and prospective earning capacity at rates that are reasonable, having regard to traffic available and competitive and other conditions prevailing in the territory served."

Value has been defined as the ability to command the price.[22] Railroad property is valuable as such only if, and so far as, used. If rates are too high, the traffic will not move. Hence, the value or rate-base is necessarily dependent, in the first place, upon the commercial ability of the property to command the rates which will yield a return in excess of operating expenses and taxes; and such value cannot be higher than the sum on which, with the available traffic, the fair return fixed under § 15a can be earned. Persistent depression of rates or lessening volume of traffic, from whatever cause arising, ordinarily tends to lower actual values of railroad properties. It follows, that since the Commission is required by the rule of Smyth *v.* Ames, re-affirmed in the Southwestern Bell case, to determine the rate-base under § 15a by actual value as distinguished from prudent investment, it must in making the finding consider the effect upon value of both the commercial and the legal limitations upon rates and, among other things, the effect of competition upon the volume of traffic.

Recent experience affords striking examples of commercial limitations upon rates. In ex parte 74, Increased Rates, 1920, 58 I. C. C. 220, the Commission sought to establish rates which would yield 6 per cent upon the aggregate values of the railroads in the several groups. The carriers claimed as the aggregate value $20,040,572,611—that amount being carried on their books as the cost of road and equipment. The Commission fixed the value about 5 per cent lower—at $18,900,000,000. In order to produce on that sum net earnings equal to 6 per cent, it increased freight rates, in the eastern group, 40 per cent over the then existing rates; in the southern group 25 per cent; in the western group 35 per cent; and in the mountain-Pacific group 25 per cent.[23] As a result of these increases, the average gross revenue per ton mile in 1921 was in the eastern district 96.1 per cent greater than for the fiscal year ended June 30, 1914; in the southern, 61.4; in the western, 59.3; and in the United States as a whole, 76.2. Reduced Rates, 1922, 68 I. C. C. 676, 702. Passenger rates were subjected by the order in Ex parte 74, to a flat increase of 20 per cent and surcharges were added (p. 242).[24]

On a large number of basic commodities, which were among the most important articles of commerce, the rates proved to be higher than the traffic would bear. Reductions became imperative. Within a year after the entry of that order, many applications for reductions were made to the Commission, not only by shippers but also by the carriers themselves. It was estimated that the reductions in freight rates made by the carriers prior to March 15, 1922, would aggregate for that year $186,700,000; and would lower the general rate level nearly 5 per cent. On some important articles of traffic the entire increase made by Ex parte 74 was canceled.[25] Further reductions were then ordered by Reduced Rates, 1922, 68 I. C. C. 676, the Commission saying (pp. 732–3): "High rates do not necessarily mean high revenues, for, if the public cannot or will not ship in normal volume, less revenue may result than from lower rates. Shippers almost unanimously contend, and many representatives of the carriers agree, that 'freight rates are too high and must come down.' This indicates that transportation charges have mounted to a point where they are impeding the free flow of commerce and thus tending to defeat the purpose for which they were established, that of producing revenues which would enable the carriers 'to provide the people of the United States with adequate transportation.'" Further reductions made in the year 1923 are said to have again lowered freight rates 5 per cent.[26] The effect of the several reductions made in the rates authorized by Ex parte 74 is said to have lowered by $800,000,000 the freight charges otherwise payable on the traffic carried during the eighteen months ending December 31, 1923.[27] Each year

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[20] Mr. Esch, in submitting the conference report to the House, said: "Investors want something definite and fixed upon which they can reckon. The provisions of section 422 give that stability, that standard which I trust, will encourage investment . . ." 59 Cong. Rec., Part 4, p. 3269. The Commission points out (p. 32): "In other words, assuming a static property [valued at $18,000,000,000] there would have been a gain of 23.4 billions in 1920, a loss of 6.3 billions in 1921, a further loss of 6.8 billions in 1922, and a gain again of 3 billions in 1923. These huge 'profits' and 'losses' would have occurred without change in the railroad property used in the public service other than the theoretical and speculative change derived from a shifting of general price levels."

[21] "During the seven years 1920 to 1926, inclusive, there was an approximate net investment in additions and betterments and new construction of 4 billions. These were paid for at then current prices, all above, in many cases far above, present prices. Assuming that there has since been an average decline in unit price level of 25 per cent, a valuation under the current reproduction cost doctrine would wipe out one billion of that additional investment. The effect upon any railroad entirely or largely constructed during the period 1920 to 1926 may be imagined." (p. 32.)

[22] The value of the plant is "a result of the rates rather than a basis for rates. . . . If rates are established upon a basis of reproduction cost, value will tend to approximate such cost, but this will be through the operation of economic law and not because a certain figure has been decreed as value." F. G. Dorety, "The Function of Reproduction Cost," 37 Harvard Law Rev. 173, 189. Compare Monongahela Navigation Co. *v.* United States, 148 U. S. 312, 328; C. C. C. & St. L. Ry. Co. *v.* Backus, 154 U. S. 439, 445; 1 Taussig, Principles of Economics, 115; Laughlin, Elements of Political Economy, pp. 75–77.

[23] Large increases had been made theretofore. A general rate increase of 5 per cent in 1914, Five Per Cent Case, 31 I. C. C. 351; 32 I. C. C. 325; 15 per cent in 1917, Fifteen Per Cent Case, 45 I. C. C. 303; and 25 per cent in 1918, General Order of Director General, No. 28.

[24] They had been raised 40 per cent before.

[25] See Rate Reductions, House Doc. No. 115, 67th Congress, 1st Session, e. g., p. 7: "Reductions in all rates on iron ore throughout the so-called eastern territory, including generally points east of the Mississippi and north of the Potomac and Ohio Rivers, including, of course, ex-Lake ore moving from Lake Erie ports. These reductions will eliminate all increases effected under Ex parte 74, and it is conservatively estimated the amount will reach in round figures $5,000,000 per year." For instances of important reductions made by the carriers voluntarily, see Smelter Products from Nevada & Utah, 61 I. C. C. 374; Grain from Illinois Points to New Orleans, 69 I. C. C. 38; Copper-Duquesne Reduction Co. *v.* Pennsylvania R. R. Co., 96 I. C. C. 351, 354–355.

[26] Railway Age, 1924—Vol. 76.1, p. 726.

[27] Letter of Chairman Hall to Senator E. D. Smith, May 28, 1924, 68 Cong. Rec., Part 10, p. 10275.

since has witnessed a further lowering in the revenue per ton mile and per passenger mile.[28]

This constant lowering of the weighted average of rates since 1920 must have been due to causes other than desire on the part of the Commission. Its aim was to adjust rates so that they would yield the prescribed return. But for the period from 1920 to 1927 inclusive, there was only one year in which the railroads of the United States as a whole, despite general prosperity and greater efficiency earned on the value found in Ex parte 74 brought down to date, the full average return prescribed as fair under § 15a.[29] The Commission repeatedly refused to permit carriers to make reductions, because the reduction would lower the revenues sought to be provided under § 15a.[30] On the other hand, carriers, although earning less than the fair return prescribed under § 15a, have often voluntarily reduced rates.[31] The lowering of rates was probably due in large measure to the influence of competing means of transportation.[32]

Sixth. Since 1914, the railroads have been obliged, to an ever increasing extent, to compete with water lines and with motors. This competition has been fostered by the Government [33] through the Panama Canal Act; [34] through the intracoastal waterways acts; [35] through the inland waterways acts; [36] through the development of coastwise shipping by means of harbor improvements,[37] and through federal aid in the construction of highways.[38] There has also been increased competition by pipe lines. Competition from other means of transportation has tended to arrest the normal increase in the volume of rail traffic; and as to some traffic it has actually produced a reduction in both the volume and the rates. It has resulted in a general shrinkage in the passenger business; [39] in some regions, in a lessening of the carload freight; [40] and in many, in a reduction of the volume of the less than carload freight.[41]

The influence of water competition on rates is strikingly illustrated by the effect of the Panama Canal on transcontinental freight rates.[42] In order to meet this water competition carriers have repeatedly asked leave to make sweeping reductions.[43] Rates voluntarily established by the rail carriers are lower now, on some articles of traffic, than they were in 1914. On others they are only a little higher.[44] The influence of competition by the inland waterways on the

	1921	1922	1923	1924	1925	1926	1927
[28] Revenue per ton mile (cents)	1.294	1.194	1.132	1.132	1.114	1.096	1.095
Revenue per passenger mile (cents)	3.093	3.037	3.026	2.985	2.944	2.941	2.901

Annual Report of the Interstate Commerce Commission for 1928, p. 115. It is impossible to say to what extent this persistent shrinkage has been the result of miscellaneous rate adjustments and to what extent to fluctuations in character of traffic. Statistics of Railways in the United States, I. C. C. 1927, p. X.

[29] The fair return for the first two years was fixed by Congress at 5½ per cent, and the Commission was authorized to add one-half of one per cent for improvements, betterments and equipment. This additional allowance was granted in Ex parte 74, 58 I. C. C. 220. For the rest of the period it was prescribed by the Commission at 5¾ per cent. Reduced Rates, 1922, 68 I. C. C. 676, 683. The rate of return calculated on Ex parte 74 value of the railroads as a whole brought down to date, was:

	1921	1922	1923	1924	1925	1926	1927	1928
Per cent	3.2	4.0	5.1	4.9	5.5	5.8	5.1	5.5

The return on that basis in the Southern group has in most years exceeded that prescribed as fair. In the Eastern group the return has since 1924 exceeded that prescribed. In the Western groups the prescribed return appears never to have been reached. Compare Bonbright, "Economic Merits of Original Cost and Reproduction Cost," 41 Harvard Law Review 593, 618.

[30] Trunk-Line & Ex-Lake Iron Ore Rates, 69 I. C. C. 589, 610–611; Import and Domestic Rates on Vegetable Oils, 78 I. C. C. 421; Grain & Grain Products from Kansas and Missouri to Gulf Ports, 115 I. C. C. 153, 164; Grain & Grain Products to Eastern Points, 122 I. C. C. 551, 563–4; Lake Cargo Coal, 139 I. C. C. 367, 392–5. See Rates from Atlantic Seaboard, 61 I. C. C. 740; Salt from Louisiana Mines, 66 I. C. C. 81; Coal to Kansas City, 66 I. C. C. 457; Coal from Wyoming Mines, 68 I. C. C. 254; Coal from Southwest, 73 I. C. C. 536; Transcontinental Cases of 1922, 74 I. C. C. 48; Canned Goods from Pacific Coast, 132 I. C. C. 520; Cement in Carloads, etc., 140 I. C. C. 579, 582. Compare H. W. Biklé, "Power of the Interstate Commerce Commission to Prescribe Minimum Rates", 36 Harvard Law Rev. 5, 30.

[31] See Smelter Products from Nevada and Utah, 61 I. C. C. 374; Coal from Illinois to Arkansas, Louisiana and Texas, 68 I. C. C. 1; Coal from Kentucky, Tennessee and West Virginia, 68 I. C. C. 29; Rates from Chicago via Panama Canal 68 I. C. C. 74; Grain from Illinois Points to New Orleans, 69 I. C. C. 38; Trunk-Line and Ex-Lake Iron Ore Rates, 69 I. C. C. 589; Sugar Cases of 1922, 81 I. C. C. 448; Grain to Texas, 96 I. C. C. 727; Pig Iron from Southern Points, 104 I. C. C. 27; Grain and Grain Products from Western States, 104 I. C. C. 272; Coal to Cincinnati, 123 I. C. C. 561. The suspension docket for the calendar year 1928 shows that of the cases in which rates proposed by the carrier were permitted to become effective without suspension, after protest, 81 were reductions of existing rates and 93 were increases.

[32] Compare F. G. Dorety, "The Function of Reproduction Cost," 37 Harvard Law Review 173, 194.

[33] Transportation Act, Feb. 28, 1920, c. 91, § 500, 41 Stat. 456, 499: "It is hereby declared to be the policy of Congress to promote, encourage, and develop water transportation, service, and facilities in connection with the commerce of the United States, and to foster and preserve in full vigor both rail and water transportation." Chicago, Rock Island & Pacific Ry. Co. *v.* United States, 274 U. S. 29, 36. Compare Transcontinental Cases of 1922, 74 I. C. C. 48; United States War Department *v.* Abilene, etc. Ry. Co., 77 I. C. C. 317; 92 I. C. C. 528; Houston Cotton Exchange & Board of Trade *v.* Arcade, etc. Corp., 87 I. C. C. 392; 93 I. C. C. 268; Reduced Commodity Rates to Pacific Coast, 89 I. C. C. 512; Southern Class Rate Investigation, 100 I. C. C. 513; Commodity Rates to Pacific Coast Terminals, 107 I. C. C. 421; Consolidated Southwestern Cases, 123 I. C. C. 203; Canned Goods from Pacific Coast, 132 I. C. C. 520; Tinplate to Sacramento, 140 I. C. C. 643; American Hawaiian S. S. Co. *v.* Erie R. R. Co., 152 I. C. C. 703.

[34] The Panama Canal Act, Aug. 24, 1912, c. 390, § 11, 37 Stat. 566, now incorporated in the Interstate Commerce Act as par. 10 of § 5 (see Transportation Act, Feb. 28, 1920, c. 91, § 408, 41 Stat. 482), prohibits any railroad from having any interest "in any common carrier by water operated through the Panama Canal or elsewhere with which said railroad . . does or may compete for traffic." Compare Application of United States Steel Products Co., 57 I. C. C. 513; 77 I. C. C. 685; 151 I. C. C. 577.

[35] The Cape Cod Canal purchased pursuant to Act of Jan. 21, 1927, c. 47, § 2, 44 Stat. 1015, resulted in the elimination of tolls and an immediate large increase in vessel traffic. "The use of the canal under present conditions will undoubtedly operate to reduce freight rates." Report of Chief of Engineers to the Secretary of War, Oct. 2, 1928, p. 76. The Chesapeake and Delaware Canal was acquired and improved pursuant to Act of March 2, 1919, c. 95, § 1, 40 Stat. 1277, and Act of Jan. 21, 1927, c. 47, § 3, 44 Stat. 1016. "The opening of the canal at sea level to navigation within the limits of the dimensions authorized under the project has resulted in increasing the number and size of vessels passing through. New vessels to take advantage of the increased facilities are being constructed. Freight rates have been lowered as a result of the increased competition between carriers. Its effect on rail rates is to hold them at a minimum." Annual Report of Chief of Engineers to the Secretary of War, Oct. 2, 1928, pp. 408, 410. See Proposed Intracoastal Waterway from Boston, Massachusetts to the Rio Grande, Act of March 3, 1909, c. 214, § 13, 35 Stat. 822; Letters of Secretary of War transmitting to Congress letters from the Chief of Engineers on Surveys, House Doc. 391, January 5, 1912, 62 Cong., 2d Sess.; House Doc. 229, September 11, 1913, 63 Cong., 1st Sess.; House Doc. 233, September 11, 1913, 63 Cong., 1st Sess.; House Doc. 610, January 17, 1914, 63 Cong., 2d Sess.; House Doc. 1147, June 3, 1918, 65 Cong., 2d Sess.; House Doc. 238, April 12, 1924, 68 Cong., 1st Sess.; Senate Doc. 179, December 8, 1924, 68 Cong., 2d Sess.; House Doc. 586, December 14, 1926, 69 Cong., 2d Sess.

[36] The river improvements on the Ohio, the Mississippi and the Warrior rivers, and the creation of the government owned Inland Waterways Corporation to operate barge lines has been followed by legislation requiring the railroads to join in through routes and joint rates and providing for differentials. Act of May 29, 1928, c. 891, § 3 (e), 45 Stat. 980. Although barge lines are still limited in their sphere of operation, the through routes with differentials applied for by the Inland Waterways Corporation and ordered by the Commission pursuant to the direction of Congress cover a large part of the United States. Ex parte 96, 153 I. C. C. 129, 132. Compare Annual Report Inland Waterways Corporation, 1928.

[37] For an instance of the effect of harbor improvement in increasing coastwise shipping and thereby reducing rail rates, see Annual Report of the Chief of Engineers (1928) upon Miami, p. 722: "The completion of the 20-foot project has had a pronounced effect on railroad and water-transportation rates." The domestic water-borne commerce on the Atlantic, Gulf, and Pacific Coasts rose from 114,557,241 tons in 1920 to 231,530,937 tons in 1927. The tonnage on the rivers, canals and connecting channels rose from 125,400,000 in 1920 to 219,000,000 in 1927. Annual Report of the Chief of Engineers for 1928, Commercial Statistics, p. 3. On the New York State canals the tonnage increased steadily from 1,159,270 in 1918 to 2,581,892 in 1927. Commerce Year Book, 1928, Vol. 1, p. 617. The tonnage of the shipping occupied in the coastwise and internal trade increased from 6,852,000 tons in 1914 to 9,743,000 tons in 1928. p. 619.

[38] The competition by motor has, in large measure, been stimulated and made possible by the grants by Congress since 1914 of federal aid to highway construction. The highways completed with federal aid to June 30, 1928, aggregate 72,394 miles. The aggregate mileage comprised in what is designated as federal-aid highway systems is 187,753 miles. Report of Chief of Bureau of Public Roads, Sept. 1, 1928, pp. 3, 7.

[39] The passenger miles per mile of road dropped gradually from 199,708 in 1920 to 141,800 in 1927; the passenger revenues from $1,286,613,000 in 1920 to $974,950,000 in 1927. 42 Annual Report I. C. C., Dec. 1, 1928, pp. 115, 117. This shrinkage continued throughout 1928.

[40] For an example of reduction in carload traffic, see note 45.

[41] The less-than-carload freight on all the railroads of the United States shrank from 44,338,000 tons in 1923 to 38,440,000 tons in 1927. In the Eastern District (including the Pocahontas region) it shrank from 23,321,000 tons in 1923 to 19,363,000 tons in 1927. Statistics of Railways in the United States, 1927 [I. C. C.], p. XVII. This reduction has continued in 1928.

[42] "The volume of general cargo carried in United States vessels, particularly in United States intercoastal traffic, has been increasing from year to year." Annual Report of Governor of Panama Canal for 1928, p. 12.

"Like all other western lines we feel rather severely the effect of Panama Canal competition." J. S. Pyeatt, president, Denver & Rio Grande Western Ry., Railway Age, 1926—Vol. 80.1, p. 10.

[43] Class and Commodity Rates for Transshipment via Panama Canal, 68 I. C. C. 74; Reduced Rates from New York Piers, 81 I. C. C. 312, 315; Reduced Commodity Rates to Pacific Coast, 89 I. C. C. 512; Reduced Rates to Pacific Coast Terminals, 107 I. C. C. 421. Compare American Hawaiian S. S. Co. *v.* Erie R. R. Co., 152 I. C. C. 703, 705, 707.

[44] "Shortly after the opening of the Panama Canal, a rate of $10.90 per ton was established on copper, lead and zinc smelter products from certain far west mines to the eastern refineries for movement by rail to the Pacific Coast and thence by water through the canal. This forced a reduction in all rail rates from the same points to New York, first from $22.50 per ton to $16.50 per ton, and then to $12.50 per ton which is the present rate." Brass, Bronze and Copper Ingots, 109 I. C. C. 351, 355. Compare Eastbound Tariffs, San Francisco and Los Angeles to Kansas City and Chicago, Agent Countiss I. C. C. 978, July 1, 1914, with Agent Toll, March 25, 1929, I. C. C. 1209; Westbound, Kansas City and Chicago to Portland and Seattle, Agent Countiss I. C. C. 984 with Agent Toll, March 25, 1929, I. C. C. 1211; Agent Toll, I. C. C. 1209 with Agent Countiss, I. C. C. 1065; Agent Toll, I. C. C. 1206 with Agent Countiss, I. C. C. 1084; Agent Toll, I. C. C. 1210 with Agent Countiss, I. C. C. 1077; Agent Toll, I. C. C. 1211 with Agent Countiss, I. C. C.

volume of rail traffic is illustrated in the effect which improvement of the Ohio River and its tributaries has had in the Pittsburg district. The rail tonnage in 1927 was materially less than in 1914, while the water tonnage more than doubled.[45] The influence of barge lines in reducing or holding down rail rates is illustrated by the rail rates in competition with those of the barge lines on the Ohio, the Mississippi and the Warrior rivers.[46] The widespread effect of competition by motor truck in lowering both the rates and volume of rail traffic is obvious.[47] Not obvious, but indisputable, has been the effect of the potential competition of pipe-lines shown by reductions in oil rates caused by the threat of competing pipe-lines.[48]

Moreover, rates which are not so high as to prevent commercially the movement of traffic are often required to be lowered because they conflict with some statutory provision. Thus, Congress compels reduction of rates which discriminate unjustly against individuals, localities, articles of traffic or other carriers. Perhaps the most striking instance of the limitation by law of rates which the traffic would bear commercially is furnished by cases under the long and short haul clause. By that clause, a rail carrier is often obliged (unless relieved by order of the Commission) to elect between suffering practically a total loss of existing traffic between competitive points or suffering a loss in existing revenues by reducing rates at both the competitive points and intermediate noncompetitive points. The effect of this limitation upon rates, and hence upon the actual value of railroads, has become very great. Its influence has grown steadily with the growth of competition by water and motor, with the growth in the size of the individual railroad system, with the growth in the dependence of railroads for their revenues upon long-haul freight traffic and with the growing length of the average haul.[49] It has become so important for rail carriers to hold a share of the long-haul freight traffic at competitive points, that the long and short haul clause, if not relieved from, results in the carriers' giving, in large measure, to the intermediate non-competitive points which otherwise would be subject to monopoly exactions, the full benefit of that lowering of rates required to meet the competition. The many applications for reductions made in petitions for relief from the operation of the long and short haul clause illustrate the influence of rail, as well as of water and motor, competition in thus depressing rates.[50] Congress has by that clause limited values for rate making purposes under § 15a, almost as effectively as by its promotion of competitive means of transportation.

Seventh. In requiring that the value be ascertained for rate making purposes, Congress imposed upon the rate-base as defined in Smyth *v.* Ames, still another limitation which is far-reaching in its operation. By declaring in § 15a that the Commission shall, "in the exercise of its power to prescribe just and reasonable rates" so adjust them that upon the value a fair return may be earned "under honest, efficient and economical management" Congress made efficiency of the plant an element or test of value.[51] Efficiency and economy imply employment of the right instrument and material as well as their use in the right manner. To use a machine, after a much better and more economical one has become available, is as inefficient as to use two men to operate an efficient machine, when the work could be performed equally well by one, at half the labor cost. Such an instrument of transportation, although originally well conceived and remunerative, should, like machines used in manufacturing, be scrapped when it becomes wasteful.

Independently of any statute, it is now recognized that, when in confiscation cases it is sought to prove actual value by evidence of reproduction cost, the evidence must be directed to the present cost of installing such a plant as would be required to supply the same service. For valuation of public utilities by reproduction cost implies that "the rates permitted should be high enough to allow a reasonable per cent of return on the money that would now be required to construct a plant capable of rendering the desired service"; and does not mean "that the plant should be valued at what would now be needed to duplicate the plant precisely."[52] Proof of value by evidence of reproduction cost presupposes that a plant like that being valued would then be constructed. To the extent that a railroad employs instruments which are inconsistent with efficiency the plant would not be constructed; and because of the inefficient part, the railroad is obviously not then worth the cost of reconstructing the identical plant. While a part often has some service value, although not efficient according to the existing standard, its use may involve such heavy, unnecessary operating expense as to render it valueless for rate making purposes under § 15a. The Commission when requested to consider evidence of reproduction cost must, therefore, examine the value of every part of the plant, and that of the whole plant, as compared with the value of a modern, efficient plant. Upon such consideration the Commission may conclude that the railroad is so largely obsolete in construction and equipment as to render evidence of the reproduction cost of the identical plant of no probative force whatsoever. The duty so to deal with the evidence seems to flow necessarily from the rejection by the Court of prudent investment as the measure of value and the adoption, instead, of the actual value of the property at the time of the rate hearing as the governing rule of substantive law.

The physical deterioration of a railroad plant through wear and tear may be very small as compared with a plant new, while its

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1068. See Applications of the Southern Pacific-Atlantic S. S. Lines for fourth section relief, Nos. 13638, 13639.

A striking illustration of the effect of Panama Canal competition is furnished by the reduction in proportional rates made by the Illinois Central R. R. Co. to New Orleans, May 31, 1928, on shipments via the Redwood (steamship line) to California in order to place manufacturers in the Chicago District on a parity with those in the Pittsburg District shipping via the Atlantic seaboard. The domestic rate on iron and steel from Chicago to New Orleans was 55 cents; and the proportional rail and water rate to California had been 39½ cents. It was reduced to 31 cents, leaving the domestic rate unchanged. Tariff I. C. C. No. A–10314.

[45] In 1914, 158,327,451 tons were transported by rail and 17,601,661 by water. In 1927, 152,872,882 by rail and 39,998,562 by water. "The advantages of the utilization of the Ohio and its connecting waterways have been amply demonstrated and the rail carriers should realize that they cannot continue to handle by all rail routes much traffic which can be more economically transported by all water or rail-and-water routes. The interveners express fear that lower rates over a rail-and-water route will jeopardize the present rate structure, but assuming such fear to be well founded, that fact would not justify us in withholding approval of any plan which promises to reduce substantially the cost of necessary transportation." Construction of Branches by P. L. & W. Co., 150 I. C. C. 43, 52, 55.

[46] The establishment of barge lines, especially when followed by the establishment of through rail and barge line routes tends both to reduce rail rates and the volume of rail tonnage. See Inland Waterways Corporation *v.* Alabama G. S. R. R., 151 I. C. C. 126; Coal and Coke from Western Kentucky, 151 I. C. C. 543, 549; Rates on Fertilizer, etc., Within Florida, 151 I. C. C. 602, 608. Compare Vanderblue, "The Long and Short Haul Clause Since 1910," 36 Harvard Law Review, 426, 437. As to the development of the barge lines, see Annual Report of the Inland Waterways Corporation for 1928.

[47] For instances on Boston & Maine R. R., compare authority I. C. C. Nos. A–2535, 2540, 2565, 2597, 2600 with issue I. C. C. Nos. A–2556, 2657, 2600, 2654; M. D. P. U. 1706, 1717, 1719, 1728, 1729, 1730; N. H. P. S. C. 1166. Many illustrations of this are afforded by applications made under § 6 of the Interstate Commerce Act for permission, because of motor competition, to change rates on less than 30 days' notice. In the period from Nov. 23, 1928, to March 19, 1929, six such applications were made by the Boston & Maine Railroad; five by the New York, New Haven & Hartford, and two by the Boston & Albany. In one instance the rate was reduced to less than one-half; in another to just one-half; and in the others by varying percentages. The reductions related, among others, to articles as bulky as crushed stone and lumber, and as heavy as scrap iron and wire rods. Among such applications made by western lines in 1928, are those of the Southern Pacific and Atchison for carload rates on sugar (Nos. 87,723, 87,724) and on dried fruits (86,227); and that of the Southern Pacific for carload rates on iron or steel pipe (No. 90,219).

In a paper delivered before the Mid-West Transportation Conference, R. C. Morse, general superintendent, Pennsylvania R. R., said: "The truck has proved more economical than the box car for the transportation of less than carload freight for short hauls and, under special circumstances, for comparatively long hauls." Railway Review, 1925—Vol. 76, p. 1116.

In an address before the Western Railway Club, T. C. Powell, president, Chicago & Eastern Illinois Ry., said: "The great change, therefore, that has taken place since 1920 has been this growth of automobile traffic, and by this I mean not simply the ownership of automobiles, but the diversion to the passenger automobile and freight motor truck of a large number of passengers and a large tonnage of freight, respectively, of the character heretofore handled by the steam carriers, and this loss of gross-revenue producing traffic has brought about a reduction in train service on main lines as well as on branch lines, which has a very marked effect upon the number of employees engaged in train service." Railway Review, 1925—Vol. 77, p. 768.

For further comment on the motor bus and motor truck as competitive and auxiliary instruments of transportation, see Railway Age, Vol. 71.7, p. 432; Vol. 75.2, p. 995; Vol. 76.1, p. 319; Vol. 77.1, p. 275; Vol. 78.2, p. 1513; Vol. 79.2, p. 1017; Vol. 80.1, pp. 12, 547, 918; Vol. 80.2, pp. 1401, 1981; Vol. 81.1, pp. 153, 381; Vol. 81.2, p. 801; Vol. 82.2, p. 1651; Vol. 83.1, p. 601; Vol. 83.2, p. 753; Vol. 84.2, pp. 1025, 1315; Vol. 85.1, p. 399; Railway and Locomotive Engineering, Feb., 1928, p. 37; Engineering News-Record, Vol. 96.1, p. 305; Railway Review, Vol. 77, p. 604.

[48] Petroleum and Petroleum Products from Oklahoma (I. & S. 3144, April 6, 1929), 153 I. C. C. —, —.

[49] In the period from 1914 to 1927 the average freight haul for the individual railroad increased from 144.17 to 172.11 miles; and the average haul, treating all the railroads as a single system, increased from 255.43 to 314.75 miles. Annual Report of the Interstate Commerce Commission for 1928, p. 114.

[50] See e. g. Trunk-Line & Ex-Lake Iron Ore Rates, 69 I. C. C. 589; Reduced Rates from New York Piers, 81 I. C. C. 312, 317; Sugar Cases of 1922, 81 I. C. C. 448; Vinegar Rates from Pacific Coast, 81 I. C. C. 666; Iron from Southern Points, 104 I. C. C. 27; Reduced Rates on Commodities to Pacific Coast Terminals, 107 I. C. C. 421, 436; Pacific Coast Fourth Section Applications, 129 I. C. C. 3, 23. Compare Vanderblue, "The Long and Short Haul Clause Since 1910," 36 Harvard Law Rev. 426, 437.

[51] In confiscation cases the term "used and useful" had been commonly employed in making the valuations. The specific provision, requiring efficiency and economy, was doubtless inserted in § 15a because the Commission had theretofore expressed a doubt as to the extent to which it could, in determining the reasonableness of rates, consider the efficiency and economy of the management. Compare Advances in Rates—Eastern Case, 20 I. C. C. 243, 278–280. This provision must be read in the light of paragraph (5) of § 20, also added to the Interstate Commerce Act by Transportation Act, 1920, which directed the Commission to prescribe what depreciation charges should be allowed as a part of the operating expenses.

[52] Harry Gunnison Brown, "Present Costs", p. 6. (Reprinted from Public Utilities Fortnightly, March 7, 1929); F. G. Dorety, "The Function of Reproduction Cost," 37 Harvard Law Rev. 173, *passim;* James C. Bonbright, XL Quarterly Journal of Economics, pp. 295, 317. Compare 42 Proceedings, Am. Soc. of Civil Engineers, 1916, pp. 1719, 1772. Compare City of Spokane *v.* Northern Pacific Ry. Co., 15 I. C. C. 376, 393–4; Goddard, "The Evolution of the Cost of Reproduction as the Rate Base," 41 Harvard Law Rev. 564, 572; Robinson, "Duty of a Public Utility to Serve at Reasonable Rates: The Valuation War," 6 No. Car. Law Rev. 243, 256; "Railroad Valuation", by Leslie Craven, Railway Age, 1923—Vol. 75.2, pp. 807, 808.

functional deterioration may be very large as compared with a modern efficient plant. This lessening of service value may be due to any one of several causes. It may, in the first place, be due to causes wholly external. Freight terminals, originally well conceived and wisely located in the heart of a city, may have become valueless for rate making purposes under § 15a, because through growth of the city the expense of operating therein has become so high, or the inescapable cost of eliminating grade crossings so large, that efficient management requires immediate abandonment of the terminals.[53] And, even if the cost of continuing operation there is not so high as to require abandonment, the property may have for rate-making purposes a value far below its market value.[54] Compare Minneapolis & St. Louis R. R. Co. *v.* Minnesota, 186 U. S. 257, 268; Wilcox *v.* Consolidated Gas Co., 212 U. S. 19, 52.

The lessening of the service value of a part of the railroad plant may flow from changes in the volume or character of its traffic. For economy and efficiency are obviously to be determined with reference to the business of the carrier then being done and about to be done.[55] A station warehouse for less-than-carload freight may have becomes valueless for rate-making purposes, because, through motor competition the railroad had lost substantially all its less-than-carload business at that point. Large reductions in the value of passenger stations and equipment may have resulted from decline in the passenger traffic. Branch lines may lose all their service value so that they should be abandoned because motor transportation has become more efficient. On the other hand, the traffic may have grown so much as to render inefficient a part of a line originally wisely constructed with heavy grades[56] or curves.[57] In that event economy and efficiency will demand elimination of the grades and curves and may even require the building of tunnels or a cut-off.[58] In so far as such a condition exists, the railroad would obviously not be reconstructed with the heavy grades and curves;[59] and when considering the reconstruction cost of the whole property that part of the line must be given merely scrap value. Compare Kansas City Southern Ry Co. *v.* United States, 231 U. S. 423.

Perhaps the most common cause of the lessening of service value of parts of railroad plants originally well conceived and still in good physical condition is the progress in the art of rail transportation. Science and invention have wrought, since June 30, 1914, such extraordinary improvements in the types of automobiles and aeroplanes that no one would contend that the present service value of such machines should be ascertained by enquiring what their original cost was or what their reproduction cost would be. The progress since June 30, 1914, in the art of transportation by railroad has been less spectacular; but the art has been far from stagnant.[60] In railroading, as in other fields of business, the great rise in the cost of labor and of supplies, and the need of better service, have stimulated not only inventions but also their utilization. Through technological advances instruments of transportation with largely increased efficiency and economy have been developed. The price of lower operating costs is the scrapping of those parts of the plant which progress in the art render obsolete.[61] The present greatly increased efficiency of the railroads as compared with 1920, their greatly improved credit, and their present prosperity are, in large measure, due to the advances made toward introducing the improved instruments of

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[53] In a paper delivered before the Western Society of Engineers, F. J. Scarr, supervisor motor service, Pennsylvania R. R., said: "We are conducting inefficient terminal operations through inadequate facilities, and by means of antiquated methods. . . . Before the general acceptance of the motor vehicle as a dependable means of transportation, we had only the horse drawn vehicle available for the movement of freight over the highways. The limited effective radius of action, slow speed, and low capacity, of this instrument forced the railroads to place on track freight stations as near the centers of production and consumption as possible, almost regardless of cost or future expansion requirements. This factor, with reckless competition between carriers, influenced the railroads to engage in what approaches retail transportation, by the establishing of innumerable small stations and private sidings. It is my firm conviction that had the motor truck, with its greater radius of action, greater capacity, greater flexibility, and greater endurance, been available, the carriers would have developed terminals better adapted to take advantage of these characteristics." Railway Review, 1926—Vol. 78, p. 790.

[54] "'The time is fast approaching when railroads will stop buying expensive downtown city property for freight houses, and will, by the use of trucks, handle freight from outside and less costly freight houses direct to consignees' door.' . . . Where is the economy in hauling freight into terminals situated on the most valuable land in Chicago; and why should this same freight be hauled through Chicago's most congested district for delivery? . . . The delays in switching, due to congestion, are so costly that their elimination, if only in part, would pay very handsome dividends on a very large capital investment." Railway Review, 1926—Vol. 78, p. 403. See, also, Railway Age, Vol. 71.1, p. 21; Vol. 81.2, p. 968; Engineering News-Record, Vol. 96.1, p. 354.

[55] See Advances in Rates—Eastern Case, 20 I. C. C. 243, 271: "Assume that a railroad is originally constructed over a mountain, it being more economical to haul the traffic up and down the steep grades than to incur the great outlay which would be required by constructing a tunnel. With the development of traffic the time comes when this mountain must be pierced, and a tunnel is accordingly constructed at a large expenditure. When the tunnel is put into service and the line over the mountain abandoned the cost of the tunnel is added and the cost of the abandoned railroad subtracted from the construction cost, so that, as shown by the books, the cost of construction is the same as though the tunnel had been built at the outset."

[56] C. A. Morse, chief engineer, Chicago, Rock Island & Pacific Ry., in an address before the Western Society of Engineers in 1926, said: "Comparatively little has been done in the reduction of grades, and today a great majority of the trunk-line railroads in this country are operating over grade lines that were considered economical 50 or 75 years ago. These railroads were built in the days before steam shovels and other mechanical grading devices had been developed and when rock was handled with hand drills, black powder and carts. The result was that grading was very expensive and they sought to minimize it. . . . The reduction in the ruling grade and in the rate of curvature will result in both cheaper transportation and a saving in time. . . . During the last 25 years it has been the practice of most railroads to reduce their grades in connection with the construction of a second track, but unfortunately additional main track has been constructed on many of the older roads before the value of the lighter ruling grade was appreciated. The reduction of grade means practically the rebuilding of such lines and the expense of this together with the interruption to traffic while it is being done has prevented much of this from being carried out for unless the subject is thoroughly investigated, we are apt to consider it as impracticable. . . . Simply maintaining in first-class condition a roadway that, as far as grades and alignment are concerned, is of a type such as was constructed a half century ago, is not maintaining a modern railroad. . . . With the great majority of the railroads operating over lines that have the grade line and curvature of a half century ago the big job is to modernize the roadway." Railway Age, Vol. 80.1, p. 279. See also Engineering News-Record, Vol. 96.1, p. 309; Vol. 96.2, p. 803; Railway Review, Vol. 72, p. 937; Vol. 73, p. 124; Vol. 78, p. 187; Railway Age, Vol. 81.1, p. 181.

[57] "Curves, it is a matter of long record, have an important relation to speed of trains and cost of transportation as well as to track maintenance, while very sharp curves have a relation to safety of traffic. It has been found that in a 10-year period, with no rail renewals on 1 deg. curves, the rails were renewed once on 2 deg. curves, once or twice on 3 deg., and twice on 4 degree curves. Furthermore, track displacement by traffic has necessitated double or triple the amount of surfacing on the sharper curves, and there is a correspondingly greater wear on driving wheels, so that an engine working regularly over numerous sharp curves has a shorter period of service before it has to be sent to the shop for re-turning the tires. . . ." (Engineering News-Record, 1926—Vol. 96.1, p. 306.) For further comment on improvements in grades and curves, see Railway Age, Vol. 73.1, p. 94; Vol. 75.2, p. 1191; Vol. 78.1, pp. 502, 519; Vol. 79.1, p. 75; Vol. 81.1, p. 551; Vol. 85.1, p. 403; Railway Review, Vol. 77, p. 507; Engineering News-Record, Vol. 94.1, p. 392.

[58] "Tracks, though, are just as important as cars and locomotives in the railroads' program of reducing costs by moving heavier trains faster. The New York Central has just finished spending more than $20,000,000 to get freight trains around Albany and across the Hudson river without having to lower them to the river level and pull them up again. The Illinois Central is spending $16,000,000 for a straighter, flatter and more economical line through Illinois and Kentucky, crossing the Ohio river. The Southern Pacific is spending a similar sum to build its Natron cut-off in Oregon and California to get a better grade over the Siskiyous. The Central of Georgia is spending $5,000,000 to relocate and rebuild its line between Columbus, Ga., and Birmingham. The Central of New Jersey is putting a four-track steel trestle three miles across Newark Bay, a $10,000,000 job. The Louisville & Nashville is spending $5,000,000 or more to raise and move its Gulf Coast line out of the reach of storms. The Southern Ry. is spending a couple of millions to shorten the haul and cut the grades for coal trains moving out of the Appalachian fields to the South Atlantic. These projects represent the kind of improvement that will make it possible in the future to carry on the same line of development that American railroads have followed whenever and wherever they could. Each will pay for itself in reduced transportation costs and, along with hundreds of other improvements will make possible lower rates." Railway Review, 1925—Vol. 77, p. 522.

[59] If it is reasonable to expect that large amounts of heavy freight will be offered, the question of grades to be adopted is of paramount importance and should be given most careful consideration, and the lightest grades possible should be adopted, even if some increase in distance and considerable increase in cost is caused thereby, because grade and curve resistance govern the tonnage that any locomotive will haul; and as the limit in the size of the locomotive that can be built within clearances of 10 feet wide and 15 feet high has been nearly reached, we must improve our grades to secure lower costs of handling.

"As an illustration of the importance of light grades to increase train loads and thereby reduce cost of movement, we may cite the fact that about three times as much tonnage can be hauled on a grade of two tenths, or 10.6 feet per mile, as on a grade of one per cent, or 52.8 feet per mile, with the same expenditure of energy. On a grade of four-tenths only half as much tonnage can be hauled as on a level with the same power." F. S. Stevens, engineer maintenance of way, Phila. & Reading Ry., Railway Review, 1923—Vol. 72, p. 937.

[60] Alba B. Johnson, president of the Railway Business Association, testifying before the Senate Committee on Interstate Commerce in 1924, said: "The heavier locomotives and cars and the longer trains brought about a new standard of rails, road-beds, bridges and other structures. If it were possible to show on a chart the rise in cost of replacing the railroad as a whole we would still not be telling the whole story, because the increase would represent not only a higher level of wages and prices but a change in the character of the plant. Rails and ballast are heavier, frogs and switches more powerful, bridges stronger. Capacity of track was increased by installation of signal systems. Repairs have been expedited and cheapened by new shop machinery. . . . The 90 pound rail . . . replaces a 60 pound rail. . . . Instead of replacing worn out locomotives with new ones of the same design . . . the railroad orders a type which costs more in original outlay but is expected to earn the difference by the economy with which it does the work. The same principle runs through all the schedules of maintenance of road and equipment and additions and betterments." Railway Age, Vol. 76.2, p. 1039. See, also, Railway Age, Vol. 71.2, p. 1295; Railway Engineering and Maintenance, Vol. 21, p. 274; Railway Review, Vol. 78, p. 601.

[61] "A glance at the operating returns of the railways of this country will show that those roads which have added most liberally to their facilities in recent years are today making the best showings." Railway Age, 1921—Vol. 71.2, p. 1295.

rail transportation which have become available.[62] Obviously much remains to be done.

The extent of this technological progress may be illustrated by the modern locomotive. The development of the superheater, the mechanical stoker, the booster, and other devices, the increase in the size of the boiler, and other radical changes in size, weight, and design have resulted in the production of engines which are recognized by railway experts as having set such an entirely new standard of efficiency in fuel consumption,[63] in tractive power,[64] and in speed[65] as to render wasteful, under many conditions, the use of older locomotives, no matter how good their condition. Statistics as to actual performances of the locomotive of to-day as compared with that built but a few years ago graphically illustrate this great advance in efficiency.[66]

Its economies are compelling. But important changes in roadway and equipment are conditions of its effective use. Heavier locomotives make greater demands on the road structure which carry them. To obviate large maintenance expenses attendant upon frequent repair and replacement the roadway must be made more durable.[67] To this end rails of heavier section,[68] and of increased length are adopted.[69] Anti-creepers are freely used to prevent rail movement.[70] Larger ties are selected; and they are treated to prevent deterioration.[71] Ballast is made deeper and heavier; and of gravel or stone rather than of cinders.[72] Bridges are of stronger construction.[73] And to facilitate the movement of traffic, watering stations[74] and automatic signals[75] of improved design are introduced. Moreover, the effective employment of the modern locomotive involves ordinarily the use of larger cars of steel construction, displacing the wooden car of small capacity with which so many of the railroads were equipped in 1914.[76] Engine terminals and carshops built prior to 1914 are, in many cases, inadequate[77] for the efficient and economical handling, housing and repairing of the modern locomotives and cars, and must be replaced to prevent curtailment of the productive capacity of the rolling stock by needless idle hours while awaiting service or repair.[78] And the waste incident to shop-tools and machinery long since rendered obsolete by progress in the art must be stopped.[79]

Thus, the efficient post-war railroad plant differs widely even from the efficient one of 1914. That during the recapture period here in question the plants of most of the railroads of the United States built before the War were lacking in improved instruments of transportation made available by recent progress in the art is of

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[62] The investment account of the railroads of the United States increased between December 31, 1919 and December 31, 1927, $5,152,751,000—that is about 25 per cent. Nearly all of that sum was expended in improving the road, terminals and shop facilities and in replacing outworn and obsolete equipment. During that period the operating ratio improved greatly. The percentage of operating revenues consumed in the several years by operating expenses was: 1920, 94.38 per cent; 1921, 82.71 per cent; 1922, 79.41 per cent; 1923, 77.83 per cent; 1924, 76.13 per cent; 1925, 74.10 per cent; 1926, 73.15 per cent; 1927, 74.54 per cent. The improvement in the operating ratio (after the 1920 rate increase) was due in large measure to the improvement of the railroad plant. This made possible, among other things, a reduction in the number of employees from 2,022,832 in 1920 to 1,735,105 in 1927. The reduction in the operating ratio and in the number of employees has continued in 1928 and 1929. See Monthly Labor Review, Vol. 28, No. 5, p. 215. The number of locomotives on December 31, 1927 was 3,629 less than on December 31, 1919; the number of freight cars 48,089 less. Annual Report of Interstate Commerce Commission for 1928, pp. 111–114.

[63] "There are numerous cases where the unit fuel consumption of locomotives that represented good practice five or six years ago has been reduced almost one-half by locomotives of thoroughly modern design. This saving alone goes far toward paying a return on the additional investment required to produce a thoroughly modern traveling power plant." Railway Age, Vol. 82.1, p. 171.

"As a result of intensive development and improvement, it is not unheard of for a modern locomotive to handle 80 per cent more ton-miles per hour on 50 per cent of the unit fuel consumption formerly considered good locomotive performance." Railway Age, Vol. 84.1, p. 659. See, also, Railway Age, Vol. 72.2, pp. 1295, 1686; Vol. 79.1, p. 256; Vol. 83.1, p. 45.

[64] Ralph Budd, president of the Great Northern Ry., in an address delivered in 1927, said: "It is just beginning to be realized that while in principle the steam locomotive is the same as it was a few years ago, the efficiency of the locomotive, as exemplified by the modern type, has been practically doubled, measured in ton-miles of transportation per unit of fuel consumed. Railway Age, Vol. 83.1, p. 250. See, also, Railway & Locomotive Engineering, Nov., 1927, p. 326; Railway Age, Vol. 78.1, p. 26.

[65] "By producing more ton miles of transportation per hour it reduces the total number of locomotives required; it postpones the time when increase investment in tracks and most other fixed properties to increase capacity will be necessary; it reduces the number of employees required; or that would be required in train service; it reduces the number of employees required in signaling and dispatching trains—in fact, there is hardly any form of fixed charges or transportation expenses that is not made less than it otherwise would be by locomotives that produce an increased output of ton miles per locomotive hour." Railway Age, Vol. 81.1, p. 493. See, also, Engineering News-Record, Vol. 98.1, p. 58; Railway Review, Vol. 74, p. 203; Vol. 78, p. 601; Railway Age, Vol. 83.1, p. 240.

[66] See Transactions of American Society of Mechanical Engineers (1921), Vol. 43, p. 334; Railway Age, Vol. 78.1, p. 26; Vol. 81.1, p. 487; Vol. 82.1, p. 928; Vol. 83.1, p. 322; Vol. 84.1, p. 659; Vol. 84.2, p. 1153; Railway and Locomotive Engineering, Feb., 1927, p. 42; Nov., 1927, p. 326; Feb., 1928, p. 41; Railway Mechanical Engineer, July, 1927, p. 405; Railway Review, Vol. 77, p. 521. Compare 15 The Commonwealther, No. 2 (April, 1929), pp. 14, 19.

[67] "There has been a steady development in the track structure in recent years. Rail of 75-lb. and 85-lb. sections have given way to that of 110-lb., 115-lb. and 130-lb. on many divisions; cinder ballast has been replaced by gravel and gravel by stone; stronger joints have been installed and more tie plates, rail anchors and other accessories used. At the same time and in spite of these improvements the impression remains among those most directly in touch with maintenance work that the roads can still afford to go much further in this direction with economy." Railway Engineering and Maintenance, 1926—Vol. 22, p. 174. See, also, Ibid., p. 190.

[68] Rail of 85 lb. section or lighter was the type most commonly used prior to 1914. Railway Age, 1921—Vol. 70.2, p. 998. 68.8 per cent of the 2,806,930 tons of rail rolled in the United States in 1927 was of 100 lb. section or heavier. Railway Age, 1928—84.2, p. 900. See, also, Railway Age, Vol. 71.1, p. 413; Vol. 78.1, p. 181; Vol. 79.1, p. 393; Railway Review, Vol. 74, p. 101.

[69] "The American Railway Association has announced that new specifications increasing the length of standard rails from 33 to 39 ft. have been approved by that organization. This change will result in a 16 per cent reduction in the number of rail joints and a saving of about one-sixth of the total of bolts, nuts, angle bars and spring washers now required." Engineering News-Record, 1925—Vol. 95.2, p. 816.

[70] "The rail anti-creepers thus saved 26,400 hours of labor on this thirty mile stretch in one year entirely aside from the saving arising from the lessening of damage to rail, fastenings and equipment caused by wide expansion and uneven line and surface where the rail was permitted to creep. As a result of the test the entire track was securely anchored and the practice inaugurated of anchoring all double track and whatever single track showed a tendency to creep." Railway Engineering and Maintenance, 1923—Vol. 19, p. 114.

[71] See Engineering News-Record, 1925—Vol. 94.2, p. 844; Railway Engineering and Maintenance, 1926—Vol. 22, p. 15.

[72] See Engineering News-Record, 1925—Vol. 94.2, p. 674; Vol. 95.2, p. 958; Railway Age, 1928—Vol. 84.1, p. 3.

[73] In noting that the Chicago & Northwestern Railway is replacing a bridge which, "while still as good as the day it was built", is too light for the heavier loads now being carried, the Railway Age observes, "This is characteristic of many units of railway construction which, if properly maintained, show little or no evidences of wear but must give way just as truly as though they wore out." (1924—Vol. 77.2, p. 918.)

[74] "More efficient pumping equipment is rapidly replacing antiquated machinery." Railway Engineering and Maintenance, 1926—Vol. 22, p. 132. See, also, Railway Age, 1928—Vol. 84.2, p. 1329.

[75] "The improvement in equipment and in methods of locating signals to meet the requirements of modern train operation, have to a great extent rendered obsolete much of the automatic signaling placed in service 20 years or more ago." Railway Age, 1927—Vol. 83.2, p. 1144.

[76] "An investigation made by one railroad a few years ago disclosed the fact that the retirement of a large number of cars of all-wood construction, and their replacement with new cars of steel or steel underframe construction, would effect a saving in maintenance alone which in five years it was estimated would amount to about 68 per cent of the entire cost of the new equipment. . . . A thorough study of the economics of freight car maintenance and operation today would lead to equally startling conclusions with respect to the 300,000 or 400,000 weak and unsuitable freight cars which are still in service." Railway Age, 1921—Vol. 71.1, p. 52, 53. See, also, Railway Age, Vol. 70.1, p. 490; Vol. 72.2, p. 1515; Vol. 73.2, p. 645; Vol. 74.2, p. 989; Vol. 75.2, p. 1023; Vol. 78.2, p. 1443; Vol. 79.1, p. 186; Vol. 80.1, p. 462; Vol. 80.2, p. 1301; Vol. 82.2, p. 1556; Vol. 85.2, p. 916; Railway Review, Vol. 72, p. 1073; Vol. 77, p. 522; Vol. 78, p. 767.

[77] "The advent of the overhead, electric traveling crane, as well as the modern smoke exhausting devices and other such improvements, have thrown many of the older type buildings into the obsolete class. . . . It is very difficult to add modern facilities to an existing plant which is designed and constructed without the contemplation of such added facilities. . . . It is impossible to install crane runways and other labor saving devices in existing buildings, due to lack of clearance and insufficient strength in the existing structures." Railway Review, 1921—Vol. 68, pp. 449, 450.

"The enlargement of locomotive terminal facilities and the modernization of locomotive terminal equipment is admittedly the most needed physical improvement in the railway structure of today . . . there are many railways on which the locomotive terminals have received practically no improvements for more than fifteen years." Railway Review, 1924—Vol. 74, p. 151.

"These are days of rapid improvement in methods, in which many facilities become obsolete long before their normal service life has been reached. This is particularly true of terminal facilities." Railway Age, 1927—Vol. 83.2, p. 966. See, also, Railway Age, Vol. 66.2, p. 994; Vol. 68.2, p. 1702; Vol. 69.2, p. 729; Vol. 71.2, p. 890; Vol. 76.1, pp. 269, 314; Vol. 76.2; p. 1494; Vol. 78.2, p. 1071; Vol. 83.1, p. 249; Railway Review, Vol. 72, pp. 112, 495; Vol. 77, p. 522.

[78] "The real terminal problem, therefore, is that of providing facilities that will enable the railways to effect some reduction in the enormous investment in idle locomotives now held at terminals." Railway Review, 1923—Vol. 72, p. 176. See, also, Railway Review, Vol. 70, p. 344; Railway Age, Vol. 68.2, p. 1745; Vol. 74.2, p. 1354; Vol. 75.2, p. 1141.

[79] "It is said that 'any machine that will run' is good enough for a railroad shop and while most railroad men realize the falsity of this statement, it is seemingly borne out by the large number of obsolete, worn-out machines now in use." Railway Age, 1921—Vol. 71.1, p. 1.

"Without doubt, railroad net earnings are appreciably reduced by the many obsolete and inefficient machines now used in railroad shops and enginehouses." Railway Age, 1923—Vol. 74.1, p. 211.

"The tools to be seen on any trip of inspection through your own shops or those of other roads, are in many cases a generation outgrown." Railway Review, 1924—Vol. 74, p. 733. To the same effect, see Railway Age, Vol. 67.2, p. 1101; Vol. 69.1, p. 90; Vol. 70.1, p. 222; Vol. 72.2, p. 1205; Vol. 74.2, p. 1082; Vol. 74.2, pp. 1082, 1351; Vol. 81.2, p. 629; Vol. 83.2, p. 706; Vol. 85.1, p. 599.

common knowledge.[80] That this is true even today of many of the railroads will not be denied.[81] To the extent that there is inefficiency in plant, there was and is functional depreciation, lessening actual value. That this functional depreciation, arising through external changes, through competitive means of transportation, and through progress in the art of transportation, may, in respect to a particular railroad, have become so large as to more than counterbalance that increase in its actual value which would otherwise flow from the rise in the price level since 1914, seems clear.

It may be urged that the continued use of the inefficient plant[82] and the repairing rather than replacement of its antiquated parts,[83] has been due to lack of capital and insufficient revenues.[84] Such an excuse for failing to install the improved plant might have been conclusive if prudent investment had been accepted as the measure of value. But the fact that the management may have been wholly free from blame in continuing to use the inefficient parts obviously does not add to their actual value. The actual value of an existing plant, and the difference between its value and the present cost of constructing a modern efficient plant which will render the service, is precisely the same whether the continued use of the obsolete part was due to lack of capital, or to lack of good judgment, or to somnolence on the part of the management. As was said in Board of Commissioners *v.* New York Telephone Co., 271 U. S. 23, 32: "Customers pay for the service, not for the property used to render it." Only the then service value of the property is of legal significance under the rule of Smyth *v.* Ames.

It may also be urged that such functional depreciation of the railroad plant since 1914 is allowed for in the depreciation customarily estimated by the Commission. But this is not true. Functional depreciation prior to June 30, 1914, was included when valuing as of that date the then property of the railroads. But the instructions of the Commission provided that functional depreciation arising after that date should not be considered unless "imminent." And the Commission made clear that it did not intend by the term to include functional depreciation of the character described above arising from external causes, from the competition of new methods of transportation, from the extraordinary urban growth, from the need of new economies arising from the largely increased labor and fuel costs, and from other incidents of the war and post-war developments in industry and transportation. Texas Midland R. R., 75 I. C. C. 1, 47–52, 124–130. Compare, Depreciation Charges on Steam Railroads, 118 I. C. C. 295.[85]

If weight is to be given to reproduction cost in making the valuation of any railroad for rate-making purposes under § 19a and § 15a, there must be a determination of the functional depreciation of the individual plant as compared with a modern, efficient plant adequate to perform the same service. To make such a determination for any railroad involves a detailed enquiry into the character and condition of all those parts of the plant which may have reduced functional value because of the post-war changes affecting transportation above referred to, and also into the character and the volume of the carrier's business. For the efficient plant means that plant which is economical and efficient for the particular carrier in view of the peculiar requirements and possibilities of its own business. To make such a determination justly, the Commission must have the data on which a competent and vigilant management would insist when required to pass upon the advisability of making capital expenditures. And the Commission would be obliged to give them the same careful consideration. The determination of the extent of functional depreciation is thus a very serious task; a task far more serious than that of determining merely physical depreciation.

To make such a determination of functional depreciation annually for each of the railroads of the United States would be a stupendous task, involving, perhaps, prohibitive expense. To make the necessary decisions promptly would seem impossible, among other reasons, because railroad valuation is but a small part of the many duties of the Commission. On the other hand, to adjust rates so as to render a fair return, and to provide through the recapture provision funds in aid of the weaker railroad, are tasks which Congress deemed urgent; and which must be promptly performed if its purpose is to be achieved. Obviously Congress intended that in making the necessary valuations under § 15a a method should be pursued by which the task which it imposed upon the Commission could be performed. Compare New England Divisions Case, 261 U. S. 184, 197. Recognizing this, the Commission construed § 15a as it had paragraph (f) of § 19a. That is, as permitting the Commission to make a basic valuation as of some general date (June 30, 1914, was selected); and to find the value for any year thereafter by adding to or subtracting from the 1914 value the net increases or decreases in the investment in property devoted to transportation service as determined from the carrier's annual returns with due regard to the element of depreciation.[86]

Eighth. The significance, in connection with current reproduction costs, of the requirement in § 15a that value be ascertained "for rate making purposes" as there defined becomes apparent when the position of railroads, in this respect, is compared with that of most local utilities enjoying a monopoly of a necessary of life. The fundamental question in the Southwestern Bell case was one of substantive constitutional law, namely: Is the rate-base on which the Constitution guarantees to a public utility the right to earn a fair return the actual value of the property at the time of the rate hearing or is it the cost or capital prudently invested in the enterprise? The Court decided that the rate-base is the actual value at the time of the rate hearing. That proposition of substantive law the Commission undertook to apply to the facts presented in the case at bar. Recognizing that evidence of increased reconstruction costs is admissible for the purpose of showing an actual value greater than the original cost or the prudent investment, it found in respect to some of the carrier's property that the evidence of enhanced reconstruction cost was persuasive of higher present value. As to the rest of the property, it held that the evidence was neither adequate nor persuasive.

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[80] "Little attention is ordinarily given to obsolescence or the economy of replacement with more modern equipment solely because of the reduced cost of operation with the newer units. In their failure to appreciate this principle the railways trail far behind many of the utilities with the result that they are paying the penalty in high operating costs. . . . The engineering and maintenance of way department is cluttered with equipment that it cannot afford to operate." Railway Engineering and Maintenance, 1926—Vol. 22, p. 2. To the same effect, see Railway Age, Vol. 81.2, p. 621, p. 1091; Railway Review, Vol. 68, p. 784.

"Our railroads were built for the locomotive of the past. They were and are operated in accordance with the locomotive of the past. . . . It remains to do on railroads the things manufacturers have done—to build better locomotives, improve old ones and to operate them according to the new conditions these improvements themselves have created." Railway Age, 1922—Vol. 72.1, p. 178. See, also, Transactions, American Society of Mechanical Engineers (1919), p. 999; Railway Review, Vol. 70, p. 43; Engineering News-Record, Vol. 98.1, p. 58; Railway Age, Vol. 69.2, p. 729; Vol. 76.1, p. 269; Vol. 79.1, pp. 256, 505; Vol. 81.1, pp. 45, 123, 492; Mechanical Engineering, Vol. 43.1, p. 311; Railway Engineering & Maintenance, Vol. 22, p. 2.

[81] In 1920 there were 68,942 locomotives in use on American Railways. (41st Annual Report of the Interstate Commerce Commission, p. 107.) Of these 12,000 were reported to be obsolete by the Railway Age (Vol. 68.1, p. 33). Of the 2,648 locomotives in service on the B. & O., on December 31, 1920, 633 were more than twenty years old. On the Southern, 501 locomotives out of a total of 1,865; on the Erie, 474 out of 1540; on the Seaboard Air Line, 142 out of 581; on the Lackawanna, 57 out of 757; and on the Pennsylvania, 624 out of a total of 7,599, exceeded that age. In 1926 it was estimated by the editor of the Railway Age that 68 per cent of the locomotives then in use were over ten years old. (Railway Age, Vol. 81.1, p. 493.) In 1928 there were about 65,000 locomotives in use. Of these, according to the Railway Age (Vol. 84.2, p. 950): "There are probably between 15,000 and 20,000 locomotives in this country, 20 years old or older, which have practically none of those features of locomotive equipment that are now regarded as the ear-marks of modern motive power."

[82] e. g. Locomotives no longer capable of pulling heavy loads, instead of being scrapped or rebuilt, have frequently been continued in use for branch-line or suburban service; or in switch-yards. It is said that their use in such passenger service has been rendered wasteful by the comparative economies of the modern motor rail-car. See Railway Age, Vol. 72.1, p. 315; 72.3, p. 1372; Vol. 76.2, p. 975; Vol. 82.1, p. 563; Vol. 83.1, p. 601; Vol. 84.1, p. 753; Railway and Locomotive Engineering, Feb., 1928, p. 37. And "just what measure of economy is effected by retaining locomotives in yard and work train service after their condition has become such that they are no longer capable of performing their assigned duties in road service, is not apparent, to say the least." Railway Review, 1924—Vol. 74, p. 771. The replacement of antiquated power with modern locomotives in its switch-yards by the Seaboard Air Line Ry. is estimated to have effected a saving in operating costs which will pay an annual return of fifty per cent on the investment in the new engines. Railway Age, 1927—Vol. 83.1, p. 45. See, also, Railway Age, Vol. 79.1, p. 209; Railway Review, Vol. 75, p. 396.

[83] "There is too much tendency to patch up and perpetuate an obsolete, inadequate and uneconomical unit of equipment rather than to retire it and purchase new equipment to derive the benefit of the advanced state of the art in building." F. H. Hardin, assistant to the president, New York Central Ry. (Railway Age, 1926—Vol. 81.2, p. 670, 671.) To the same effect, see Transactions, American Society of Mechanical Engineers, 1925—Vol. 47, p. 179; Railway Review, Vol. 78, pp. 195, 271.

[84] Samuel Rea, president of the Pennsylvania Railroad, in an address before the eastern division of the U. S. Chamber of Commerce delivered in 1923, said: "From an engineering viewpoint there are many improvements which could be adopted, or the present use of which could be greatly extended, and which would very materially increase the efficiency and reduce the cost of railroad operation. The initial installations, however, would require the investment of very large sums of money, and it is difficult to see how these sums can be raised. . . ." Railway Review, Vol. 74, p. 262, 263. To the same effect, see statement of R. H. Aishton, president American Railway Association. Railway Review, 1921—Vol. 68, pp. 783, 784.

[85] e. g. "With respect to account No. 3, 'Grading,' it appears that the retirement of grading is a contingency sufficiently remote in most cases so that it is not practicable to treat it as depreciable property." (118 I. C. C. 295, 362.)

[86] "Upon the completion of the valuation herein provided for the Commission shall thereafter in like manner keep itself informed of all extensions and improvements or other changes in the condition and value of the property of all common carriers, and shall ascertain the value thereof and shall from time to time, revise and correct its valuations, showing such revision and correction classified and as a whole and separately in each of the several States and Territories and the District of Columbia which valuations, both original and corrected, shall be tentative valuations and shall be reported to Congress at the beginning of each regular session."

Compare Frederick K. Beutel, "Due Process in Valuation of Public Utilities," 13 Minnesota Law Review 409, 426–427.

Of both railroads and the local utility it is true, under the rule of substantive law adopted in the Southwestern Bell case, that value is the sum on which a fair return can be earned consistently with the laws of trade and legal enactments. But the operative scope upon railroads of the limitations so imposed upon the rates, and hence upon values, is much greater than in the case of local utilities.[87] Rail rates are being constantly curbed by the competition of markets and of rival means of transportation. Rail rates are curbed also by the influence of high rates upon the desires of individuals. The public can, to a considerable extent, do without rail service. If the rates are excessive traffic falls off. Thus, when passenger rates are too high travel is either curtailed or people employ other means of transportation. But the service rendered by a local water company in a populous city is practically indispensable to every inhabitant. There can be no substitute for water and to escape taking the service is practically impossible; for an alternative means of supply is rarely available. Even the common business incentive of establishing low prices in order to induce an enlarged volume of sales is absent; since the volume of the business done by a water company will not be appreciably affected by a raising or lowering of the rates, except in so far as water in quantity is used for manufacturing purposes. In other words, the commercial limitation upon rates—what the traffic will bear—is to a large extent absent in the case of such a local monopoly. The city water user must submit to such rates as the utility chooses to impose, unless they are curbed by legislative enactment.

The legal limitations upon rates (so potent in the case of railroads) are, in the main, inoperative in the case of such a water company. Rail rates are sometimes held illegal because the exaction is greater than the value of the service to the shipper. There is in fact no corresponding limitation upon water rates. The charge is so small, as compared with the inconvenience which would be suffered in doing without the service, that the worth to the water taker could rarely be doubted. The prohibition of discrimination against persons, places, or articles of commerce, which so frequently interferes to prevent railroads from charging higher rates, although the traffic would easily bear them, affords no protection to city water users; and seldom causes a loss of revenue to the water company. There is in respect to the water rates no prohibition comparable to that embodied in the long and short haul clause, which has an important effect in limiting rail rates. Hence, under the rule of substantive law declared in the Southwestern Bell case, practically the only limitation imposed upon water rates is the denial to the utility of rates which will yield an excessive return upon the actual value of the property. In applying that rule of substantive law, the then actual cost of reproducing the plant would (assuming it to be efficient) commonly be persuasive evidence of its actual value, as the current cost of reproducing the vessel was held to be in Standard Oil Co. *v.* Southern Pacific Co., 268 U. S. 146, 156.

It is true that in the Southwestern Bell case the Court passed also upon a subsidiary question—the weight and effect of the evidence of reconstruction cost. But the question of adjective law arose upon a record very different from that in the case at bar; and the action of the Commission here is entirely consistent with that decision. In the Southwestern Bell case direct testimony as to the then value of the property was introduced. The efficiency of the plant was unquestioned. Witnesses had testified both to the actual cost of constructing identical property at that time; and that the specific property under consideration was worth at least 25% more than the estimate of the state commission. The Court believed those witnesses. Concluding that this direct and uncontradicted evidence had been ignored by the State commission because of error as to the governing rule of substantive law, this Court set aside the rate order as confiscatory, saying: "We think the proof shows that for the purposes of the present case the valuation should be at least $25,000,000." (262 U. S. 276, 288.)

The action of the Commission in the case at bar was consistent also with McCardle *v.* Indianapolis Water Co., 272 U. S. 400, and Bluefield Water Works Co. *v.* Public Service Commission, 262 U. S. 679. Each of these water companies enjoyed a local monopoly of an indispensable service. In order to provide a substitute, the community would have either to take the utility's property by eminent domain; or, if it was free to do so, build a competing plant. There was practically no commercial limitation upon the earning power of these water companies except the extent of the local market; and practically no legal limitation except the requirement that the rates charged should not be so high as to yield an excessive return upon the actual value of the utility's property. The current cost of constructing then a plant substantially like the utility's (assuming it to be efficient) would be persuasive evidence of its actual value. For upon that issue, concerning a local water monopoly, the enquiry would naturally be: How much would it cost the community to substitute for the private monopoly a publicly owned plant? But evidence of the cost of reconstructing a railroad built before 1914 might, for the reasons stated above, be no indication whatever of its post-war value for rate making purposes under § 15a. And where, as in the case at bar, the probative force of the evidence may be considered free from any question of confiscation, the rule declared in Ohio Valley Water Co. *v.* Ben Avon, 253 U. S. 287, which requires in confiscation cases a judicial determination on the weight of the evidence, does not apply.

Ninth. A further question of construction requires consideration. It is suggested that, even if the Commission is not required to give effect to the higher price level when finding values for rate making purposes under § 15a, it must do so when fixing the amount of the excess income to be recaptured from a particular railroad under paragraphs 6 to 18. The language of the section affords a short answer to that contention. The valuation prescribed in paragraph 4 is declared to be "for the purpose of this section"—that is, for recapture purposes as well as for rate making. And paragraph 6, which provides for the recapture, declares: "The value of such railway property shall be determined by the Commission in the manner provided in paragraph (4)."

The recapture of excess earnings and the establishment of reserves are a part of the process of establishing such rates

"that carries as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate) will, under honest, efficient, and economical management . . . earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation." (par. 2.)

The recapture and reserve are the readjustment made necessary:

"Inasmuch as it is impossible (without regulation and control in the interest of the commerce of the United States considered as a whole) to establish uniform rates upon competitive traffic which will adequately sustain all the carriers who are engaged in such traffic and which are indispensable to the communities to which they render the service of transportation, without enabling some of such carriers to receive a net railway operating income substantially and unreasonably in excess of a fair return upon the value of their railway property held for and used in the service of transportation, it is hereby declared that any carrier which received such an income so in excess of a fair return, shall hold such part of the excess, as hereinafter prescribed, as trustee for, and shall pay it to, the United States." (par. 5.)

Thus, the direction in the order here challenged to pay or reserve the excess over 6 per cent of the amounts earned from 1920 to 1923 by rates established pursuant to Ex parte 74, Increased Rates, 1929, 58 I. C. C. 220, is merely a readjustment of those rates.

Tenth. The question remains whether the Commission, in valuing the structural property acquired before June 30, 1914, abused its discretion by declining to give effect to the evidence of enhanced reconstruction cost.[88] The O'Fallon insists that the Commission, in fact, adopted a mathematical formula; that it declined to determine the present value of the carrier's property in accordance with "the flexible and rational rule of Smyth *v.* Ames, under which value is a matter of judgment to be determined by a consideration of all relevant facts and circumstances"; that it erected "an arbitrary standard of its own based on no relevant facts"; that if it had given consideration to all relevant facts and circumstances, including as one its cost of reproduction at current prices, "the value found must have been substantially higher"; and that its primary purpose was to determine the amount of the investment in the carriers' property. In short, the O'Fallon asserts that the Commission refused to find actual value; and instead, found the prudent investment.

In support of this assertion, the O'Fallon points to the statement in the report that "the value of the property of railroads for rate-making purposes . . approaches more nearly the reasonable and necessary investment in the property than the cost of reproducing it at a particular time." (p. 41.) The statement just quoted does not mean that the Commission accepted prudent investment as a measure of value. It means merely that the Commission deemed the estimated original cost a better indication of actual value than the estimated reconstruction cost. While this Court declared in the Southwestern Bell case that prudent investment is not to be taken as the measure of value, it has never held that prudent investment may not be accepted as evidence of value, or that a finding of value is necessarily erroneous if it happens to be more nearly coincident with what may be supposed to have been the cost of the property than with its estimated reproduction cost. The single-sum values found by the Commission do not coincide either with the estimated prudent investment or with the estimated reconstruction cost. They are much nearer

[87] Compare "Railroad Valuation" by Leslie Craven, counsel, Western Group, [Railroad] Presidents' Conference Committee on Federal Valuation of Railroads, 9 Amer. Bar Assn. Journal, 681, 683, 684.

[88] The nature of the order here challenged is described in the report which accompanied it: "At the outset it is to be borne in mind that in no sense can these proceedings properly be treated as lawsuits. No issue is raised between parties. There is no controversy between disputants, each contending for protection of its rights. They are purely administrative proceedings wherein we are following the direction of Congress to create a contingent fund to be used in furtherance of the public interest in railway transportation." Excess Income of St. Louis and O'Fallon Ry. Co., 124 I. C. C. 1, 7.

the estimated original cost of the property than they are to its estimated reproduction cost. But the values found do not conform to any formula.[89]

The general method pursued by the Commission in reaching its conclusion closely resembles that approved by the Court in Georgia Ry. & Power Co. v. Railroad Commission, 262 U. S. 625, 629–630. It appeared that the O'Fallon Railroad had been constructed long prior to June 30, 1914. The Commission had before it "the cost of reproduction new of the structural portion of this property estimated on the basis of our 1914 unit prices, coupled with the knowledge that costs of reproduction so arrived at were not greatly different from the original costs." As bearing upon the value of those parts of the Railroad's property which were added or replaced later the Commission had the actual cost. As bearing on the then value of the railroad land it had current values of adjacent lands. It had evidence concerning the railroad and the character and volume of its traffic, the working capital, revenues and expenses. It had evidence of increased price levels after 1914 and estimates of current reproduction costs during the recapture periods.

The carrier insisted that physically the property had appreciated more than it had depreciated; and urged the Commission to take as the basic measure of value the "cost of reproduction new at current prices to the exclusion of everything else, or at least of everything that might tend to a lower value." (124 I. C. C. 28.) This the Commission declined to do. It gave full effect to increased current market values in determining the value of the land. It gave to the additions and betterments made after June 30, 1914, a value approximating their cost less physical depreciation.[90] But, in respect to structural property and equipment acquired before June 30, 1914, it declined to give weight to the evidence introduced to show current reproduction costs greater than those of 1914. It concluded, despite the estimates of higher reconstruction costs, that, except for the additions, the actual value of this part of the O'Fallon Railroad had not increased; and it found the single sum value for rate making purposes in 1920 to be $856,065; in 1921, $875,360; in 1922, $978,874; in 1923, $978,246.

The Commission recognized, as stated in Minnesota Rate Cases, 230 U. S. 352, 434, that the determination of value is "not a matter of formulas, but there must be a reasonable judgment having its basis in a proper consideration of all relevant facts." Georgia Ry. & Power Co. v. Railroad Commission, 262 U. S. 625, 630. It states that "it considered and weighed carefully, in the light of its own knowledge and experience, each fact, circumstance and condition called to its attention on behalf of the carrier" as well as the evidence otherwise introduced; and that "from this accumulation of information we have formed our judgments as to the fair basic single-sum values, not by the use of any formula but after consideration of all relevant facts." The report makes clear that its finding was the result of an exercise of judgment upon all the evidence; that the Commission accorded to the evidence of reconstruction cost all the probative force to which it deemed that evidence entitled on the issue of actual value; and that it considered, as bearing upon value, not only the probable cost and the estimated reproduction cost, but also "descriptions of the carrier, of its traffic, of the territory in which it operates, its history, and summaries of the results of its operation." (p. 25.)

The difficulties by which the Commission was confronted when requested to apply the evidence of reproduction cost can hardly be exaggerated. In the first place, the evidence was of such a character that it did not satisfactorily establish what would have been the current cost of reproduction during the recapture periods.[91] During the years here in question there was practically no construction of new lines.[92] Thus, the current cost of reproduction for those years had to be obtained by using index figures as the basis for a guess as to what it would cost to build then the identical railroad. To give to such figures effect as proving what it would then have cost to reproduce the O'Fallon Railroad, it must be assumed that there had not been introduced since June 30, 1914, new cost-saving methods of construction which would overcome, in whole or in part, the effect of the higher price level upon the cost of reproducing the identical property. This, in view of its experience, the Commission properly declined to do.[93] In the second place there was a lack of evidence to show to what extent, if any, higher reconstruction cost, in the several recapture periods, implied a value higher than that theretofore prevailing.[94] The Commission believed that it could act only on proof; that it was not required or permitted to base findings on conjecture; and that to assign, under the circumstances, any weight to the evidence of reconstruction cost would be mere conjecture.

Moreover, the Commission had, through its valuation department, special knowledge of the property of this carrier. It had acquired necessarily in the performance of its many duties the general knowledge, already referred to, concerning changes in transportation conditions and of the advances in the art; and it knew how great was their effect upon the actual values of railroad property. The value of the O'Fallon Railway not having been finally ascertained under § 19a, it was obliged by paragraph 4 to utilize "the results of its investigation under section 19a of this Act in so far as deemed by it available." The evidence introduced in the recapture proceedings showed, among other things, that of the five locomotives in the O'Fallon's service, December 31, 1920, one had been built as early as 1874, and that their average age was 20.8 years; also that the aggregate outlays for additions and betterments in the railroad, less small retirements, had in eleven years been only $98,148.25. The O'Fallon did not introduce any evidence bearing upon functional depreciation of the property. The Commission may reasonably have concluded that, even if there had been introduced persuasive evidence that the cost, during the recapture periods, of reproducing new the identical plant approximated the rise in the general price level, still the actual value of the O'Fallon Railway, as it existed June 30, 1914, had not increased, because the functional depreciation plus the physical depreciation since that date counterbalanced fully what otherwise might have been the higher value of the plant.

The O'Fallon urged that its large net earnings during the recapture periods and earlier fully established a higher value, independently of the evidence of reproduction cost. This contention ignores the peculiar character of the property. The Railroad, which is owned by the Adolphus Busch estate and family and lies wholly in Illinois, operates about 9 miles of main line from two coal mines also owned by the Busch estate and family, to the tracks of the Terminal Company in East St. Louis. There are 12 miles of yardage tracks, located largely at the Busch mines. While the Railroad is legally a common carrier, it is actually an industrial railroad. Ninety-nine per cent of its revenues are derived directly from the carriage of coal; and of the remaining one per cent, about half appears to come from a payment of $300 a month made by the Busch coal company for carrying its miners to and from its mines. Besides the coal from the Busch mines there is a sub-

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[89] The O'Fallon has calculated that the single-sum values found by the Commission for the several recapture periods exceed by $32,660.88 the sums of the following amounts: (1) the cost of reproduction less depreciation, as of June 30, 1919, of all property exclusive of lands and working capital at 1914 or pre-war prices; (2) the amount by which the actual cost of the property installed between July 1, 1914, and June 30, 1919, exceeded its cost of reproduction at 1914 prices; (3) the present value of the land; (4) the allowance for working capital; (5) the actual investment in additions and betterments, less retirements, subsequent to June 30, 1919. The calculation is correct; but the assertion that the $32,660.88 (which is about 5% of the aggregate of the other amounts) must have been allowed as overhead is without foundation in the record and is inconsistent with statements in the Commission's report.

[90] "The method which we therefore find logical and proper for determining the value in the subsequent recapture periods is to add to or subtract from the 1919 value the net increases or decreases in the investment in property devoted to transportation service as determined from the carrier's returns to valuation order No. 3, with due regard to the element of depreciation." 124 I. C. C. 3, passim, particularly pp. 37, 42.

[91] As to the evidence the Commission said: "The use of cost of production is by no means free from practical difficulties. For example, the record here shows that there was a dearth of reliable data from which an accurate estimate of such cost could be made for the period 1920 to 1923. In proof of this assertion reference need only be made to the sources of the data relied upon by the witnesses both for the bureau and for the carriers. Their estimates for those years were founded in large part upon manufacturers' records and price statistics appearing in various publications, and to a lesser extent upon cost of construction actually incurred by railroads in that period. There was, in fact, very little new railroad construction in those years.

"Synthetic estimates of cost of reproduction based upon statistics showing price and wage changes do not make allowance for improved methods of assembly and construction. As will hereinafter be more fully indicated, we found in Texas Midland Railroad, supra, [75 I. C. C. 1] at page 140, that the increase in the cost of labor and materials between 1900 and 1914 was largely offset by improvement in the art of construction. How far there may have been a similar offset, so far as costs in the period from 1920–1923 are concerned, is not disclosed of record." (p. 29.)

And later (p. 41): ". . . even if the cost of reproduction new in 1920 were to be regarded as a controlling element there is not in the present record evidence showing what it might have cost to reproduce the property of the O'Fallon at that time. The only evidence in this respect is that of the relation of general prices in 1914 and in 1920 and the other recapture years."

[92] Compare United States v. Boston, Cape Cod & New York Canal Co., 271 Fed. 877, 889, where the Court said that the jury "should not consider the evidence of reconstruction cost upon the question of value, unless they were satisfied that a reasonably prudent man would purchase or undertake the construction of the property at such a figure."

[93] "Costs of railroad building, owing to improvements in methods and economies thereby effected, did not vary greatly during the period of 20 years preceding 1914, although the prices of labor and material fluctuated. There is no testimony here as to how much it cost to build any railroad or any substantial part of one in any recapture periods, and for that reason it is impossible to make a comparison of costs in the two periods. It is not safe to assume, as the O'Fallon has assumed, that costs of building railroads have varied in recent years in direct ratio to the variation in costs of commodities in general use, or in the costs of materials or labor generally. The fallacy of basing reproduction cost upon price curves or ratios is clearly indicated by the tabulations introduced by the carrier." (P. 41.)

[94] The Commission says (p. 40): "Weighing the figures previously mentioned in the light of these considerations and the entire record, and viewing the carrier as a common carrier in successful operation and with an established business, we conclude that the value for rate-making purposes of the entire common carrier property of the O'Fallon on June 30, 1919, was $850,000."

stantial, but diminishing amount carried under a long time contract, from two mines located on an electric road, the East St. Louis and Suburban Railway, which crosses the O'Fallon. This coal it carries from the junction to East St. Louis. See St. Louis & O'Fallon Ry. Co. *v.* East St. Louis & Suburban Ry. Co., 81 I. C. C. 538. Obviously the value of this railroad property is wholly dependent upon the operation of the mines.

How long the four mines will continue to be operated was and still is entirely uncertain. Their product is subject to the competition of 221 other bituminous coal mines in Illinois. These, which are all located on other railroads, enjoy low rates to St. Louis. See Perry Coal Co. *v.* Alton & Southern R. R., 5 Illinois Commerce Commission 461. The vicissitudes of coal mining, the diminishing use of coal since the war because of increased fuel efficiency, the competition of oil as fuel, and the growing use of hydro-electric power are matters of common knowledge; as are the diminishing operations during recent years of the Illinois coal mines as compared with the mines in non-union territory.[95] Moreover, the decline in the volume of traffic, the reduction in coal rates made by Reduced Rates, 1922, 68 I. C. C. 676, and the growing expenses of the carrier due to increased payroll, were put in evidence by it. In view of these facts, the Commission was clearly justified in refusing to find that the Railroad had a higher value than in 1914, although the net earning as reported showed a return for the earlier period averaging 7½ per cent upon the amount claimed as reproduction cost.

This Court has no concern with the correctness of the Commission's reasoning on the evidence in making its findings of fact, since it applied the rules of substantive law prescribed by Congress and reached its findings of actual value by the exercise of its judgment upon all the evidence, including enhanced construction costs. Virginian Ry. Co. *v.* United States, 272 U. S. 658, 665–666; Assigned Car Cases, 274 U. S. 564, 580. We must bear in mind that here we are not dealing with a question of confiscation; that we are dealing, as was pointed out in Smyth *v.* Ames, 169 U. S. 466, 527, with a legislative question which can "be more easily determined by a commission composed of persons whose special skill, observation and experience qualifies them to so handle great problems of transportation as to do justice both to the public and to those whose money has been used to construct and maintain highways for the convenience and benefit of the people."

Mr. Justice Holmes and Mr. Justice Stone join in this opinion.

SUPREME COURT OF THE UNITED STATES

Nos. 131 and 132.—October Term, 1928

The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company, Appellants, *vs.* The United States of America and The Interstate Commerce Commission

The United States of America and The Interstate Commerce Commission, Appellants, *vs.* The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company

Appeals from the District Court of the United States for the Eastern District of Missouri.

[May 20, 1929]

Dissenting opinion of Mr. Justice Stone.

I agree with what Mr. Justice Brandeis has said and add a word only by way of emphasis of those aspects of the case which appear to me sufficient, apart from all other considerations, to sustain the finding of the Commission.

The report of the Interstate Commerce Commission is rejected and its order set aside on the sole ground that in a recapture proceeding under § 15 (a) of the Interstate Commerce Act, it has failed to consider present reproduction cost or value of appellant's property and so to "give due consideration to all the elements of value recognized by the law of the land for rate making purposes." No constitutional question is involved.

The Commission was called upon to value a railroad, with less than nine miles of main line track, which had been constructed prior to 1900. Much of its equipment was purchased before 1908, a considerable part being second hand. Its traffic was very largely dependent on the output of a single coal mine which it served.

In performing its task the Commission had before it the cost of reproduction new of appellant's structural property, estimated on the basis of 1914 unit prices, "with the knowledge that the costs of reproduction so arrived at were not greatly different from the original costs." It had evidence of the actual cost of later additions and replacements, of the physical condition of the railroad and equipment, of the character, volume and sources of its traffic, of its working capital and revenues and expenses. It possessed, through its valuation department, special knowledge of the property of this carrier. Through its own experience it had the benefit of an expert knowledge of all the factors affecting value of railway property growing out of changes in methods of transportation, of improvement in transportation appliances and the consequent obsolescence of existing equipment, of improvement in methods of railroad construction and consequent reductions in cost. Although it had estimates of present construction costs in the form of index figures based on the comparative general price levels of labor and materials for 1914 and each of the recapture years, which it considered and discussed in its report, there was no evidence before it of the actual present cost of construction of this or any other railroad or any affirmative showing that, if appellant's road was to be built and equipped anew, competent railroad engineers would deem the present structure and equipment suitable for or adaptable to the economical and efficient management contemplated by the statute.

The Commission, with all these data before it, stated that "it considered and weighed carefully, in the light of its own knowledge, each fact, circumstance and condition called to its attention on behalf of the carrier." "From this accumulation of information," it added, "we have formed our judgment as to the fair basic single sum values, not by the use of any formula, but after consideration of all relevant facts." That the Commission gave consideration to present reproduction costs appears not only from its own statement, but from the fact that it gave full effect to increased current market values in determining the value of land and to additions and betterments since June 30, 1914, taken at their cost less depreciation. In the light of those considerations which affect the present value of appellant's structural property which Mr. Justice Brandeis has mentioned, I cannot say that the Commission did not have before it the requisite data for forming a trustworthy judgment of the value of appellant's road or that it failed to give to proof of reproduction cost all the weight to which it was entitled on its merits. Had the Commission not turned aside to point out in its report the economic fallacies of the use of reproduction cost as a standard of value for rate making purposes, which it nevertheless considered and to some extent applied, I suppose it would not have occurred to anyone to question the validity of its order.

I cannot avoid the conclusion that in substance the objection, now upheld, to the order of the Commission is not that it failed to consider or give appropriate weight to evidence of present reproduction cost of appellant's road, but that it attached less weight to present construction costs than to other factors before it affecting adversely the present value of the structural property. That this was the real nature of the objection voiced by the dissenting Commissioners seems to me apparent from their opinion. They seem to assume that as a result of Southwestern Tel. Co. *v.* Public Service Comm., 262 U. S. 276, and other cases in this Court, the Commission as a matter of law may never, under any circumstances, find that the value of the structural part of a railroad does not exceed its fair value of an earlier date, if the Commission has before it evidence of later increased construction costs. They say "under the law of the land", in valuing a railroad under § 15a "we must accord weight in the legal sense to the greatly enhanced cost of material, labor and supplies" during the recapture periods. Weight in the legal sense is evidently taken to be not that accorded by an informed judgment but imposed by some positive rule of law.

Without discussion of the evidence and other data which received the consideration of the Commission, the opinion of this Court seems to proceed on the broad assumption that the evidence relied on, mere synthetic estimates of costs of reproduction, must so certainly and necessarily outweigh all other considerations affecting values as to require the order of the Commission to be set aside. In effect the Commission is required to give to such index figures an evidential value to which it points out they are not entitled when applied to railroad properties in general or to this one in particular, and this, so far as appears, without investigation of the soundness of the reasons of the Commission for rejecting them.

This Court has said that present reproduction costs must be considered in ascertaining value for rate making purposes. But it has not said that such evidence, when fairly considered, may not be outweighed by other considerations affecting value, or that any evidence of present reproduction costs, when compared with all the other factors affecting value, must be given a weight to which it is not entitled in the judgment of the tribunal "informed by experience" and "appointed by law" to deal with the very problem now presented. Illinois Central, &c. R. R. *v.* Interstate Commerce Commission, 206 U. S. 441, 454. But if "weight in the legal sense" must be given to evidence of present construction costs, by the judgment now given we do not lay down any legal rule which will inform the Commission how much weight, short of its full effect, to the exclusion of all other considerations, is to be given to the evidence of synthetic costs of construction in valuing a railroad property. If full effect were to be given to it in all cases then, as the Commission points out in its report, the railroads of the country having in 1919 a reproduction cost or value of nineteen billion dollars would now have a value of forty billion dollars and we would arrive at the economic paradox that the present value of the railroads is far in excess of any amount on which they could earn a return. If less than full effect may be given, it is difficult for me to see how, without departure from established principles, the Commission

[95] See Geological Survey: "Coal in 1923," pp. 528–535; Bureau of Mines: "Coal in 1924," p. 460; "Coal in 1925," pp. 394–398; "Coal in 1926," pp. 420–431, 443–461.

could be asked to do more than it has already done—to weigh the evidence guided by all the proper considerations—or how, if there is evidence upon which its findings may rest, we can substitute our judgment for that of the Commission. Such, I believe, is the "due consideration" which the statute requires of "all the elements of value recognized by the law of the land for rate making purposes."

As I cannot say *a priori* that increased construction costs may not be more than offset by other elements affecting adversely the present value of appellant's property, and as there was evidence before the Commission to support its findings, I can only conclude that the judgment below should be affirmed. In any case, in view of the statement of the Commission that it considered all the elements of value brought to its attention by the carrier, I should not have supposed that we could rightly set aside the present order without some consideration of the probative value of the evidence of present reproduction costs which the Commission discussed at length in its report.

Mr. Justice Holmes and Mr. Justice Brandeis concur in this opinion.

"POLITICS AND YOUR ELECTRICITY BILLS"

Mr. DILL. Mr. President, I ask unanimous consent to have printed in the RECORD an article entitled "Politics and Your Electricity Bills" by the senior Senator from Nebraska [Mr. NORRIS], which appeared in Plain Talk for July, 1928.

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

POLITICS AND YOUR ELECTRICITY BILLS

By Senator GEORGE W. NORRIS, of Nebraska

(When you vote the next time, consider your light bills and how much it will cost you to keep Congressman McWhoosis in Washington. If this warning seems far-fetched, consider that Government power, such as in Canada, and municipal power, such as in several cities in this country, are three to five times cheaper than private power, although the latter should produce electricity much cheaper than mere municipal plants. Ask Congressman McWhoosis how he stands.)

For more than 20 years a few far-sighted citizens have been trying to center the attention of the American people on the danger, danger both to self-government and economic freedom, which is threatened by the rapidly increasing concentration, without any adequate public regulation, of electric power in a few hands.

This is the age of electricity. No other form of power has such labor-saving qualities or can be put to such general use. All that is needed to give humanity the full enjoyment of this marvelous force is to cheapen its production. Then every housewife, by the mere pressing of a button or the turning of a switch, will have at her command the modern counterpart of the omnipotent Genii who could be summoned for any service when Aladdin rubbed his magic lamp.

If stock manipulation can be eliminated and if financial legerdemain and unconscionable profits can be removed electricity will be the cheapest form of power known. Within the next 10 years every home in the United States—in rural regions as well as in the cities—should be equipped with electrical appliances and every railroad and every industry should be electrically operated. And they will be if our enormous potential water power sources are fully developed and the power generated sold at such cost as to place it within reach of the people's purse. They will not be if the Electric Power Trust is permitted to stifle development by monopoly control and excessive charges.

The Electric Power Trust, in spite of half-hearted regulation by various State commissions, is now charging exorbitant prices for electric current. By so doing it is denying the average home owner many electrical conveniences and seriously retarding the Nation's industrial development.

The consolidation of corporations supplying electric power has advanced so swiftly that to-day 41 companies control four-fifths of all the electrical energy developed in the United States. Out of some 68,000,000,000 kilowatt-hours of electricity produced in 1926, these 41 corporations produced 54,000,000,000 kilowatt hours. These 41 corporations have a total capitalization of $10,200,000,000. They completely monopolize all the sources of electric power for four-fifths of our people. Eighty-six million Americans must get electricity from these 41 corporations or go without.

Of these 41 corporations, some 29 are known to be owned or controlled by five central companies. These five dominant interests are the General Electric Co., the Doherty, Morgan and Ryan interests, all of New York, and the Insull interests of Chicago. It is probable—though it can not be proved—that the remaining 12 electric corporations also are dominated by these five holding companies.

Nothing like this gigantic monopoly ever before has appeared in the history of the world. It dwarfs the Standard Oil Co. in magnitude. It is the greatest industrial combine of our time.

Not content with dominating the industrial field, the Power Trust apparently proposes to control the political life of the Nation. Already, by the lavish expenditure of money, it controls numerous State commissions. It maintains an extensive and expensive lobby at Washington, headed by two former United States Senators. Other "lame ducks" favorable to its designs have been appointed on certain Federal commissions. The Insull interests reputedly spent more than $250,000 in the last Illinois senatorial election, and for that reason the candidate receiving the most votes was denied his seat in the United States Senate. But the Power Trust is liberally backing its political henchmen in other States, and more recently it has been purchasing newspapers for the obvious purpose of poisoning public opinion.

In the face of such a concentration of capital, industrial control, and political power, the State and National Governments can maintain their economic freedom and the ability to govern themselves only by some prompt constructive action.

Rival private enterprises already have been swept from the field. The only remaining organization great enough to meet the Power Trust on equal terms is the Government itself. Either the American people must tamely submit to the economic and political control of the Power Trust or support the group in Congress which advocates the creation of a far-flung national superpower system which will furnish heat and light and power to the people at cost. There is no other alternative.

This publicly owned superpower system should cover every section of the country and include such great projects as Muscle Shoals—already owned by the Government—and the Mississippi, Columbia, and Colorado Rivers. Nearly 20,000,000 horsepower now running to waste down these rivers could be harnessed into such a system.

As a matter of fact, electricity is most economically produced and distributed on a large scale. The nature of the industry lends itself to monopoly. Great saving can be effected by hooking up all generating plants on one system and transferring and relaying current so as to keep the consumption constantly up to the peak load. Electricity can be relayed from coast to coast and, the greater the superpower system thus connected, the greater the possibilities of human benefit. To be operated at the highest possible efficiency, every electric plant in the United States should be hooked up to a single system. That would bring down the cost of electricity to a small fraction of what it is to-day.

But it is unthinkable that this public resource should be turned over to a private monopoly. Human nature is such that men who control monopolies designed for private gain always charge all the traffic will bear. The Power Trust already has given ample indication of its selfish spirit. Its extortionate charges, based on watered stock, have cost the people of this country at least $600,000,000 a year. That is a heavy tax on our national industry.

Unless electricity is cheap the average person can not avail himself of it. Electricity should be as freely used in the average home as running water. Cheap power also would be an inestimable boon to our manufacturers and farmers. To-day, owing to its high cost, electric power is almost unknown on American farms.

Electricity has become a necessity in modern life. I do not believe that as a free people we will permanently submit to a private monopoly that controls a public necessity. Morever, the raw material from which electric power is produced is derived from our rivers. The people already have title to these natural resources. It firmly has been demonstrated beyond any question in all parts of the United States that municipally owned utilities furnish light and power cheaper than privately owned plants. The remedy is plain and if the American people permanently remain under the domination of the Power Trust they will deserve to lose their economic and political liberty.

A Government-operated superpower system is a perfectly practical project. Years of actual operation have proved that when municipally owned plants are efficiently managed, and not saddled with huge amounts of watered stock, they can produce electricity at one-third the price now charged by the Power Trust. The great municipal power plants at Seattle and Tacoma are eternal monuments to the wonders that can be accomplished under honest popular government. In their efforts to discredit municipal ownership, the propadandists of the Power Trust invariably avcid all mention of the extraordinarily low rates at which these two progressive cities on the western coast furnish light and heat and power to their citizens.

As a matter of fact, whenever they are managed with a modicum of honesty, municipal plants always undersell private power plants. The fundamental reason why city-owned plants charge less than privately owned plants is that four-fifths of the cost of producing electricity is interest on fixed charges. Municipal, state, and national governments can borrow money at much lower interest rates than private plants, in the first place, and, in the second place, they do not water their securities so that a few insiders can make fat profits.

The Seattle municipal plant was started 22 years ago. At that time the private company was charging 20 cents per kilowatt-hour. To-day the rate of the Seattle municipal plant is 3.28 cents per kilowatt-hour. Every year since 1906 the municipal plant has shown a surplus above all expenses, including amortization of the $13,000,000 invested. Its total earnings have been nearly $33,000,000. The Seattle rate is so cheap that 11,127 electric ranges are used in the city.

The Tacoma municipal plant has an even lower rate—approximately 1⅛ cents per kilowatt-hour—and grants a special charge of one-half cent per kilowatt-hour for heating plants. Nearly 3,000 homes in Tacoma—a city of only 80,000—are heated by electric furnaces and the use of ranges and other appliances is general. The Tacoma plant

has been running 20 years and saves the people of the city $3,000,000 annually. If it raised its rates to meet those in near-by cities, Tacoma could cease to collect taxes and make its power plant pay all city expenses.

Tacoma and Seattle, while perhaps the most conspicuous examples of efficent municipal operation, are by no means isolated instances. The city-owned plant at Los Angeles furnished power at far below the rates of the private plant in San Francisco. The difference—$15,000,000 a year—is more than the total municipal tax of Los Angeles. Cheap municipal power has been an important factor in attracting new industries to Los Angeles.

Cleveland's municipal plant sells electricity at 3 cents per kilowatt-hour. It is estimated that the reduction in rates has saved the people of that city approximately $14,000,000 in the last eight years.

Springfield, Ill., domain of the politically minded power magnate, Samuel Insull, also has a municipal plant. For 150 kilowatt-hours of lighting service the Springfield consumer pays $5.28. If he lived in Bloomington, Ill., where Mr. Insull operates under the blessings of private initiative, he would have to pay $15. If he lived at Danville, Ill., he would pay $11.25, and $13 at Urbana, Ill., both private plants.

Suppose the same man was in business and consumed 1,500 kilowatt-hours of lighting current. In Sprinfield it would cost him only $30. In Bloomington, the private plant of Mr. Insull would charge $100.50; in Danville, $84; and in Urbana, $97.50.

For 4,000 kilowatt-hours of power the Springfield municipal plant charges $68. In Bloomington, Ill., the same amount of power would cost $166; in Danville it would be $142; and in Uurbana, where Mr. Insull also owns a plant, $174. Possibly Mr. Insull's political contributions have increased his "overhead." This may explain the wide disparity in rates between the public and private power plants.

There are scores of other municipal plants scattered through the length and breadth of the United States which are making equally favorable showings. Lack of space forbids their mention.

Canada has proved on a large scale what can be done with publicly owned superpower. The Province of Ontario owns and operates its system, using the enormous power generated from the Canadian side of Niagara Falls The system has been operating for more than 20 years and now serves more than 1,000,000 customers at less than one-third of the rate charged by private companies on the American side of the border.

Almost every woman in the districts covered by the Canadian superpower system cooks with electricity because it is cheaper, as well as cleaner, than coal. More than 8,000 Ontario farmers light their homes and their barns, milk their cows, pump water, saw wood, and thresh with electricity, while their wives cook, wash, iron, and sweep with the same magic power.

In Ontario, during the last year more than 80 per cent of the commercial consumers of electricity paid less than 3 cents per kilowatt-hour, and more than 70 per cent of the power users paid less than $25 per horse power per year.

Last year in the United States the domestic consumers of electricity paid an average of 7.4 cents per kilowatt-hour, and during that same period the average domestic consumer of electricity in Ontario, Canada, paid 1.85 cents per kilowatt-hour. If the people of the United States had paid the same price for electricity during the last year that was charged by the publicly owned system on Ontario, they would have saved on their electric-light bills more than $600,000,000.

As I write, I have before me the bill of Mrs. J. Cullom, who lives at 250 Victoria Avenue, Toronto, Canada. She is the wife of a laboring man, but in a month she consumed 334 kilowatt-hours of electricity. The amount consumed is startling to consumers in the United States, but Mrs. Cullom washed, swept, cooked, and lighted her home with electricity. Her bill for the month for this service was only $3.55.

Perhaps Mrs. Cullom is fortunate in living in Canada. Had she in the same month burned the same amount of current in Washington, D. C., she would have been charged $23.18—nearly seven times as much as she actually paid. Washington has in Great Falls as fine a water power as there is in the United States. But the Power Trust has sufficient influence in the National Capital to block its development as a municipal project.

The superpower system of Canada consists of 380 municipalities acting cooperatively in an enterprise in which they have invested about $250,000,000. Power is sold at cost, including interest and an amortization fund. Each municipality pays its proportion of the cost for the service received.

In Ontario the rates have been steadily falling. In 1912, at the beginning of public ownership, the cost was 4.5 cents per kilowatt-hour. Ten years later the cost had dropped to 1.82 cents per kilowatt-hour, and recently it has come down to 1.4 cents in certain districts. Half the International Bridge at Niagara Falls is lighted by the Canadian publicly owned system and half by a privately owned American corporation. Both draw their power from the same source—Niagara Falls—and furnish the same number of lights and service. But the cost of lighting the Canadian side in 1921 was only $8 per lamp per month while the American side cost $43 per lamp per month.

Are the people of the United States less enterprising than the people of Canada? Are we less honest? Or less capable of properly managing a great municipal power plant? With the first unit of Muscle Shoals already built and ready for operation, why do we not insist that our Government build and operate the great superpower project which has been before Congress for 10 years? The answer is that the Power Trust, through its lobby and controlled newspapers, has carried on a systematic propaganda to prejudice the people against the theory of Government ownership.

The Government already has built a mighty dam at Muscle Shoals. It already has constructed the giant power plant there and built three towns. The river has been harnessed and more than $125,000,000 of the taxpayers' money was expended without a protest by private power companies. But when the proposition is made that electricity should be furnished to the factory and home without private profit, the Power Trust raises the cry that the people should not be permitted to enjoy the benefit of their own plant without paying tribute to a handful of Wall Street millionaires. For the 10 years that this question has been before Congress there has been a continuous fight between those who wanted to save the people's property for the people and those who urged that the people's property be used for private gain.

Two main objections are raised to Government operation of Muscle Shoals. One is that the Government would pay no taxes, whereas if private capital developed the plant taxes could be levied. The other objection is that if the Government operated the plant it could create a huge army of appointees who might become active in politics.

The taxation claim is feeble. In the first place, private enterprise never will develop some of the power sites on the Tennessee River. They will pick out only the cream; there will never be the maximum development that should take place. The amount of tax that would be paid by private parties is greatly overestimated, and the Government could vastly undersell private companies and yet get profit ten times as great as the total amount of the lost taxes.

But in a broader sense, the owners of private utilities are never taxpayers. They are only tax collectors. They push the burden onto the consumer every time. The man in the home and the man in the factory pay every cent of the tax. Not only are private utilities merely tax collectors but they customarily charge an enormous rate for this service. They tax the consumer more for collection purposes than the tax itself amounts to. This statement is borne out by facts in every public-utility project from the Atlantic to the Pacific.

Would Government operation of such a system as I have above outlined get the question of power into politics? Let me state first that power already is in politics. It has always been in politics. Every privately owned utility in the world is actively engaged in politics. The Power Trust mixes into politics in the election of every board of aldermen in the smallest village in the country. It is in politics in the election of every governor. It is in politics in the election of every Member of the House of Representatives and every Senator. It contributes liberally in every presidential campaign. And it never expends a cent that it does not expect to get back—and actually does get back with enormous profit on the investment.

In the recent fight over the Boulder Dam bill in the Senate it is estimated that the Power Trust spent more than $200,000. Telegrams came to many Senators by the hundreds from States that are 2,000 miles away from Boulder Dam. Telegrams came from the representatives of the Power Trust in little hamlets in Iowa, in Nebraska, in Kansas. When these men who oppose Government ownership talk about getting power into politics their one real fear is that it will be gotten out of politics. From my study of the question I am convinced that the only way to take public utilities out of politics is to take them over by the Government either of the Nation, the State, or the municipality.

The question of cheap power should be a question of business. But to make it a matter of business we must take the utilities away from the private interests who already are up to their necks in politics. The Power Trust never sleeps. It has its highly paid attorneys and "experts," like an army, covering the entitre country. Every municipal body of aldermen, every State legislature, and every Congress are importuned by these high-salaried lobbyists to pull their chestnuts out of the fire.

If they paid their own bills—if they met their own expenses—I would not so bitterly complain. But every cent these agents of the Power Trust spend when they bribe a public official is collected from the very people whose property they are wrongfully taking away and whom they are attempting to deceive.

In addition to this army of lobbyists, the Power Trust has employed numberless publicity experts. They are men of great ability who command high salaries. They write newspaper editorials. They write magazine articles. They write books based on false theories and full of deceptive propaganda against public ownership.

Sometimes directly, but more often indirectly, they control the owners and publishers of magazines and newspapers. They spread their literature, based on half truths, throughout the various news agencies in order to create a public sentiment in favor of private ownership

and operation of the people's property. And, to add insult to injury, they charge up the enormous costs of their deceptive publicity campaigns to "overhead expenses."

So long as we permit the Power Trust to control our sources of electrical energy we invite a continuation of this widespread political corruption. Abraham Lincoln once declared that this Nation could not survive half slave and half free. We settled that problem by abolishing chattel slavery. In my opinion, an analogous situation exists to-day, and one equally dangerous to the republican institutions of our country. If the United States Government can not control the Power Trust it follows, as night follows day, that the Power Trust will control the United States Government. It already has advanced perilously far in this direction. The Power Trust is riding Uncle Sam as the mythical Old Man of the Sea rode Sinbad the Sailor, and the one sure method by which its strangulation grip can be broken is Government competition. Then, and then alone, can we have real economic freedom and at the same time end the most threatening present menace to our political liberty.

"IT'S ALL IN YOUR ELECTRICITY BILLS"

Mr. DILL. Mr. President, I ask unanimous consent to have printed in the RECORD an article in Plain Talk for October, 1928, entitled "It's All in Your Electricity Bills," by Gifford Pinchot.

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

IT'S ALL IN YOUR ELECTRICITY BILLS

By Hon. Gifford Pinchot, former Governor of Pennsylvania

(What is? Why, the millions being spent every year in subversive propaganda by electric-power corporations: The subsidizing of newspapers, magazines, schools, colleges, Congressmen, that public power plants may not teach you that you are paying from two to twenty times what you should for your electric current. Once private corporations raised the cry of socialism against city-owned water plants, meanwhile charging monopoly rates. Mr. Pinchot does not argue for public ownership, but he points to vicious and unprincipled attacks by power interests on the public, to the end that power may be sold for "all the traffic will bear.")

All politically informed persons know that the electric utility corporations of this country have long maintained the most powerful lobby in Washington, but even the cynical newspaper correspondents who cover the Capital have been amazed at the facts brought out in the investigation of the electric monopoly now in progress by the Federal Trade Commission. Not content with hiring a corps of expensive "legislative assistants," headed by two lame-duck Senators who had access to the floor in both Houses of Congress, the utility corporations included in the National Electric Light Association have brazenly set under way a program calculated to corrupt and control public opinion by poisoning every possible source of information in America.

The extent of this wholesale debauchery is amazing even in this age of propaganda. Already it has been proved that utility companies have contributed $1,100,000 in the current year to be expended for "educational purposes" and $400,000 more was raised for a special fund to beat the Boulder Dam and Muscle Shoals legislation. Since June 30, 1922, the companies have collected $5,076,449.38 for politics and propaganda.

One high-salaried press agent of the National Electric Light Association boasted on the witness stand that "everybody above the eighth grade" is reached by their teaching, and since then additional evidence has come to light which shows that even the grade schools are not safe from the contamination which was widely spread in many universities. Official records and sworn testimony show that numerous professors were on the pay roll of the utility interests; that certain colleges were either endowed or paid direct subsidies; and that great pains were taken to prepare and to distribute textbooks for both colleges and grade schools.

In the effort to discredit effective control of utilities by public ownership or otherwise and to defend the extortionate rates they are collecting, the officials of the National Elictric Light Association seem to have stopped short of the kindergarten only. Every other educational institution in America was looked upon by these propagandists as a legitimate field for their activities. It is a matter of record that just before the Federal Trade Commission hearings began they were discussing means of influencing preachers as well as teachers. Neither the church nor the school was safe from these corruptionists who have carefully planned to overlook no possible means of reaching and distorting the judgment of the American people.

This unprecedented attack upon the schools was for the purpose of blocking every avenue by which young people and the public generally might learn the truth about the extortion, overcapitalization, and monopolistic practices of the electric public utilities.

In Pennsylvania, for example, 120,000 pamphlets were distirbuted free to high-school students in a single year and a "catechism" intended to poison the mind against public ownership was sent to more than 70 per cent of all the high-school students in Connecticut. The Insull interests, in their zeal for free education, sent out hundreds of thousands of carefully prepared pamphlets to the high school and grade students of Illinois. Students in Ohio, Iowa, New York, and a dozen other States also were given the same opportunity to acquire "sound views."

Nothing and no one were neglected. Teachers in the schools were "sweetened" when necessary. The writing of text books on economics favorable to the utility interests was procured, and their publication, supposedly under neutral auspices, was arranged for. Passages in existing textbooks unfavorable to the private utility point of view were eliminated through pressure brought to bear upon authors and publishers. The adoption or rejection of textbooks was controlled through State or county superintendents or other school officials. Indeed, the doctoring of school books has gone so far that complete censuses of textbooks have been carried out in several States for the purpose of simplifying the task of censorship.

Having covered the common schools and high schools, the electric propaganda went on into the colleges and universities. Professors in very considerable numbers were given secret subsidies to help them see the electric problem in the electric way. "Safe and sane" investigations by "safe and sane" economists were liberally financed. More than one university was paid tens of thousands of dollars a year to the same end of hiding the truth.

Offers of scholarships to college and university students and of aid to professors, so that they might pursue "research" relating to public utilities, were uncovered in the correspondence of the National Electric Light Association when its New York office files were suddenly seized by William C. Wooden, investigator for the Federal Trade Commission, and more than a ton of documents removed to Washington.

The contents of these files, document by document, page by page, were reluctantly identified by Rob Roy McGregor, assistant director of the Illinois committee on public utility information. Mr. McGregor admitted that he was concerned in preparing the Illinois publicity plans—plans which worked so well that similar schemes already had been undertaken in Indiana, Ohio, Kentucky, Missouri, Arkansas, Nebraska, and Oklahoma, and soon were to be set on foot in Michigan, Wisconsin, Iowa, Texas, California, and New York.

"I should say," Mr. McGregor modestly conceded, under the probing of Robert E. Healy, chief counsel of the Federal Trade Commission, "that almost everybody in Illinois is reached who can be reached by the methods we use." The witness asserted, however, that the Illinois committee did not regard it as worth while to circulate pamphlets below the eighth grade. In other States they did.

Numerous college professors were named in the letters exchanged between the directors of the various State public utility information committees and their attitude on public utilities was discussed in the correspondence.

The files of the Illinois committee included an address made by Dean Ralph E. Heilman, of the School of Commerce, Northwestern University, before the Illinois State Normal College in 1924, which was printed and circulated by the electric utilities. Dean Heilman later addressed the Wisconsin Utilities Association. The same files contain the following account of what he said:

"Through these colleges courses, not only students, but the public as well, according to his [Dean Heilman's] statement, must realize that public regulation of utilities must not be too rigid or confiscatory. He pointed out that a survey by educators shows a great dearth of literature on the subject of public utility regulation and management, especially the kind favored by members of the National Electric Light Association."

Dean Heilman's pamphlets urging gentle regulation of public utilities are compulsory texts in the courses which have been started by the utility companies to train women speakers. When trained, they tour the country, inculcating "right" ideas about electric-light regulation. Dean Heilman also was asked in a letter from B. F. Mullaney, director of the committee, to revise a "municipal credo" prepared by Mr. Mullaney.

According to the evidence of these files, Northwestern University receives an annual subsidy of $25,000 from the Illinois utility interests, which supports special "research work" by the institute and research in land and public utility economics, of which department Prof. Richard T. Ely is the head. Miss Florence C. Hanson, of the American Federation of Teachers, in October, 1927, denounced the Ely Institute of Northwestern University on the ground it was "a research institute supported by private interests and masquerading under false colors."

Professors of economics in many colleges were rounded up by electric utility agents and had their expenses paid to conferences in Kansas City and New Orleans last fall, conducted by Dean C. O. Ruggles, of Ohio State University, who took a year's leave of absence from his teaching and was paid $15,000 by the electric light corporations to make a national survey of textbooks which gave "unfair treatment to utility subjects."

The national survey and Dean Ruggles' swing around the circle, for personal conferences with educators from coast to coast, were preceded by several vigorous protests against "poisonous" textbooks and

"sour" professors in letters exchanged between public utility magnates and their men. Ruggles was described as an educator whose "ideas coincide with our own" in a letter from Benjamin E. Ling, director of the Ohio committee on public-utility information, to H. M. Lytle, assistant director of the Illinois committee. Later Thorne Browne, director of the Middle West division, characterized Dean Ruggles as "a real whizz bang."

Dean Ruggles also worked out a "survey of a public-utility education" for the committee on cooperation with educational institutions of the National Electric Light Association, which was adopted on October 28, 1927, on the day after its presentation.

A. W. Robertson, one of the Pennsylvania utility magnates, wrote to Maj. J. S. S. Richardson, director of the State utility information committee, the following practical suggestion:

"The thought occurs to me that the reason why so many educators are more or less hostile to big business is in many cases due to the fact that they themselves are not successful in a business way. There ought to be some way in which educators could be better paid. It would certainly help to cure at least their mental bias. Would it not be possible for some of our men to approach the large publishers of textbooks and produce some quick results in clearing up the situation?"

Possibly this astute suggestion was acted upon, for a letter was introduced to Dr. J. R. Benton, of the College of Engineering, University of Florida, which offered to aid in obtaining publishers for textbooks relating to public utilities which might be in the course of preparation. It was admitted that this offer was made generally to various colleges throughout the country.

In 1927, the records showed, funds were contributed for "educational research" to the following universities: Harvard, $33,000; Northwestern, $32,500; Johns Hopkins, $5,000; Massachusetts Institute of Technology, $3,000; and University of Michigan, $12,249.37.

A contribution of $30,000 to the General Federation of Women's Clubs was made in 1926. In the same year the Harvard Graduate School was given $22,233.36; in 1927, $30,000; and in 1928, $10,000. Northwestern University also got $25,000 in 1927 and $12,500 in 1928.

The minutes of the National Electric Association's public policy committee of February 16, 1928, show that the directors recommended the payment of $30,000 a year for three years to the School of Business Administration of Harvard University, with the pious hope it might produce a textbook on public utility regulation which "would better appear under academic auspices than as a publication of the association."

Dozens of college professors were remunerated handsomely for preparing pamphlets, had their expenses paid to "conferences," or accepted lavish "expense money" for making speeches favorable to the utility interests. It is a sorry record, but perhaps the individual professors should not be censured too harshly when great colleges like Harvard, Northwestern, Johns Hopkins, and the University of Michigan accept substantial sums of utility money for "research" which by its very nature must be biased.

Never in the history of America has there been uncovered so outrageous an attempt to undermine the soundness and independence of our educational institutions. In attacking the integrity of our schools, the electric utility monopoly attacks the very basis of self-government. As an attempted threat to democratic institutions, it is no less disreputable than wholesale bribery or the stealing of votes. Moreover, this electric effort to prevent our people from forming sound conclusions based upon unbiased evidence does not end with the schools and colleges, but extends into every possible source of public opinion.

Subsidized writers, editors converted to "sane views," "planted news," and "canned editorials" broadcast by "sweetened" news syndicates are successive chapters of the sordid story of wholesale, civic debauchery which has unrolled day after day under the steady probing of Judge Healy. Propaganda was planted in magazines as well as newspapers, inserted in the movies, broadcast by radio, and sneaked into Government publications.

Chambers of commerce were influenced, bankers' associations enlisted, organizations of women's clubs financed, governors were given money, members of important committees or conferences were put on secret pay rolls, ex-Senators were retained as lobbyists, ex-governors were hired to speak at interstate power and light conferences, at least one ex-Cabinet officer received a princely salary, and a former ambassador accepted $7,500 for writings printed under another man's name—and all this was done after Samuel Insull's attempt to buy the seat of one of the United States Senators from Illinois in an election in which it was admitted that the utility interests spent $225,000.

On top of all this comes the assertion from one of the leaders of the electric monopolists, Philip H. Gadsden, on May 3, that their propaganda in educational institutions and their flagrant suborning of men in public life were right and honorable, an assertion made immediately after one of his colleagues, Mr. W. H. Johnson, had found it impossible to remember under oath what he had done with any part of some $20,000 of slush funds which he had drawn to influence the Pennsylvania State Legislature.

It already has been developed that among the prominent men (and lame ducks) paid by the National Electric Light Association is ex-Senator Irvine L. Lenroot, of Wisconsin, foe of La Follette and staunch administration supporter, who received $20,000 for opposing the Walsh resolution for a Senate investigation of the electric interests. Lest the Democrats feel neglected, the committee also retained ex-Senator Charles S. Thomas, of Colorado, for the same sum to lobby among his former colleagues in the Senate. Both of these men have the privileges of the floor in both House and Senate.

George B. Cortelyou, private secretary to Theodore Roosevelt and later Secretary of Commerce and Secretary of the Treasury, was chairman of the joint committee of the National Utility Associations, which handled the special fight in Washington against the Walsh resolution, Boulder Dam, and Muscle Shoals.

Judge Stephen B. Davis, who used to be Herbert Hoover's solicitor in the Department of Commerce at a salary of $6,000 a year, got $28,735.64 for nine months' work with the electric utilities.

Ex-State Senator Josiah T. Newcomb of New York is the high-paid and high-powered executive officer of the Washington lobby. Senator Newcomb draws $35,000 a year and expenses.

Richard Washburn Child, former ambassador to Italy, magazine writer and author, received $7,500 for preparing a pamphlet opposing Boulder Dam which was signed by Frank Bohn. Bohn was paid $100 a week for several months for editing a pamphlet. Bohn was formerly a radical and once collaborated with the late "Big Bill" Haywood on a book, Industrial Democracy.

Ernest Greenwood, former representative of America in the International Labor Office of Geneva and former member of the District of Columbia School Board, was paid $5,500 for writing a supposedly independent study of power development in the United States, entitled "Aladdin, U. S. A." The Greenwood book was financed on condition that copies be furnished to a list of 1,091 libraries.

Former Governor Merritt C. Mechem, of New Mexico, was paid $5,299 for attending and reporting on the conference of western governors last August on Boulder Dam. Mechem also signed the report advocating no action by Congress until the western governors could agree on a policy.

Ex-Governor James G. Scrugham, of Nevada, received $600, hotel, and traveling expenses, to come to Washington to talk with Judge Davis and George B. Cortelyou on January 19 of this year. Scrugham testified that Judge Davis invited him. Davis testified that Scrugham invited himself. In any event, his expenses were liberally paid.

The cash book, it was testified, showed payment of the incredible sum of $175,269 for small pamphlets—envelope stuffers—containing reprints of articles by Bruce Barton, so-called "inspirational writer," author of The Man Nobody Knows, in which Jesus Christ is treated from a Rotarian viewpoint.

J. Bart Campbell, Washington, D. C., newspaper man, received $245 a month for nine months for furnishing the association with copies of all news releases.

J. S. S. Richardson, formerly chief of the United States Army Secret Service in France, received $22,135.18 as assistant to Judge Davis for nine months.

Naturally, newspapers were not overlooked by the skilled press agents employed by the electric monopoly. In practically every State the electric utilities maintain a separate press bureau which sends out news releases, clipping services, and free "boiler plate" to every daily and weekly paper in its territory. Correspondence also showed that efforts were made by local utility managers to persuade the newspaper editors in their vicinity to print this propaganda. Evidently these efforts bore fruit, for, according to the reports of the public-information committee in a period of 47 months, more than 108,000 column inches of clippings appeared in the newspapers of Illinois alone.

Mr. McGregor also admitted writing a letter to managers of local utilities in which he said:

"The use of paid advertising is not contemplated for the present, but whatever relations you have with local newspapers by reason of advertising done in the regular course of business can doubtless be used to engage the editor's interest in the facts of our case."

Mr. McGregor sent to the local manager a copy of his news service and concluded by suggesting that "as a beginning you might try to have some of the inclosed news articles used, or at least commented upon."

When Federal Trade Commissioner McCulloch demanded what the witness meant by directing the local utility managers to approach newspaper men on the basis of advertising, McGregor defended himself by stating, "If a man is an advertiser, he has got the right to talk to the publisher on matters of mutual interest."

Evidently this cleverly conceived policy also bore fruit. Mr. McGregor testified that the electric utilities spend approximately $30,000,000 a year in advertising, and a little later he admitted, "Newspapers that were unfriendly have become friendly; helpful editorials have appeared in the State press."

The Iowa committee on public-utility information subscribes for every newspaper and magazine in the State, and every one is carefully perused in search of news items or editorials concerning public utilities.

"The committee lets it be known to the newspapers (declared the official report) that all references to public utility affairs are carefully scanned. Although it does not heckle over minor mistakes, whenever

a glaring misstatement which is calculated to do the industry particular harm is published the attention of the editor is called to the same in a courteous manner.

"It has been found that if editors know their articles are being watched and carefully scrutinized, they will be more cautious in accepting for facts statements derogatory to public-utility interests.

"Immediately upon the organization of the committee, the governing board instructed the director to use every effort to educate member companies to the necessity of advertising. But few companies in the State were doing so.

"Taking the results of the first year's efforts in this direction as a basis, the utility companies represented on this committee have increased their newspaper advertising 100 per cent during the past four years."

Documentary evidence in the Federal Trade Commission inquiry shows that public-utility interests mapped out a campaign to spread "correct information" in "every single newspaper in the country" this year, when the Boulder Dam project and a threatening senatorial investigation were pending in Congress.

The great drive took the form of a flood of paid advertising, reaching beyond the thousands of columns of free space gained by 28 State committees, the National Electric Light Association, and the Joint Committee on National Utility Associations. It was designed particularly to influence country editors.

Pennsylvania propagandists had a "high command" to discipline newspapers, according to a letter of March 24, 1924, written by J. S. S. Richardson, then director of the Pennsylvania public service information committee, to H. H. Ganser, manager of the Counties Gas & Electric Co., of Norristown.

"I agree with you that the campaign being conducted by the North Penn Review constitutes a minor menace in the region where the paper is circulated (Richardson wrote). However, I believe the soothing sirup will be applied by the 'high command' of the Pennsylvania power and light interests.

"Now we shall have to wait and see. I have forwarded the clippings to Mr. Flor, of the Electric Bond & Share Co."

Ganser made laconic report of results in another case in a letter to Richardson on March 17, 1924:

"It gives me great pleasure to advise you that your efforts in reference to discrediting newspaper publicity in connection with the activities of a certain utility company are bearing fruit. I have learned that definite orders have been given not to handle the matter in such a strenuous manner. I know this will be quite gratifying to you."

The propagandists like to write for themselves the articles which are going into the newspaper, it was explained by Joe Carmichael, director of the Iowa committee, who testified he ground out so much material he could not remember it all. He said:

"When we write the articles ourselves the points we desire to emphasize receive attention and not inconsequential points."

Louisville newspapers were kept fully informed about the Swing-Johnson Boulder Dam bill. R. Montgomery, of the Louisville Gas & Electric Co., wrote to George F. Oxley, head propagandist of the light association, on February 9 last:

"The only newspapers here with state-wide circulation are the Louisville papers, and for some years my office has enjoyed very pleasant relations with these papers in addition to furnishing them with all local and State news. I personally keep the editorial departments informed on all matters of importance to the industry, such as Boulder Dam controversy, the Walsh resolution, etc.

"Printed matter on these subjects is not mailed to our newspaper writers and editors, but is handed to them personally and, as a result, the Louisville papers have continually run news stories and very splendid editorials favoring the interests of the public utilities.

"One of the best editorials of the year on the Walsh resolution recently appeared in the Louisville Herald Post, and one of the best editorials I have ever read on the subject of water power versus steam power appeared in the Courier-Journal last week.

"John E. Davis, an ex-newspaper man of long experience, is employed as public-relations man by the Kentucky Utilities Co., and he is in close contact with all newspapers in the cities in which the company operates. He also has a local contact man, usually the general manager, at each property, who works under his direction.

"The other utilities throughout the State, as a general rule, are handling this work in a similar fashion."

Montgomery added that "about the only difficulty" with the press had been opposition by Tom Wallace, editor in chief of the Louisville Times, to the harnessing of Cumberland Falls by the Insull Co., and noted:

"I mention this because it is about the only instance of any consequence in the last two or three years where a newspaper of this State has done anything to particularly annoy or embarrass any of our utilities."

This editor-clubbing policy was nation-wide. Ohio, Minnesota, Colorado, New York, California, and many other States also had "public information committees" which boasted of the amount of space they filled in city dailies and country weeklies. And, to add insult to injury, every cent of the money that the electric utilities spent in debauching the schools, distorting the news, and deceiving the people was and is paid by the consumers of electric light and power.

The public-utility companies charge their outlay for "publicity" and "public relations" to operating expenses. On their books it is carried as one of the costs of service which must be paid by the consumer, in addition to the guaranteed return upon the company's "investment."

That is, a newspaper can be bought by an electric concern and charged to the consumer as a part of the cost of operation, just like a ton of coal; and a professor can be hired and charged as an operating expense, precisely like a stoker. Money spent for influencing legislators is considered exactly like money spent for hiring engineers or buying oil.

Indeed, the public-utility organizations admit it frankly and urge these facts upon their members as a reason for contributing liberally to associations like the National Electric Light Association, with its $1,100,000 to spend this year, and the Joint Committee of Public Utility Associations, with its $400,000. The chairman of the public-relations section of the National Electric Light Association said in his annual report for the year ending June 20, 1926:

"The dollar expended for public relations is not a waste or a loss. It is an investment. So far as I know, no expenditure for any branch of public-relations work in our industry has ever been considered an improper expense by any public-service commission. Public-service expenditures are an investment in public understanding and cooperation. They are insurance against misunderstandings and hostility; against ill-founded rate cases, with their heavy costs; against unreasonable, hampering, legislative enactments which affect service and revenue, whether or not through rate fixing; against the present menace of Government ownership and operation in some form."

If this means anything it means that the electric power and light companies of the country claim and exercise the right to tax us in rates as much as they please for the purpose of collecting funds to influence press and schools, and that public-service commissions sit by and let them do it.

And why are the electric utility companies so grimly determined to control public opinion? First, to prevent the building of Boulder Dam, which would provide cheap electrical current at cost and thus show up the extortionate rates of the electric monopolists. The Los Angeles municipal plant already is furnishing electricity at 5 cents per kilowatt-hour. The monopolists naturally object to this demonstration that their own rates are too high.

Second, to defeat Government production of electricity at Muscle Shoals, which holds out the promise of cheap electric power to the South, where private utilities handicap industry by excessive rates.

Third, so that the utilities may befog the people and block State legislation which would compel the electric companies to hold their rates down to a reasonable interest on the money actually put into the plant instead of on the blue sky; in other words, accept regulation of rates upon prudent investment.

The amount at stake is simply enormous. It explains the huge political and propaganda slush funds raised by the electric utilities. If they can continue to collect rates on watered stock they can make unlimited profits. Hundreds of millions of dollars of unjust charges are involved every year, and the monopoly has advanced to such an extent that already 41 corporations control four-fifths of all the electrical energy produced in the United States. Five groups control more than half.

More and more our domestic comfort is dependent upon cheap electric light and our industrial efficiency upon cheap electric power. This is the electrical age. Our national progress demands economical production and consumption of this marvelous, labor-saving device which has been so instrumental in transforming civilization and is to be still more so. The almost universal electrification of both homes and industry is being postponed only by the exactions of a little group of selfish monopolies. They are foolish indeed if they think they can stop the demand for cheap electric current by floods of misleading propaganda.

Domestic and lighting consumers of electricity—mostly small users—are not only paying for what current they get, but for a great deal more that they never get. The level of rates charged for electricity for power purposes has been steadily and markedly declining during the last five years, but lighting rates have actually been rising. Average domestic rates are from five to ten times as great as average wholesale-power rates. The net result is that domestic and lighting consumers pay two-thirds of the total revenue from electricity, but use only one-fifth of the current consumed.

Even if we assume that the total charge paid for electricity by all kinds of consumers, big and little, is reasonable (which it is not), this is clear proof that domestic and lighting consumers are practically carrying the overhead charges for the entire industry.

Any electric rate above 5 cents is an unfair rate except under unusual conditions. Cleveland, Ohio, has long had a 5-cent rate—fixed by city ordinance, and the private company which provides the service is very prosperous. The Massachusetts public utility department re-

cently ordered the rates at Worcester reduced to 5 cents and quite recently lowered an 8.5-cent rate in Cambridge to a similar amount.

Most of the rates in publicly owned electric plants range well below 5 cents. In Pasadena—publicly owned—the average domestic rates in 1927 were 4.8 cents for lighting and 2.7 for power. In Tacoma—also publicly owned—the top rate for the first 40 units is 4.5 cents and after that 1 cent with a one-half cent rate for heating.

The average domestic rate for all of Ontario—publicly owned—in 1925 was 2.1 cents; in 1926 for all the cities of Ontario it was 1.6 cents; for the city of Toronto it was 1.7 cents and for the city of Ottawa only 1 cent. If, to be more than fair to the private companies, we add another cent for taxes, dividends, and any other possible costs the companies have to pay that the public plants do not, the fact still remains that in general we are paying the private companies more than double what we we ought to pay and in particular cases three or four or five times too much.

I am not advocating public ownership. On the contrary, I am working for effective regulation. But it ought to be clear to anyone with a head on his shoulders that rates charged by private plants running from double to ten or even twenty times the rates of publicly operated plants can not continue without making people ask whether the private companies are not earning too much and whether, after all, their accusation that public ownership is wasteful and inefficient is actually true.

Many people will make the natural deduction that if private operation, as the companies claim, is so much more economical, efficient, and generally desirable, then certainly it ought to be able to compete on equal terms with the publicly owned plants, which the agents of private companies never tire of denouncing.

Most electric companies make a practice of not knowing what it costs them to supply the different classes of service. Their accounting methods often make it impossible to obtain costs in the sense in which that term is used in other industries. But to the people who pay the bills it is clear that the rates of any particular company ought to be more nearly based on "cost of service plus a fair profit" rather than on "what the traffic will bear"—which is the practice now.

Although the lighting rates have been rising, the cost of producing electricity has been steadily falling. That means that the companies have been taking the benefits of this reduction in the form of excess profits instead of giving it to the householder. The benefit of all such reductions during the next five years should go to the people who pay the present excessive domestic rates.

A generation ago city water systems were almost invariably owned by private corporations. Feeling secure in the possession of a monopoly, the private water companies customarily charged all and sometimes more than the traffic would bear. As an inevitable result, our city water systems to-day are almost universally conducted as municipal utilities.

People are proverbially long suffering, but history proves that public patience can be quickly exhausted when pocketbooks are concerned. The electric monopoly seems to be traveling this well-marked road. If the present abuses continue there can be only one result. The actions of the electric industry will drive the people to public ownership in self-defense.

DECENNIAL CENSUS AND APPORTIONMENT OF REPRESENTATIVES

Mr. JOHNSON. Mr. President, I ask the Senator from Nebraska to yield to me for the presentation of a unanimous-consent order.

Mr. NORRIS. I yield to the Senator for that purpose.

The PRESIDING OFFICER. The proposed unanimous-consent agreement will be read for the information of the Senate.

The legislative clerk read as follows:

UNANIMOUS-CONSENT AGREEMENT

Ordered, by unanimous consent, That after the hour of 3 o'clock p. m. on the calendar day of Thursday, May 23, 1929, no Senator may speak more than once or longer than 30 minutes upon the pending bill, S. 312, a bill to provide for the fifteenth and subsequent decennial censuses and to provide for apportionment of Representatives in Congress (Calendar No. 3), or any amendment proposed thereto.

The PRESIDING OFFICER. Is there objection to the proposed unanimous-consent request? The Chair hears none, and it is so ordered.

Mr. BLACK. Mr. President, I send to the desk a proposed amendment to the pending bill.

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

ACQUISITION OF NEWSPAPERS BY POWER TRUST

Mr. NORRIS resumed his speech, which for the day is as follows:

Mr. President, day after day the country has been startled by the new developments as to the activities of the Power Trust as disclosed by the investigation conducted by the Federal Trade Commission. Although the previous developments were startling and of transcending importance, there has recently been shown before the commission a nation-wide activity on the part of the Power Trust to buy the newspapers of the country. After all it is only carrying out the program that has been so often mentioned, and is only an attempt by money secretly to purchase the avenues of publicity with a view of carrying out their nation-wide—yes, Mr. President—their world-wide attempt to control the natural resources of the country.

I intend this morning, Mr. President, to take the Senate on an inspection tour of the country—to go over the Nation, as it were, in an airplane, and to stop briefly at various important places so as to take note of what has been going on recently, particularly in the purchase of the newspapers by the Power Trust.

I have borrowed an airplane, Mr. President, from Colonel Lindbergh, and I intended to secure the services of the colonel himself in piloting us over the country; but, as the Senate probably knows, he is otherwise engaged in very important social duties, so that, much to his regret and mine, I am unable to obtain his services. I think, however, I have almost made up the loss in acquiring the services of the pilot whom I have employed. I have selected a distinguished gentleman, whom I shall soon name, and he has consented to act as our pilot, so that we may be assured of safety at all times. The very distinguished statesman from Connecticut [Mr. BINGHAM], who is authority on all aviation matters, has consented to act as our pilot, and now if we will all step into the machine——

Mr. SIMMONS. Who did the Senator say is to be the pilot?

Mr. NORRIS. The Senator from Connecticut [Mr. BINGHAM].

Mr. CARAWAY. I hope the Senator has insurance.

Mr. NORRIS. The insurance we have is the ability of our pilot to take us safely through every storm and to land us without any danger of accident or harm.

The first stop, Mr. President, will be at Boston. Recently we have heard a great deal about the secret purchase of two of the very largest newspapers in Boston by the Power Trust. I am going to read a brief description of what happened there from one of the daily newspapers of the country in an article written by Mr. M. L. Ramsay, who has followed the investigation of the Federal Trade Commission from the beginning. He says:

> Fully developed plans to blanket the South with newspapers financed by the International Paper & Power Co., and an attempt at wholesale buying of papers in the name of the Insull interests, were revealed before the Federal Trade Commission yesterday.

That was on May 16.

* * * * * * * *

> A $2,500,000 appropriation to finance Hall & Lavarre deals was voted by directors of the International Co. last October 31, the company's minute books revealed. The written program of Hall & Lavarre was submitted to the company 11 weeks later, on January 16.
>
> Thus far they have bought only four papers. The International Co. supplied all the purchase money—$870,000.

Let me digress there, Mr. President, to say that there is no more reason why the Power Trust should own newspapers than why men engaged in the manufacture of shoes or sewing machines should own newspapers in their business. Under the law newspapers possess a special privilege. The Government carries them through the mails to readers all over the country at a loss of many millions of dollars. The theory is that the readers of the newspapers, the general public, will thereby be enabled to secure definite and correct ideas of the news of the day. It presupposes that the newspapers will not be subsidized; that they will not be published in the interest of any particular special interest. The Power Trust deals also in the natural resources of the country and is given in the various localities where it operates through its subsidiaries in most instances a monopoly. It is therefore subject, and justly so, to the laws of the Government and of the States where they operate.

So both the newspapers and the Power Trust are, to a great extent, profitable in business by reason of particular subsidies or rights or privileges given to them by the laws of our country. It follows, therefore, that a power company harnessing the streams that come down the mountain sides and flow into the sea should treat with honesty and fairness the people who own the natural resources; that it should deal with the people in a way that is absolutely fair; and, because it possesses these special privileges of eminent domain and the right to harness the streams that are owned by the people of the United States, it is peculiarly subject to the laws of our country.

Mr. Ramsay says further in this article that testimony was given before the Federal Trade Commission that—

> The New England Power Association, international subsidiary, paid $1,075 to Thomas Carens, State house correspondent of the Boston

Herald, for writing and other services. Payments of $400 a month were made to another New England newspaper man, identified only as Sullivan.

So we find, as we have found through all the investigation, that these newspapers to which we must look for the news of the day, which control to a great extent the politics of the country, are being subsidized by the power companies with our money, because they have no income except that which they extort from the people of the United States who use electric current.

Mr. Ramsay said, further, that a Mr. Grozier testified—

That former Gov. Channing H. Cox, of Massachusetts, who recently became "consultant" to the Boston Herald and the Boston Traveler, now half owned by the International Power Co., approached him about buying the (Boston) Post.

* * * * * * *

Secrecy thrown about the Herald-Traveler deal—

Which was purchased, as we all know, several weeks ago, or the publicity in connection with it came up only several weeks ago—

was reflected in a letter from Archibald R. Graustein, president of the International, to Sidney W. Winslow, jr., of Boston, formerly chief owner of the papers.

* * * * * * *

The list of water-power properties in the South and Middle West owned or controlled by International and its subsidiaries, put into the commission's record, showed these properties are in Michigan, Wisconsin, and South Carolina.

* * * * * * *

The electric monopoly projected for most of New England, exclusive of what has been called Samuel Insull's "province" in Maine, was discussed candidly by Comerford—

Another witness, Mr. President—

He identified himself as a director, vice president, and treasurer of the International Paper & Power Co., a director of the subsidiary International Paper Co., and president and active head of the New England Power Association, another subsidiary.

The power association subsidiary owns stock in 35 or more hydroelectric, public utility, and service companies.

* * * * * * *

Healy asked about the "integration" of the New England utilities. Comerford answered—

Here is a quotation from the testimony of this power man—

We do hope to bring together under one ownership and one operation all of the electric companies in the area touched by our lines, so far as it is sound to do it. I mean by that there are exceptional cases where it would not be sound. But so far as it is sound we hope to bring together the electric distribution under one ownership and one management.

He was asked this question:

Q. And that one ownership and that management to be yourself, may I ask?—A. We hope so, Judge.

Q. Does that include all of the territory that you are in?—A. No; there are exceptions.

Q. Well, does it include all of the territory you are in generally, with certain exceptions?—A. Yes.

A frank admission showing the ultimate intention of the Power Trust to get practically all of the newspapers, to control all the means of communication in this country.

Here is an extract from the minutes of one of these corporations:

The president stated he had been conferring with two young men who propose to purchase newspapers, principally, at least, in towns of 50,000 and over, and that he wished the board to authorize an appropriation of $2,500,000 gross for use in assisting in the financing of such purchases—

It read—

Upon motion, duly seconded, it was unanimously voted:

"That an appropriation of $2,500,000 gross for the purpose of assisting in the financing of the purchase of newspapers as stated to the meeting be, and the same is hereby, authorized.

Here are the locations of some of the newspapers that they were negotiating for:

Gadsden, Ala.; Greenwood, S. C.; Hendersonville, N. C.; Gastonia, N. C.; High Point, N. C.; Salisbury, N. C; Gainesville, Ga; Rome, Ga.; Columbus, Ga.—but they would be too costly to operate if they could not be administered as complementary units.

Now we are taking over the Augusta Chronicle as of the 18th, and with the prospect of closing Columbia and Spartanburg soon, thereby acquiring three major units, we will let negotiations drift while building a profit-producing foundation to which other properties may advantageously be added.

That was a report made to the power company by these young men after they had gone out to make their survey in their nation-wide purchase.

Some time prior to that it was disclosed before the Federal Trade Commission that the International Paper & Power Co. had purchased interests totaling $10,789,700 in 11 newspapers in eight cities. This disclosure was made by Mr. Graustein, the president of the International Paper & Power Co. Newspaper holdings of the International Paper & Power Co. in 10 papers in various parts of the country were disclosed in his evidence, as follows:

Chicago Daily News, $250,000 in preferred and common stock.

Chicago Journal, $1,000,000 in debentures, $600,000 in preferred stock, and 10,000 shares of common stock.

Knickerbocker Press and Albany Evening News, both of Albany, $450,000 in preferred and common stock.

Boston Herald and Traveler, 10,248 shares of common stock, for which it paid $525 a share.

The Brooklyn Eagle, $1,954,500 in notes and common stock.

Hall & Lavarre, $855,000 in notes, secured by stock of the Augusta Chronicle, the Columbia Record, the Spartanburg Herald and Journal.

The Ithaca Journal-News, $300,000 in notes.

It was disclosed also that an offer of $20,000,000 was made by the trust for the Cleveland Plain Dealer, and declined by the owners of that great newspaper.

Mr. President, it would be interesting to note what some of the leading writers and newspapers think of this campaign that is going on. I want to read an extract from the New York Times in a dispatch coming from Cambridge, Mass. It says:

Newspaper owners are bound to control such opinions as their papers express, as well as their news policies, Robert Lincoln O'Brien, former editor of the Boston Herald, told a meeting of the Cambridge League of Women Voters in an address here to-day. He was discussing the purchase by the International Paper & Power Co. of an interest in the Boston Herald and Traveler and other newspapers.

Mr. BORAH. Mr. President, will the Senator read that statement by O'Brien again?

Mr. NORRIS (reading):

He was discussing the purchase by the International Paper & Power Co. of an interest in the Boston Herald and Traveler and other newspapers.

Is that what the Senator wanted?

Mr. BORAH. He said the newspapers were bound to control opinion.

Mr. NORRIS. Oh, yes—

Newspaper owners are bound to control such opinions as their papers express, as well as their news policies.

Further on he says, speaking of this purchase——

Mr. WALSH of Massachusetts. Mr. President——

The PRESIDING OFFICER (Mr. FRAZIER in the chair). Does the Senator from Nebraska yield to the Senator from Massachusetts?

Mr. NORRIS. I do.

Mr. WALSH of Massachusetts. I should like to add that Mr. O'Brien ought to know whereof he speaks. For many years Mr. O'Brien has been a leading Republican editorial writer of Massachusetts, and his experience as editor and manager was both extensive and skillful.

Mr. NORRIS. I thank the Senator. Further on in this same address Mr. O'Brien said:

Intelligent people need not waste much time in discussing whether an ownership finds any way of relating itself to the news policies of newspapers, to say nothing of the editorial opinions.

No one need go further than to contrast the reporting only last week of the Graustein testimony in the New York Herald-Tribune, whose managing owner, Ogden Mills Reid, is also a director of the International Paper & Power Co., with the reporting of the same events in the New York Times, with no such connection. In one place the story was minimized and obscured; in the other it was set forth in fullness and detail. Ownership opinion remains the one basic thing in the conduct of the newspaper.

In this case, as in all others, it is ownership that fundamentally controls. Do you not run the things you own as you want to run them? I think so.

He said further:

But the political relations are not so easy to dismiss. If the Herald remains the chief vehicle of Republican opinion in this community, may not the party leadership be ultimately affected thereby? Would aspirants for distinction in Republican ranks feel safe in selecting for themselves such an issue as the Worcester Post has made in our neighboring city. Would they not be afraid of losing caste with the newspaper upon whose favoring publicity they must chiefly depend? May it not be possible that this very alliance will vitally affect the attitude of the Republican Party upon the great issues of public utilities?

I would like to commend that to the Senate and to the people. It is said by these men, when they purchase these papers, "We have no intention of backing up the fight of public utilities; we are just investing our money in them," and yet this man shows, as every thinking man and woman must know, that the ownership of a paper by a particular interest, as is demonstrated by the reporting of the Graustein testimony by two newspapers, the owner of one a stockholder in a power company, and the other not owning any stock in the power company. The one connected with the power company covered the matter up, published as little news about it as possible; the other displayed it as any honest newspaper would, important news that it was.

The point made by this speaker—a leading Republican of New England—was that if these newspapers, the leaders in a particular community in Boston, Mass., are owned by the Power Trust, what do Republican candidates for office in that community face? Do they want to displease these leading newspapers? Are they not apt to lean in their direction? When the leaders of the party lean and go in that direction, where do you expect them to lead their followers? The answer, it seems to me, is inescapable, that such ownership has a direct bearing upon governmental policies, upon men running for office, controlling legislatures, controlling State governments, controlling Congress, controlling the White House itself.

The speaker referred to the issue that was raised by a paper in Massachusetts, and now I am going to read an extract from an editorial in the Springfield Republican, of Springfield, Mass.:

The International Paper & Power Co. now has a large property interest in about a dozen newspapers.

Since that was written it has been developed that that ownership extends to many more than a dozen newspapers, and the number is still growing.

Yet most persons reading the quarterly statements of those papers that are required by law would not know from them that this great corporation was financially concerned in their management. To the ordinary person the Publishers Investment Corporation of Delaware, which publishes the Boston Herald and Traveler, does not suggest the International Securities Co. of Massachusetts, nor does the International Securities Co. suggest that still higher up is the International Paper & Power Co. The Piedmont Press Association (Inc.) is now a large owner of the securities of the Brooklyn Eagle, but Mr. Average Citizen who reads the Eagle has no ready means of identifying the Piedmont Press Association as a subsidiary of the International Paper & Power Co. Nor has the ordinary reader of the Chicago Journal the slightest idea that the Bryan-Thomason Newspaper (Inc.) is a concern covering up the property interest of that same International Paper & Power Co.

Publicity for newspaper ownership means stripping off the last shred of covering, "incorporated," so that he who runs may read a newspaper with knowledge of the property interests that underlie its business management and editorial policies. A potent cause of the present distrust of the International Paper & Power Co. as a holder of newspaper properties is that it placed several partitions of subsidiary corporations between the newspaper and itself. The sooner these doors within doors are done away with the better.

Mr. Graustein left Washington confirming the impression that the International will continue to lap up newspaper properties whenever it seems good business to do so. If Mr. Graustein will publish the fact whenever his company absorbs another newspaper, only a few years probably will be required to convince him and his board of directors that what had seemed to be good business was not good business at all.

These newspapers will not long flourish under "Power Trust" ministrations. For, insist as he may on the commercial motive of insuring a market for the newsprint branch of his company, Mr. Graustein will learn in time that the public believes that the International Paper & Power Co. has a major interest in public utilities and only a minor interest in newsprint. As a great power producer the International's business is "affected with a public interest," and that gives it a monopolistic character requiring public regulation.

It might be well to say there, Mr. President, that this investigation discloses the fact that the International Paper & Power Co. secures 54 per cent of its income from power and only 35 per cent of its income from its manufacture of paper.

Mr. McKELLAR. Mr. President——

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

Mr. NORRIS. I yield.

Mr. McKELLAR. Does the evidence disclose how this organization obtained the papers? Do they buy the bonds or the stock of the papers?

Mr. NORRIS. They obtain the ownership in all kinds of ways. Sometimes it is through the purchase of stock, sometimes through the purchase of bonds; any way to get control.

I want to read from another editorial in the Springfield Republican.

Mr. WATSON. Mr. President, will the Senator yield to me for a question?

Mr. NORRIS. I yield.

Mr. WATSON. I quite agree with the Senator that it is inadvisable in our country for the Power Trust, or any other trust, or any other combination of capital or aggregation of wealth, to buy up, own, and control newspapers, or any considerable number of newspapers, but I am just wondering what legislation can be passed to prevent it.

Mr. NORRIS. Mr. President——

Mr. WATSON. Will not the Senator permit me to finish my question? If a man owns a newspaper, he has a right to sell it. If another man has the money to buy a newspaper, he has a right to buy it. If there be a power trust, that trust can be directly assailed in the courts, and in that way the ability of the Power Trust to buy up newspapers might be destroyed or retarded. But let us suppose that an aggregation of individuals with money should come together to buy up newspapers and should put up some money to buy newspapers. Unless they directly formed a trust or combination of some kind amenable to law, would there be any way by which that could be prevented? In other words, what legislation is the Senator proposing at this time to prevent the ill which he decries?

Mr. NORRIS. Is that all of the question?

Mr. WATSON. That is the question.

Mr. NORRIS. In the first place——

Mr. WATSON. I am not asking this question in a controversial spirit at all. I am just asking because I am wondering what the Senator has in mind.

Mr. NORRIS. I am going to take the Senator's question in that spirit. In the first place, when Congress wants to legislate, it gets hold of facts. We have not all the facts yet. We do not know how much further developments are going to show this trust has gone. We have had only a peek into its financial operations. There is a case pending in court where they have refused to answer questions. But I will show before I get through the pyramiding, and the operations of electric-light facilities through subsidiaries of subsidiaries of subsidiaries, until we are lost in a maze of corporations, until, as this editorial shows, the statement of the ownership and operation of any particular public utility is no indication, to begin with, as to who really owns it. I am going into that, before I get through, as to some other sections of the country. I am only stopping shortly in Boston to get a little more gas and a little oil for our flying machine. I am going to take the Senate to some other localities, where I think these things come out more prominently.

In the first place, there is no reason why a public utility should own a newspaper. Public utilities are charged with a public duty. They deal in the natural resources of our country. They are given a monopoly in most instances where they operate. They are given the right of eminent domain, the same as a railroad company, and that means that the people who give them that privilege have a right to say how far they shall go, and have a right to say that the corporations shall not make money enough in the operation of their business to buy all the newspapers of the United States. The people have a right to say how any surplus earnings the corporations may make shall be invested, if at all. They have a right to deny to public utility companies the ownership of the means by which public opinion and the news of the country can be spread before the country.

The people have a right on the other hand to say under what conditions newspapers shall be carried through the mails of the United States and get the subsidy that comes to them. They have a right to say how long and how far and how high one corporation may be pyramided on top of another. They have a right to make it illegal and they have a right to tax it, both State and Nation. I have an idea that when we get through with all this investigation we will probably have well-defined ideas as to just how far it is going to be necessary in these various propositions.

All of the propaganda of the Power Trust from the beginning to the end is in the main to fight public ownership of public

utilities. That is the chief burden they have. That is the reason why they go into the churches, the schools, the Boy Scouts, women's clubs, commercial organizations, and secret societies, and now going into the newspapers. They want to educate public sentiment to their viewpoint. They want to poison their minds with half truths and complete misinformation in many instances as to what can be done in the way of municipal ownership of public utilities, as to what can be done by the people in supplying themselves with the comforts and happiness of life derived from their own property.

Mr. WALSH of Massachusetts. Mr. President——

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

Mr. NORRIS. I yield.

Mr. WALSH of Massachusetts. It seems to me the Senator might well answer the question of the Senator from Indiana [Mr. WATSON] by stating that the airing to the public of the conditions which have recently been disclosed as to the acquisition of newspapers by various power interests in the country was of the highest kind and type of public service. Public service does not consist solely in passing laws to prevent abuses. Public service consists in exposing abuses which may ultimately lead us into socialism or other grave difficulties detrimental to the preservation of our free institutions. If the time comes in our country when all the press is controlled by sinister interests or selfish big business, there is no other position left for a free independent people than to establish a Government-owned press.

No one desires a censored press nor a Government-controlled press. The mere airing of abuses may arouse the public conscience of the country to a realization that if this or other evil economic tendencies are not now checked we may be led into avenues of public action that we all hesitate even to consider. We can not afford to wait for revolutionary movements in order to prevent the correction of dangerous political and economic tendencies. The Senator is rendering an important public service.

After all, is not what the Senator is saying what has been said again and again in this Chamber, and by many independent thinkers and leaders, namely, that there is in this country indications of the development of an unmistakable alliance between big business and certain controlled channels of public information; also that so-called big business and their channels of public information are together allied with or seeking alliances with political leadership and political parties for the control of important agencies of the people's Government? What has been discovered by this exposé is that certain financial interests have gotten so confident of their strength that their purpose and its evil consequences has come to the surface.

We now know that it is not necessary any longer merely to insinuate that special selfish interests are at work to throttle and control all the public information of the country. We now know that they are so brazen and determined that they openly declare it to be their purpose and their policy. God help our free institutions when the channels of public information are suppressed, controlled, or directed in such a way as to exploit for selfish ends the making, administration, or judicial interpretation of laws. We all know that when public opinion and the press of the country are controlled by any selfish group, big business, or whatever else it may be, it means the control of the Government; it means the people are powerless to protect and defend their rights.

I commend the Senator for his courage in taking the floor and exposing to the open daylight all the facts, so that the people of the country may know in what direction we are drifting and to arouse the public conscience to a realization that it must stop or a remedy immediately found before it is too late. Therefore I resent the suggestion that because the Senator has not in his pocket a proposed law which will immediately cure these abuses he ought not to be discussing such an important and vital question.

Mr. NORRIS. Mr. President, I thank the Senator very sincerely, and while I am interrupted by the Senator from Massachusetts I want to digress to refer to another newspaper and to ask him whether the statement which I am about to make is borne out by the facts.

I have referred to the Power Trust offering $20,000,000 for the Cleveland Plain Dealer. That ought to shock the conscience of every progressive, patriotic citizen in the United States, but since the Senator from Massachusetts has interrupted me, I am reminded that in his city the testimony shows that $20,000,000, the same amount, was offered for the Boston Post. As I understand it—and this is what I want the Senator to correct me about if I am wrong—the Boston Post is one of the largest papers and perhaps has the largest circulation of any daily paper published in the United States. I would like to ask the Senator if that statement is true.

Mr. WALSH of Massachusetts. Mr. President, the Senator's statement is correct. The Boston Post at one time a few years ago had the largest circulation of any morning paper in the world, with the possible exception of a morning paper in Buenos Aires. It has to-day almost if not the largest circulation in the United States. In New England, of course, it lies first in circulation and is read daily by at least 2,000,000 readers. It is also an exceedingly prosperous and profitable financial enterprise. Its political and civic policies have been of an independent and courageous character. It has been very generally on the side of what I believe to be the general public welfare in its position upon the political questions of the day. It has been politically independent, supporting both Democratic and Republican candidates for public office. It has been like its owner—broad, tolerant, and uncontrolled by wealth, big business, or any particular political groups. Its influence with the people is perhaps as great if not more powerful than that of any other paper in New England. It is trusted and respected by millions of daily readers, extending from the great working classes to the business and professional classes. If it were possible to surreptitiously buy the Boston Post and take hold of the marvelous assets of public confidence that it has won for itself as an independent newspaper by standing for high civic ideals and prevent it being known that its property had come into the possession of predatory interest, not in the public interest, a good deal of havoc would be caused by such a sudden control.

Perhaps I have gone a little further than the Senator intended to ask me, but I want to repeat that what he has said about the size and value of the newspaper financially and as a channel of public information is true.

Mr. NORRIS. I thank the Senator again.

Mr. President, I want to digress here also to say that in this great struggle to control editorial and news policies in the country there are a large number of able newspapers, of which the Boston Post is one, who refused to sell to the special interests. To such newspapers we owe a debt of gratitude that I can not, and therefore will not, attempt to express in words. When the avenues of publicity of the country become contaminated with special interests, then the life of our very Republic is in danger. We can see the end if that time ever comes. It is to the everlasting credit of many of our newspapers that they have stood out so nobly and are standing out nobly against the aggression that is being made in that field. If I have time before I conclude I shall read some of the editorial expressions coming from papers of that kind.

The Power Trust tried to get the Cleveland Plain Dealer with $20,000,000, and were turned down. They tried to buy the Boston Post with another $20,000,000 and were refused. I have no knowledge as to the value of those papers, but with the ordinary individual, to comprehend just what $20,000,000 means requires the stretching of the imagination. But when we remember that those are only two instances, when we remember as I shall show later that they have men on the road traveling over the country to buy newspapers, that they have unlimited funds with which to do it, the danger point and the danger signal ought to be visible to every citizen of this great Republic.

Mr. DILL. Mr. President——

Mr. NORRIS. I yield to the Senator from Washington.

Mr. DILL. I want to add to the comment of the Senator from Massachusetts [Mr. WALSH] when he said that if the Power Trust were able to get control of the Boston Post without the public knowing it, great damage would be done. The fact is that even if the public did know, its damage would still be almost beyond estimate because of the great amount of money that it takes to start a newspaper and win its place in the community. I am wondering whether it will not become necessary even to limit the use of the mails to organizations that would create public opinion against the interests of the public, even though we do know the owners.

Mr. WALSH of Montana. Mr. President——

Mr. NORRIS. I yield to the Senator from Montana.

Mr. WALSH of Montana. The question addressed to the Senator from Nebraska by the Senator from Indiana [Mr. WATSON] reminded me that when the resolution was before the Senate which authorized the investigation to be conducted by the Federal Trade Commission resulting in these startling disclosures, the same cynical inquiry was made: What good is it to do anyway? What legislation is proposed? What is the power of the Senate legislatively in the premises anyway? All this, of course, was a part of the effort to defeat the inquiry and to retire the resolution. I would like to address an inquiry to the Senator from Indiana, were he on the floor at the moment, as to what he thinks about it now and whether it would be worth while.

Mr. BLACK. Mr. President——

Mr. NORRIS. I yield to the Senator from Alabama.

Mr. BLACK. I am very much interested in the discussion of the Senator and the apprehension with reference to the control of the channels of information. I desire not to call the Senator's attention, but simply to remind him at this point that the same influences which are seeking to control the press are also making an effort—it seems almost too successfully—to control the last great channel of public information, which is the radio. With the radio and the press in the hands of one influence, how will there be any possibility, if such a thing should ever occur, for the people to receive any information which is not poisoned by reason of the channels through which it flows?

Mr. NORRIS. I thank the Senator. The suggestion he has made is one which I shall probably speak of at great length before I conclude. The control of the press is the control of only one instrumentality, great as it is, so great that our forefathers provided in the Constitution what they supposed would give to the country forever a free press.

But the Power Trust, while spending hundreds of millions of dollars and offering hundreds of millions more, to buy newspapers and control the press, as I before stated, are engaged in various other activities in the attempt to control the sentiment not only of the present generation but to educate the school children so that when they grow up and have the responsibilities of citizenship placed upon their shoulders they will have the viewpoint of the trust. The trust commences at the craddle and goes on through life to the grave. Everywhere at every avenue the individual is beset with secret undertakings which are paid for by the Power Trust to influence and control the human mind and try to get possession of the entire natural resources of our country.

Mr. FLETCHER. Mr. President——

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

Mr. NORRIS. I yield to the Senator from Florida.

Mr. FLETCHER. The Senator from Nebraska may perhaps enlighten us a little as to whether or not these large expenditures for newspapers and for municipal and other power plants do not eventually come out of the public. They may be paid for now out of the funds of the Power Trust, but will they not be considered a part of their investment upon which they are entitled to return?

Mr. NORRIS. They certainly will.

Mr. FLETCHER. So eventually all these expenditures will come out of the public?

Mr. NORRIS. They all come out of the public as we go along; all of this money is coming out of the public.

Mr. FLETCHER. One other thought in that connection: Referring to the control of the means and methods of communication, I have been thinking that perhaps the doctrine of standardization may be going a little far in the direction of giving information to the public. For instance, the Secretary of State heretofore has set apart one or two days a week for receiving the correspondents of the newspapers of the country and giving them information as to foreign affairs. Those correspondents must rely mainly upon what is furnished them by the Secretary of State with reference to our foreign affairs. Then, once or twice a week, these correspondents are notified that they will be received at the White House, and there they are handed out information with reference to our domestic affairs, public policies, and all that. So what information they are getting is standardized as to foreign affairs by the State Department, and as to domestic affairs it is standardized by the White House. The correspondents furnish that information to the country. I am not saying that the information thus supplied may not be accurate and full, but it is certainly from one viewpoint, from the viewpoint of the administration. The information thus acquired goes out to the whole country through the newspaper correspondents, and is furnished to the people practically from those sources alone. I am not so sure but what this standardization of information may eventually lead to a standardization of thinking and that we shall all be thinking as we are told to think by the highest authorities.

Mr. NORRIS. Mr. President, at this point I wish to insert in the RECORD without reading, as time is rapidly passing, an editorial from the Springfield Republican, which is entitled "Power and the Press."

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

The editorial is as follows:

[From the Springfield Republican, Friday, April 12, 1929]

POWER AND THE PRESS

The mischief that might have been done to public interests has now been largely prevented by the public disclosure that the International Paper & Power Co. has acquired control of the Boston Herald and the Boston Traveler.

These are important newspapers, and the fact that certain power interests with great resources and financial backing control them ought to be known to the people of New England, for the people can hereafter be on their guard in reading these publications when public utility questions are given space in the news columns or are given editorial consideration. There is no law against the ownership of newspapers by power companies. The vice of such a situation is chiefly in secret ownership. Give the public the truth and it may be left to safeguard itself against insidious propaganda.

The public utilities have recently been exposed by the investigation of the Federal Trade Commission in efforts to shape the sentiment of the school children and college students of the country through propaganda literature specially prepared. The exposure has put a stop to the shameful business. Incidentally, the power interests were done more harm than good by this adventure in a field they are not chartered to occupy. What hurt them most in public esteem was the secrecy of their educational enterprise. After the exposure it was clear why the power interests had opposed so strenuously the investigation demanded by Congress.

Mr. NORRIS. I wish to read from the Boston Post, which has been referred to by the Senator from Massachusetts, an editorial in its issue of April 11, 1929. The editorial is entitled "A Bold Move by the Power Trust." An extract from it reads as follows:

* * * * * * * *

An independent, fearless press is the chief safeguard of the people's welfare and the people's rights.

One can not find a truer statement of that fundamental fact in the Bible itself. Every word of it is true, and the violation of that truth means in the end the destruction of human liberty. This editorial further states:

At a time when we are engaged in a nation-wide controversy over the wisdom of allowing the great power resources of the Nation to pass into the hands of huge combinations of capital and when the power companies are spending millions of dollars for propaganda in certain newspapers, colleges, and public schools, the Power Trust of New England States control two of our leading newspapers.

We submit that this constitutes a grave menace to the people of Massachusetts.

Farther on this editorial states:

The Power Trust is seeking favors from the people of Massachusetts. It is vitally interested in every bit of legislation concerning the electric power and light and gas industries. Yet it is not content with receiving a square deal from an independent press. It spends several million dollars to acquire control of two of the avenues by which news reaches the public and the voters form their opinions on questions affecting their welfare.

The boldness of this transaction is exceeded only by its capacity for harm, both to the citizens of Massachusetts and the honor of the newspaper business.

I also ask to insert in the RECORD at this point, without reading, a short editorial from the Worcester (Mass.) Post.

The PRESIDING OFFICER. Without objection, permission is granted.

The editorial referred to is as follows:

[From the Worcester (Mass.) Post]

All collections of paper and ink are not newspapers in the true sense of the word * * *. The newspaper which measures up to the standards of conscientious journalism is the newspaper which is an institution, which feels that its duty to the public comes before all else and will not permit any influence to turn it one inch from * * * honest public service.

Many other journals in the section where the transaction occurred express the same concern. That concern is natural, particularly among newspaper customers of the International, which may henceforth be suspected, though innocent, of being financed by the paper-power corporation because they buy of its output.

Mr. NORRIS. Mr. President, I now wish to read an extract from the Washington Herald of May 1, 1929:

* * * * * * * *

Its newspaper holdings, as Graustein revealed them in writing and in sworn testimony, are:

Ten thousand four hundred and twenty-eight shares of common stock in the Boston Herald and the Boston Traveler, acquired at a cost of approximately $5,380,000.

Four hundred and fifty thousand dollars preferred stock and 3,000 shares, or 30 per cent, of common stock of the Knickerbocker Press, of Albany, N. Y., and the Albany Evening News, both owned by Frank E. Gannett, of Rochester, N. Y.

I will show farther on that Mr. Gannett has repurchased his newspapers from the grip of the trust, and I will, before I conclude, quote something from Mr. Gannett himself.

One million nine hundred and fifty-four thousand dollars in notes and 400 shares of the common stock of the Brooklyn Daily Eagle Corporation, publishing the Brooklyn Daily Eagle, another unit in the Gannett chain, which was described as comprising 17 newspapers. The 400 shares represent 40 per cent of the common stock, according to Graustein.

A $300,000 "contingent interest" in Gannett's Ithaca Journal-News.

Two hundred and fifty thousand dollars' worth preferred stock and 5,000 shares of the common stock of the Chicago Daily News, representing 4.15 per cent and 1.25 per cent, respectively, of the outstanding stock of those classes.

One million dollars' worth of debentures and $600,000 preferred stock of the Bryan-Thomason Newspapers (Inc.), publishing the Chicago Journal, the Tampa (Fla.) Tribune, and the Greensboro (N. C.) Record. These securities, with 10,000 shares common stock of the Chicago Journal, were bought for $1,600,000.

Eight hundred and fifty-five thousand dollars in notes, representing an "advance" to Harold Hall and William Lavarre.

I put the figures as to that transaction into the RECORD a few moments ago, and will not repeat them now.

I wish to read, Mr. President, from an article in The Nation of May 15, 1929, on this subject, the article being written by Paul Y. Anderson, a recognized trustworthy newspaper correspondent of national reputation. He says:

I hope to be pardoned for displaying a slight cynicism toward the astonishment and horror which the newspaper editors and owners all over the country are now manifesting over the disclosure that the Power Trust has gone actively into the newspaper business by purchasing a tangible financial interest in 14 American daily papers. It is true that every believer in a free press is entitled to feelings of wrath and dismay over this vicious development. But it is impossible to forget that scores of the same editors who now fill the air with their solemn warnings and recriminations have for nearly a year consistently suppressed or "played down" the news of the Power Trust's efforts to form and control public opinion, as they were revealed by the Federal Trade Commission's investigation. Where was their righteous wrath when the public utility companies were insinuating their pamphlets into the public schools in the guise of textbooks? What ailed their indignation when colleges, universities, and professors were being subsidized or intimidated? Where was their vigilance when the propaganda of the power companies against public ownership was being accepted and reprinted in their own columns as original news and editorial matter?—

And so on.

Mr. President, we can not pause too long in Boston. We must proceed on our way, and so, after partaking of a luncheon of Boston baked beans and Boston brown bread, we hunt up our illustrious pilot, step into our flying machine, and fly across New England to Portland, Me. That is an interesting place for our investigation for a short time. Before we land in Portland we fly over the great State of Maine, which has been blessed by the Creator with some of the greatest natural facilities for human happiness and comfort that have ever been given to a people. With the streams flowing through that great State, with the potential power that can be developed there, it would be possible to light every home and turn every wheel in that great Commonwealth. Yet we find, Mr. President, that Maine, perhaps, is the most hard-ridden State by the Power Trust that there is in the Union. The control of the Power Trust is exercised in Maine, perhaps, to a greater extent than in any other State in the Republic. In the meantime Senator BINGHAM has landed us safely at Portland, and we are looking around over that great city, the metropolis of the State of Maine, one of the oldest cities in the Union. We find some interesting things about power. Here are some of the companies:

The Central Maine Power & Light Co., the Cumberland County Power & Light Co., the Androscoggin Power & Light Co., and the Western Maine Power & Light Co. are all owned by the New England Public Service Co.; and the New England Public Service Co. is owned by the National Electric Light Co.; and the National Electric Light Co. owns the Middle West Utilities Co. The Middle West Utilities Co. is owned by the Insull interests; and there you have it—pyramided, one corporation after another, one subsidiary beneath another subsidiary, one corporation swallowing another corporation; and the ordinary citizen, the ordinary Senator, the ordinary individual, is not able to determine who owns anything in Maine unless he goes to the top of the pyramid; and there sits Insull of Chicago.

We thought Mr. Insull handled Illinois at one time. He sent one of his hired men down here, and we refused to admit him, and the people of Illinois vindicated our action. But up in Maine, if you want to go into business, see Insull of Chicago. If you want to establish a newspaper, see Insull of Chicago. If you want to advertise in a newspaper, see Insull of Chicago. If you want to run for office, see Insull of Chicago.

Suppose you lived in Lewiston, Me., and you wanted to see who it was that was collecting from you money in payment for the electric light used in your home; how would you go about it? Well, Lewiston, Me.—one of the large cities—is supplied with electricity by the Lewiston & Auburn Electric Light Co.; and the Lewiston & Auburn Electric Light Co. is owned by the Androscoggin Electric Co.; and the Androscoggin Electric Co. is owned by the Androscoggin Corporation; and the Androscoggin Corporation is owned by the Central Maine Power Co.; and the Central Maine Power Co. is owned by the New England Public Service Co.; and the New England Public Service Co. is owned by the National Electric Power Co.; and the National Electric Power Co. is owned by the Middle West Utilities Co. That is Insull. We have come out at the same place here that we did before. On the top of the pyramid is Insull. And so through all these subsidiary corporations having offices and officials, all of the machinery of which must be oiled, all of the expenses of which must be paid, all living like parasites upon the poor consumer of Lewiston; and so you have it all over Maine.

In Portland, in particular, we have a new light on the newspaper situation. Until a year or two ago that great city had practically one newspaper. It had two names. It had a morning edition and an evening edition, but both were owned by the same outfit. So in that great city there was no opposition to that newspaper. It had a monopoly. I should think, regardless of a man's politics, regardless of his business associations, if he lived in Portland and wanted to see Portland prosper and its business interests go forward, he would have been glad to welcome to the city of Portland an opposition paper, provided only it was a high-class, honorable newspaper.

Things were in that condition when Doctor Gruening went into Portland and established the Portland Evening News, another newspaper. Doctor Gruening is a man of national reputation, known personally, I presume, by most Members of this body; a man whose standing in the literary world is without a blemish; a man of outstanding character and unquestioned ability. He established the Evening News, seeking to make a living in the newspaper business, and immediately there came a boycott of the Evening News in that city, where it would seem that there ought to have been and ought to be, for the good of the city itself, another newspaper. The story of the struggle of the Evening News reads like a romance—another place where the Power Trust existing in Maine, as I have outlined it here, used its wealth, its influence, and the old-established papers to try to browbeat and drive this man out of the newspaper field.

I am going to read, Mr. President, an extract on the Portland situation from The Nation of December 21, 1927. This article was written by Mr. Earl Sparling. He says, to begin with:

For two years Samuel Insull, the Chicago power and political magnate, has been battling in Maine for what is called the greatest water-power prize in New England. Mr. Insull did not start the quarrel. He only inherited it. But the voters of Maine, of whom there are still a few, are beginning to realize just what that means.

Farther on he says:

The Maine power fight actually started in 1909, but it gathered momentum after Mr. Insull began to buy up Maine power properties two years ago. Mr. Insull to-day controls companies reputed to own two-thirds of the State's total developed water power. And to-day the Republican Party in Maine is divided into two opposing camps. The fight for and against the primary has been one of the chief results of this split. * * *

A state-wide advertising campaign, in which thousands of dollars were spent, was opened the next year—

After a year that he refers to here—

by 16 associated power companies and large power users, the latter being paper companies directly interested in power development. The apparent purpose of the advertising campaign, according to Baxter, was to defeat reelection of himself and his associates and "thus forever end water-power discussion." From that day to this water power has been inextricably involved in Maine politics. * * *

The primary was saved mainly because of the efforts of Doctor Gruening's Evening News and of Brewster and Baxter. These two men stumped the State to save the primary. And the end is not yet. * * * "They seek," says Baxter, "to use our natural resources as a link in the great chain they are forging to control the electric industry from the Atlantic to the Mississippi, from the Canada line to the Ohio River."

I will show before I get through that Mr. Baxter has not taken in enough territory; that they go from the Atlantic to the Pacific and from the Lakes to the Gulf.

The methods used by the Insull interests have been disclosed in the United States senatorial primary in Illinois, in which, according to the newspapers, Mr. Insull admitted having expended upward of $125,000 to nominate his favorite.

A great deal of attention was attracted by this contest in Portland, by this effort to drive Mr. Gruening out of the field; and the editors or publishers of The New Republic sent a man up there to make an investigation, and he wrote the story after he had gone up there and looked it over. At this point in my address, Mr. President, I ask leave to insert this article, written by Mr. Silas Bent, and published in The New Republic of March 20, 1929.

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

The matter referred to is as follows:

[From the New Republic, March 20, 1929]

THE BATTLE OF PORTLAND

Placid, prudent, unresponsive Portland sits upon two hills beside her Maine harbor. She is near three centuries old and suffers a little, one suspects, from a sort of mental sclerosis. Thrice she has been well-nigh destroyed, once in a French and Indian raid, once in bombardment by an irate Revolutionary British sea captain, once by fire. She has survived, but adversity has made her cautious. She has grown slowly, with never a boom, for booms are foreign to her nature. And now, with but a thin sprinkling of alien blood, the descendants of early settlers look at their world with an aloof conservatism.

It is not to be expected, therefore, that Portland will wax excited over the fact that a significant journalistic struggle is being waged within her gates. It is the struggle of an independent voice to make itself heard and to survive. Until Dr. Ernest Gruening began printing the Evening News, less than two years ago, the newspapers there were dominated by Guy P. Gannett (not to be confused with Frank Gannett, of the Brooklyn Daily Eagle), whose father had founded the family fortune some 30 years ago by the establishment of Comfort, a magazine which now has a circulation of more than a million. Eight years ago the son consolidated the Portland Press and Herald, the surviving morning papers; in August, 1925, he bought the Evening Express and the Sunday Telegram; and he has made a great success financially as their editor and publisher.

Now, Mr. Gannett is not only a publisher; he is also a banker. He is vice president of the Fidelity Trust, of which his long-time friend and business associate, Walter S. Wyman, is president. Mr. Wyman is the personal representative in Maine of Samuel Insull; the Fidelity is recognized as a "power trust" bank; and the Insulls control all Maine's electric and hydroelectric production, save one small company. Their grip on the State is as tight as on any in the Union, and they take an acute interest in its political as well as its economic life. Mr. Gannett sold his common stock in the Central Maine Power Co. to Samuel Insull, but still retains preferred stock in it.

Prior to the advent of the Evening News the Portland papers were "Power Trust" papers. I do not mean by this that Mr. Insull owned stock in them. They are owned by Mr. Gannett, his family, and some employees. But Mr. Gannett's social and business connections are such as to make it inevitable that he should sympathize deeply with the Insull plans and aspirations.

The establishment of the Evening News meant cleavage at this important point. The paper dissents from Gannett views on many other questions, but this is paramount; for Ernest Gruening's distinguished record as a liberal of courage is incompatible with Power Trust ideals. He launched at once, editorially, into a candid discussion of Mr. Insull's attempt to buy a seat in the United States Senate for his man, Frank L. Smith; and he greeted the Senate's rejection of Smith with a militant voice of rejoicing. He has exposed the machinations of the power interests at every turn. In Maine an outstanding political issue is whether power shall be exported by the State. This is now forbidden by law, and Mr. Gruening opposes attempts to repeal the law because he believes that once the Insulls tap the rich Boston market they will be even less considerate of Maine consumers than now. The Gannett papers consistently favor export.

The most disagreeable thing Mr. Gruening did, from the standpoint of his adversaries, was to investigate and reveal in his paper the structure of the power interests in Maine, with four tiers of holding, investment, and finance corporations superimposed on the producing companies. The Maine consumer pays not only a merited dividend on the securities of the producer, but also on the securities of all these successive upper layers. The situation is not unique. Raushenbush and Laidler, in Power Control, devote a chapter to this system, whereby authority is concentrated in a few hands at the top. But at any rate, so far as Maine went, Mr. Gruening was impudently anticipating the Federal Trade Commission at Washington, which had been preoccupied with the activities of the "million-dollar lobby," and with the costly utilities propaganda in the daily press, the public schools, and the colleges. (Walter Wyman accepted recently the vice chairmanship of a committee to raise funds for the development of Colby College at Waterville. "It was here," said the Waterville Morning Sentinel, "that his first big business, the Central Maine Power Co., got its start, and here he won his spurs as one of the great industrial builders of the country.")

Mr. Gruening's unsparing analysis shows that the Central Maine Power Co. pays interest on seven varieties of bonds, and dividends on three preferred stocks, two at 6 per cent and one at 7; and that after all this it was able recently to announce a surplus for dividend on its common stock at 19½ per cent. Space forbids my going into his outline of the overlying holding companies and their structure. It is enough to say that he believes power and light could be sold profitably for domestic purposes in Maine at about a cent and a half per kilowatt-hour, instead of at the present excessive rates (rural electrification is almost unknown, and the lot of the farmer the harder thereby); and that he would give the Maine Public Utilities Commission arms and eyes and teeth, so that it could get at the facts instead of accepting passively such reports as are handed to it.

It is not difficult to perceive that publications such as these in the metropolis of the State might prove irritating to the Insulls and their associates. Mr. Gruening charges that through personal influence and banking pressure they have dissuaded the principal merchants—in particular some big department stores—from advertising in the Evening News. In the sense that boycott means "to refrain from the use of; to keep aloof," his charge is unquestionably true; in the usually accepted sense of a conspiracy or conscious combination, clinching proof of a boycott, as might be expected, is lacking. Taxi drivers with whom I talked, soda clerks, a haberdashery salesman, a barber, cigarette salesmen, all without exception told me there was a boycott. Merchants emphatically denied it, declaring that their reason for staying out of the Evening News was wholly economic. They could cover their field, they said, with the Gannett papers—which require that every advertisement shall be placed in both the morning and afternoon issues.

Robert Braun, treasurer of the Porteus, Mitchell & Braun Co., is chief executive of the largest advertiser in Portland, and one of the "boycotters" of the News. He is a power company director and a director of the Fidelity Trust, although his firm does not carry an account there. On November 7, last, he wrote to the News:

"You have charged that five department stores not using your advertising columns were engaged in a boycott of the News. You have also stated that you have incontrovertible evidence of the existence of such a boycott.

"We assume that we are one of the five department stores referred to in this most serious charge.

"We herewith declare your statements, in so far as we are concerned, are absolutely false.

"This immediately raises the question of veracity.

"While we have no intention of engaging in a newspaper controversy or making any further statement beyond the one we now make, we are most anxious that the truth be established beyond any question of doubt in the mind of reasonable persons, and that at the earliest possible moment.

"As a means to that end we ask the Evening News to join us in requesting the Hon. Scott Wilson, chief justice of the Supreme Judicial Court of the State of Maine, to select some person to act in the capacity of referee whose duty it shall be to pass upon this question and to make a decision as to the truth or falsity of these charges.

"Please give this the same publicity as the prior communications which have appeared in your paper."

Mr. Gruening did give it ample publicity. He ran it at the top of his editorial column. And he answered it, standing upon the first definition of boycott which I have quoted. It is possible, although he did not say this to me, that some of the "incontrovertible evidence" he has in hand could not be made public without embarrassment to his advertisers. He has charged openly, for example, that the Fidelity Trust called the notes of a merchant when he began advertising in the News, but he is not at liberty to name this man.

Mr. Gannett, as vice president of the Fidelity, denies this charge with vehemence. He does not deny that Mr. Gruening made it in good faith, but says he believes the editor has been imposed upon. As for Mr. Braun, he has refused to say anything for publication since writing his letter. The position which he and other large advertisers take is that, although readers may prefer the Evening News to the Express, they still read a Gannett paper, the Press-Herald, of a morning, thus covering their field. The Express has a circulation of 25,000, the combined Gannett daily circulation being about 62,000. The Evening News is soliciting advertising on the basis of 15,000, with the guaranty of a rebate if the forthcoming Audit Bureau of Circulation report does not show that figure. On that basis unquestionably its rate is very moderate. Portland has a population of 75,000 persons, but a trading area of 150,000.

This city, the largest in Maine, is unable to support opposing papers either in the morning or afternoon field, Mr. Gannett told me. I retorted that my town in Kentucky, with 15,000 population, had supported for years two healthy afternoon papers. Mr. Gannett was unmoved. He insisted that under modern conditions economic management required that in a city the size of Portland the daily press should be under a single management. The competition of the Evening News has not cut in either on his circulation or his advertising.

To the contrary, both have greatly increased. His papers are prospering. One might suppose he would welcome the newcomer. Certainly his afternoon paper has been greatly improved in content since the Evening News made its appearance.

Mr. Gruening charges that advertisers who do not use the Evening News get preferred position in Mr. Gannett's papers. This Mr. Gannett does not deny.

Editor and Publisher, an outspoken trade publication, has declared this to be "the ugliest situation we have noted on the newspaper map of the United States in a long time." The editorial in which this statement was made dealt with the utilities boycott; and Mr. Gruening has printed the statement, made to one of his solicitors, of a representative of the Cumberland County Power & Light Co. as follows:

"I am extremely sorry, but my orders are not to give the Portland Evening News a line of advertising. I got those orders from Mr. Gordon. Mr. Gordon gets his orders from Mr. Wyman. Mr. Wyman gets his orders from Mr. Insull. Go to Chicago."

The situation has both its heartening and its amusing aspects. The Evening News has printed scores of indignant letters from its readers, declaring themselves "shocked and amazed" at the boycott, and asserting that the coming of the News was a "godsend." (Any advertiser might well take into consideration that sort of reader-loyalty, built up in a single year—for Mr. Gruening did not make his boycott charge until he had been publishing a year. Loyal readers make a good market; and readers of the Evening News are now proposing a counterboycott against the merchants who do not use that paper.) And there was the case of A. Clifton Getchell. He wrote a letter, extremely derogatory of the News, but gave only a post-office box number; Mr. Gruening demanded that he identify himself before publication of his letter. He did not come forward, so Mr. Gruening printed it anyhow, and answered it. Then a great mystery developed as to who A. Clifton Getchell might be. Could this be the alias of a Power Trust propagandist. A reader suggested that a $25 reward be offered for Mr. Getchell "dead or alive." This the News gravely did. Another thought the reward should be increased to $250, another that 25 cents was a plenty for a man of that caliber. To this day A. Clifton Getchell remains a mystery, discussed with sarcasm and hilarity by many residents of Portland.

One may suppose that the editors of the Gannett papers observed these carryings-on with a certain disquiet. If so, they gave no sign. The Evening News has never been mentioned in their columns, not even when violently assailed in court by the lawyer for a policeman under charges for protecting a disreputable tavern; the charges arose from an Evening News exposé. The Gannett papers had said nothing of these dives, where lumberjacks and sailors are debauched and despoiled.

Yet I would not have you think that Mr. Gannett is a spineless publisher. He once printed, and replied to, a letter from a political candidate who threatened reprisals because the Gannett papers were publishing news about Democratic candidates. And on another occasion, when the son of one of his large advertisers got into trouble, pressure was brought to bear on him to suppress the story. He had no competition then, and if he had consented the story would have been buried. His papers printed the original story and the developments under 8-column banner lines on the first page. If anything, they overplayed it.

There was another occasion worth noting. The fact that the mysterious Continental bonds in the Teapot Dome scandal had been traced at last to Will H. Hays and the Republican National Committee "broke" on February 11, 1928, a Saturday. The Evening News gave the story a great play; the Express ignored it. The next day Mr. Gannett's Sunday Telegram printed an Associated Press story about the Senate committee hearing, but limited it to John D. Rockefeller's statement and the refusal of Colonel Stewart, of the Standard Oil of Indiana, to testify. Not one word about the tracing of the Continental bonds to the Republican National Committee.

Mr. Gannett is a great friend of Will Hays and a former member of the committee. Mrs. Gannett is now a member of it.

Those who read only the Gannett papers may be in ignorance even now of that sinister development in the oil scandal. One begins to perceive the uses of an independent opposition press.

Portland's first newspaper was founded 144 years ago, soon after the town took its present name. At the turn of the last century there were five dailies, three Sunday papers, and several weeklies. Then through mergers and consolidations the daily press shrank into a single management. The same process is going on all over this country, and is one of the most disquieting facts about modern journalism. In 937 cities there is but one newspaper; in scores of cities, such as Springfield, Mass., Rochester, N. Y., and Wilmington, Del., the daily press is in the hands of one person or one family.

The evils inherent in such a situation are manifest. Not only is the selection of news subject to a single interest but there is the possibility of coloring, suppression, or distortion. Editorials know but a single tone. The individual who would voice an opinion in a letter to the editor or from the platform is under the tyranny of a single judgment or whim.

For this deplorable situation the advertiser has been quite as much to blame as the publishers' merger impulse. The advertiser would prefer to cover his market with a single appropriation if he could. This must be taken into consideration in the Portland situation. Undoubtedly there were merchants who resented the presence of a newcomer. If they thought selfishly of nothing but advertising appropriations and not at all of the community's welfare, they may have thought kindly of a boycott. They may have undertaken to label Mr. Gruening—whose management of Robert M. La Follette's presidential publicity campaign is a damning fact in Portland—as a Bolshevist. This tag is a recognized and publicly proclaimed part of the Power Trust propaganda technique, but the power interests have no monopoly of it.

On the train returning from Portland I noted that a man in the smoking compartment was reading the Boston Evening Transcript. I always wonder why anyone reads the Transcript, and so I asked him. Thus we fell into a long and pleasant conversation. The man proved to be a Portlander, a director of the Fidelity Trust, and a friend of the power interests. He scoffed at the notion of an organized boycott against the Evening News.

"And yet I must say," he added, "that the power people have shown very little finesse in fighting the paper. There is the case of the Augusta House, in Augusta. Walter Wyman is the controlling stockholder in that hotel, and he bars the Evening News from the lobby. The only effect is to make people wonder what the News is printing that Wyman doesn't like, so they go outside and buy it." He shook his head, "Very poor finesse!"

SILAS BENT.

Mr. NORRIS. I desire to read, for the benefit of the Senate, a few extracts from Mr. Bent's article. He says:

Until Dr. Ernest Gruening began printing the Evening News, less than two years ago, the newspapers there were dominated by Guy P. Gannett (not to be confused with Frank Gannett, of the Brooklyn Daily Eagle), whose father had founded the family fortune some 30 years ago by the establishment of Comfort, a magazine which now has a circulation of more than a million. Eight years ago the son consolidated the Portland Press and Herald, the surviving morning papers; in August, 1925, he bought the Evening Express and the Sunday Telegram; and he has made a great success financially as their editor and publisher.

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The establishment of the Evening News meant cleavage at this important point. The paper dissents from Gannett's views on many other questions, but this is paramount; for Ernest Gruening's distinguished record as a liberal of courage is incompatible with Power Trust ideals. He launched at once, editorially, into a candid discussion of Insull's attempt to buy a seat in the United States Senate for his man Frank L. Smith, and he greeted the Senate's rejection of Smith with a militant voice of rejoicing. He has exposed the machinations of the power interests at every turn.

* * * * * * *

Mr. Gruening's unsparing analysis shows that the Central Maine Power Co. pays interest on seven varieties of bonds, and dividends on three preferred stocks, two at 6 per cent and one at 7; and that after all this it was able recently to announce a surplus for dividend on its common stock of 19½ per cent.

Let us pause to consider that for a moment. After oiling all the machinery of the various companies, piled one on top of the other almost mountain high, after paying all of the expenses connected with the propaganda which has been going on and which has been exposed here, they paid to the holders of the common stock 19½ per cent.

Mr. President, in the State of Maine there ought to be no home paying more than 2 cents a kilowatt-hour for electricity, just the cost of a line over into Ontario from that State. On the average the domestic consumers are getting their electricity for less than 2 cents a kilowatt-hour. But this concern, with its

tentacles reaching out into every home in the State of Maine, practically, gathering in every city and every village, piling one subsidiary on top of another, paying its share of the expenses of the propaganda, of hundreds of millions of dollars that have been invested in methods of deceiving the people in all other activities—after paying all that, they still paid a dividend of 19½ per cent.

Electricity is made from the natural resources of the country, is developed, handled, and distributed by a corporation that is given the power of eminent domain, that could not exist if it were not for the right given to it by the people, and yet that corporation is charging the people of that great State such an enormous profit that they were able, after paying all these expenses, to pay a dividend of 19½ per cent on the common stock.

It is an outrage, Mr. President; it is a condition of things which, if understood by the people of Maine, would cause them to rise in their might and overthrow this monster which has its chains, almost of human slavery, bound around their limbs. Yet when Gruening comes there, when Gruening establishes the Evening News to give the people the truth, to tell them how they are being deceived, this same Power Trust boycotts him, as I shall show later, tries to drive him out with that weapon known as the boycott, a thing whose very name bears with it a hideous sound and a hideous meaning. He is only trying to earn an honest living in an honest business, in telling the people of Maine the truth, but the trust is attempting to drive him off the face of the earth because they can not control him.

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

Mr. NORRIS. I yield.

Mr. KING. Will the Senator tell us further, before he leaves Doctor Gruening, that they have prohibited him from selling his papers in the hotels there?

Mr. NORRIS. I will mention that in a few minutes.

Mr. KING. I shall not intrude on the Senator.

Mr. NORRIS. I will read further from this article from Mr. Bent:

> It is not difficult to perceive that publications such as these in the metropolis of the State—

He is speaking of the Evening News—

> might prove irritating to the Insulls and their associates. Mr. Gruening charges that through personal influence and banking pressure they have dissuaded the principal merchants—in particular some big department stores—from advertising in the Evening News.

Mr. President, I hope the Federal Trade Commission will go into that. That statement, of course, is denied, but Senators will recognize how difficult it is to prove such a thing. From what I have learned about the matter, I think the proof exists that they went even further than that, that the connections of the trust, through its banking institutions, have called notes against business men who refused to follow their advice and decline to advertise in the Evening News. I read further:

> Mr. Gruening has printed the statement, made to one of his solicitors, of a representative of the Cumberland County Power & Light Co., as follows—

Before I read that quotation let me call attention to the fact that the Cumberland County Power & Light Co. is one of these companies whose names I have read, which is owned, through several subsidiaries, by Mr. Insull, so that it is Insull's company. One could not find a company up there that was not Insull's company. Mr. Gruening, like every enterprising newspaper man, sent his representative to this power company to get some advertising, and this is what the representative of the company told him:

> I am extremely sorry, but my orders are not to give the Portland Evening News a line of advertising. I got those orders from Mr. Gordon. Mr. Gordon gets his orders from Mr. Wyman. Mr. Wyman gets his orders from Mr. Insull. Go to Chicago.

That is the answer.

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

Mr. NORRIS. I yield.

Mr. WALSH of Massachusetts. Has the Senator brought out the opinion of the Portland Evening News as a newspaper?

Mr. NORRIS. Yes; I think I have.

Mr. WALSH of Massachusetts. The Senator has already gone into that?

Mr. NORRIS. Yes.

Mr. WALSH of Massachusetts. That it has been independent politically?

Mr. NORRIS. Yes.

Mr. WALSH of Massachusetts. And has been independent of any financial interest?

Mr. NORRIS. Absolutely.

Mr. WALSH of Massachusetts. And has appeared to be a champion of the public interest on public questions?

Mr. NORRIS. I have no doubt of it. That is perfectly evident.

Mr. WALSH of Massachusetts. That is my judgment.

Mr. NORRIS. The Senator from Utah [Mr. KING] interrupted me a while ago——

Mr. WALSH of Massachusetts. I might say that, so far as I know, the Portland Evening News is the only paper in Maine of that type and character.

Mr. NORRIS. Yes; Insull owns the papers of Maine. The capital of Maine is Augusta. This man Wyman, vice president of one of these power companies connected with the Insull group, the group that controls the papers in that State, owns the largest hotel in Augusta, the capital of the State. Not only have the power interests boycotted the News by refusing to advertise or let anybody else they can control advertise in its columns, but this man Wyman, who owns the largest hotel in Augusta, will not permit the Evening News to be sold by a newsboy in the lobby of his hotel. That is the matter about which the Senator from Utah was inquiring.

Mr. KING. That is the matter to which I referred.

Mr. NORRIS. I do not know how a boycott could be carried further. There is not a place where Mr. Gruening can lay his weary head in the State of Maine where he does not come in contact with the Power Trust, with the Insull interests of Maine; and there is only one way for him to live in that State, and that is by a surrender of his convictions, a discontinuance of the issuing of that paper, of the fight that he is making in behalf of honest government. He has exposed the things to which I have referred, as every honest newspaper ought to do. As far as I know, his is the only paper in Maine that has exposed them. This Power Trust not only compels the advertisers over whom they hold their financial grip to refrain from advertising in the Gruening paper, but they refuse, through their ownership even of hotels, to permit little newsboys to come into the lobby of the hotels and sell that paper.

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

Mr. NORRIS. I yield.

Mr. KING. Perhaps this is not germane to the question the Senator is discussing, but I would like to have his permission to pay tribute to Doctor Gruening, whom I have known for many years. He is a courageous, indefatiguable worker. He is a liberal in the sense that he believes in democracy and in the principles of democracy. He is not bound by any party. He speaks the truth. As a journalist, he has always sought the truth, and has sought to present the truth to the people. I am familiar in part with the opposition which he has encountered in Maine. It is intolerable in a free country, and I am amazed that the State of Maine, with its fine history, with the splendid men who have in the past brought luster to that State, and who bring luster to that State at present, should permit corporations to do as this corporation is doing, injecting itself into the affairs of the State, dominating the public, and acting in such an arbitrary and ruthless manner as this corporation is acting in that State.

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

Mr. NORRIS. I yield.

Mr. WALSH of Massachusetts. Will the Senator permit me to express my approval of and agreement with the statement of the Senator from Utah in respect of Doctor Gruening? He is in every sense of the word a liberal, independent-thinking, high-class newspaper man, and in my judgment has been and is rendering a great public service by the type of newspaper he is printing and editing in the State of Maine.

Mr. NORRIS. Mr. President, of course the testimony of these Senators could be corroborated without limit. Everybody who has known Mr. Gruening, either by reputation or in person, knows that what the Senators have said is true. It is not necessary to agree with Mr. Gruening's ideas in order to have great admiration for his courage, his ability, and his honor. He went into that power-ridden State alone and unarmed, into the city of Portland, to establish a newspaper, and every newspaper man who had investigated would have said there was an opening for an opposition paper in that metropolis of that great State, with only one idea emanating from its morning and its evening papers, owned, edited, and published by the same men; and because Mr. Gruening committed the sin of going in to establish an opposition paper, he has that kind of a fight for the two or three years he has been there to which I have referred, and it is still going on. Every possible influence which ingenuity and the power of money could devise has been brought to bear to drive that man out of the newspaper business.

The Power Trust engaged in the newspaper business, the Power Trust not only buying newspapers but boycotting newspapers that it can not buy and that are not for sale! That is the story in Portland. That is the story of the situation there.

Mr. WALSH of Massachusetts. Mr. President——

Mr. NORRIS. I yield.

Mr. WALSH of Massachusetts. Has the Senator also developed the fact that the Portland Evening News is a Republican newspaper which invariably supports Republican candidates and that the sin it is committing is that it shows independent Republican tendencies and liberal views?

Mr. NORRIS. I had not brought that out, but it is all true.

Mr. WALSH of Massachusetts. It is not a Democratic newspaper in any sense.

Mr. NORRIS. Oh, no. I believe I obtained permission to publish this article in full in the RECORD.

The PRESIDING OFFICER. Permission was granted.

Mr. NORRIS. In the newspaper fraternity, their bible, as I understand it—and there are newspaper men who are doing me the honor of listening to what I say, and if I am wrong I would like to be corrected—is the Editor and Publisher, a trade journal that goes to practically all the newspapers in the United States. It does not engage in newspaper controversies. It has no politics. It is a business institution. It has ever and always defended the honor of the newspaper profession. It has high ideals as to how newspapers should be conducted. Where there is a controversy in a city between two newspapers, it does not participate, and it never mixes in anything of the kind unless it gets so rank that, for the honor and the dignity of the newspaper profession, it deems it necessary to take part.

It took up the Portland situation in an editorial, and I want to read to the Senate what was said in that editorial in the Editor and Publisher. The article is headed Utilities and the Press, and I read as follows:

In our opinion a newspaper does right to carry its case to its readers when it has proof that it is being discriminated against, boycotted by advertisers, under duress of financial powers, because of free exercise of its right to inform readers of public affairs. No other course is open to the honest publisher and editor. Candor concerning a newspaper's affairs on equal terms with those of the affairs of banks, department stores, hotels, railroads, utilities, and other businesses dependent on public support is due the readers. And if the case is just and conduct of the newspaper fair, the policy will win in the long run. It is characteristic of the American citizen to respond to such candor.

Later on it is said:

The Portland situation possesses certain earmarks which unmistakably point to unfair, even despicable, methods to kill a newspaper enterprise. It is no heavy draft on imagination to see the hand of Insull in the picture, even if the News did not openly charge it. For Insull's trusted press agent, Bernard J. Mullaney, of Chicago, has distinct notions about how a recalcitrant newspaper can be brought into line for a public-service corporation. We quote from the testimony adduced by the Federal Trade Commission, with Mullaney credited as the sponsor:

Here is Mr. Mullaney's testimony, which they quoted:

We are trying to promulgate the idea rapidly among the newspapers that public utilities offer a very fertile field for developing regular, prompt-paying customers of their advertising columns. When that idea penetrates the United States, unless human nature has changed, we will have less trouble with the newspapers than we had in the past.

That is the end of the quotation. Now continues the editorial comment of the Editor and Publisher:

That statement has been in the nostrils of newspaper men now for more than a year. The one who is said to have uttered it would, we can well believe, take a similarly sinister attitude toward a newspaper engaged in printing adverse stories and editorials about Insull's power rates in Maine. The knife would turn both ways.

Honest newspaper men everywhere will watch this Portland fight with keen interest, for a great principle is at stake there. It transcends in importance any mere natural rivalry between old established newspapers that want to hold the field to themselves and a newcomer. The advertising system is and must be the foundation rock upon which a newspaper is built. To use it to intimidate truth is as wicked and cowardly a perversion of journalism as has been devised. American newspaper men will not tolerate it.

I ask permission to publish the entire article at this point in my remarks.

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

The article is as follows:

[From the Editor and Publisher The Fourth Estate for February 23, 1929]

UTILITIES AND THE PRESS

In our opinion a newspaper does right to carry its case to its readers when it has proof that it is being discriminated against, boycotted by advertisers, under duress of financial powers, because of free exercise of its right to inform readers of public affairs. No other course is open to the honest publisher and editor. Candor concerning a newspaper's affairs, on equal terms with those of the affairs of banks, department stores, hotels, railroads, utilities, and other businesses dependent on public support, is due the reader. And if the case is just, and conduct of the newspaper fair, the policy will win in the long run. It is characteristic of the American citizen to respond to such candor.

The ugliest situation we have noted on the newspaper map of the United States in a long time is reported from Portland, Me., where Dr. Ernest Gruening and his associates of the Evening News have carried their case of alleged advertising boycott and bank and Insull utility oppression to readers, demanding a show-down. Doctor Gruening writes editorials, couched in direct but courteous terms, frankly telling the people what he is up against. He charges that an advertiser was informed by an official of a local bank that if he used the Evening News for his public announcements the bank would call his notes—indeed, that the advertiser refused to be bullied and the notes were called. If this is not true, the bank might jolly well sue the News for libel, since it can easily be judged that this charge would not sit very happily in the minds of honest citizens. It has not sued. The editor says the head of a large department store refused to use his paper, though he took space in many other papers over the State, because the merchant is a director of the same bank which represents Insull in Maine. Doctor Gruening has been critical of Insull utilities on the ground of alleged excessive rates and financial manipulation. Newspaper men of the country will easily catch the significance of the remark of one advertiser of Portland that he would not permit Doctor Gruening to "black jack" him into advertising in a paper which he did not believe would pay out, though that newspaper has a rate which seems reasonable to us and a circulation which we regard as sizable for the community, since it has been developed from a scratch line in less than two years.

The Portland situation possesses certain earmarks which unmistakably point to unfair, even despicable methods to kill a newspaper enterprise. It is no heavy draft on imagination to see the hand of Insull in the picture, even if the News did not openly charge it. For Insull's trusted press agent, Bernard J. Mullaney, of Chicago, has distinct notions about how a recalcitrant newspaper can be brought into line for a public service corporation. We quote from testimony adduced by the Federal Trade Commission, with Mullaney credited as the sponsor:

"We are trying to promulgate the idea rapidly among the newspapers that public utilities offer a very fertile field for developing regular, prompt-paying customers of their advertising columns. When that idea penetrates the United States, unless human nature has changed, we will have less trouble with the newspapers than we had in the past."

That statement has been in the nostrils of newspaper men now for more than a year. The one who is said to have uttered it would, we can well believe, take a similarly sinister attitude toward a newspaper engaged in printing adverse stories and editorials about Insull power rates in Maine. The knife would turn both ways.

Honest newspaper men everywhere will watch this Portland fight with keen interest, for a great principle is at stake there. It transcends in importance any mere natural rivalry between old-established newspapers that want to hold the field to themselves and a newcomer. The advertising system is and must be the foundation rock upon which a newspaper is built. To use it to intimidate truth is as wicked and cowardly a perversion of journalism as has been devised. American newspaper men will not tolerate it.

Mr. NORRIS. Mr. President, time passes and we can not remain in Portland any longer if we are to make the stops that we have scheduled to make; so we get back into our machine with the eminent specialist at the helm and we start for the city of New York. As we are going along over the country between Portland, Me., and New York, we must necessarily pass over the great State of Connecticut, and as our pilot looks down upon the fertile valleys and fields and prosperous cities of that great State, which he is so ably representing in this body, he becomes homesick. I do not know but what he is a little disgusted with some of us anyway on this trip and whether he is in full sympathy with what we are doing at these various places. Anyway he makes up his mind that he wants to stop off and so, being so courteous that he does not want to interfere with the rest of us going on with the trip, he dons his parachute and gracefully jumps overboard and descends to earth. We watch him as he goes down gracefully, and when he lands, showing that he is uninjured, he waves his hand to us

in farewell and we leave him with his home people, and with a new and much less experienced pilot we pass on to the great financial center of the world.

Mr. McKELLAR. Mr. President, may I ask the Senator if he and his party converted their pilot?

Mr. NORRIS. Oh, no. Our pilot was there simply to conduct the party. I am not claiming that he was in sympathy with the object we had in view in making the inspection trip.

Mr. CARAWAY. Did you not carry a parachute?

Mr. NORRIS. Yes; we carried a parachute, and in this case it was used. [Laughter.]

We have not any particular object in stopping in New York City, except to get a glimpse of the financial headquarters of the world and to get a little more gas and oil and something to eat. While our new pilot is fixing up and getting ready to continue the trip, I want to read to the Senate the simple announcement of what is an ordinary occurrence in the great city of New York. The article from which I am going to read is under a New York date line of April 23 and is speaking of a holding company.

I told you something about the holding companies up in Maine. There are other holding companies. A holding company is a popular thing. If you own a corporation and it is not owned by a corporation, and that corporation is not owned by still another one, and if those corporations do not own seven or eight more, and all in turn are owned by a dozen other corporations, you are not in the corporation business to-day. You have no idea how the Power Trust conducts its business. I now read from the article to which I have referred:

A new holding company, United Power, Gas & Water Corporation, has been organized to acquire not less than 79 per cent of the outstanding class B stock of Federal Water Service Corporations and all of the outstanding class B stock of Peoples Light & Power Corporation it was announced to-day. The new concern will thus own the controlling voting interest in both of those corporations, whose subsidiaries show annual gross earnings of over $22,000,000 and combined assets of approximately $200,000,000.

Let us see how easy it is just to visualize the whole thing:

Through their respective constituent corporations Federal Water Power Service Corporation and Peoples Light & Power Corporation supply electric light and power, artificial and natural gas, and water service in territories having a total estimated population in excess of 2,800,000.

Besides this diversification of public-utility service the various operating subsidiaries of these corporations are located in 21 States and include Great Mountain Power Corporation, New York Water Service Corporation, Alabama Water Service Co., California Water Service Co., Scranton Spring Brake Water Service Co., Arizona Edison Co., West Virginia Power Service Co., and Wisconsin Hydroelectric Co.

Those are the subsidiaries, and one owns the other. The big fish swallows the little fish, and the little fish find that the big fish has swallowed a lot more little fish, and they commence within the belly of the big fish to swallow each other, and it goes on without end. The man who controls the holding corporation, who controls the topstone of the pyramid, controls the whole thing. The people all the way down through are furnishing the sinews of war and the money that is used to deceive them. They are paying for their own deception. They are paying for their own undoing. As was shown in Maine, after all this machinery has been oiled, the stockholders even made a profit in one year of 19.5 per cent.

This article states:

Upon completion of financing to be undertaken in the near future, the oustanding capitalization of United Power Gas & Water Corporation will consist of $4,000,000 5 per cent convertible gold debentures, series due May 1, 1979; 45,000 shares no par value preferred stock, $3 series, with common-stock purchase privilege; and 100,000 shares of no par common stock.

Present financial requirements of the new company have been underwritten by G. L. Ohrstrom & Co. (Inc.)—

That, I think, will be found on investigation to be an Insull company—

and a nation-wide group, and rights to purchase United Power Gas & Water Corporation's common stock have been issued to common-stock holders of Federal Water Service Corporation and People's Light & Power Corporation, while rights to purchase its preferred stock have been given to the holders of preferred stocks of these two companies.

That is just as "plain as mud"; everybody understands it. In order to find to whom one is really paying one's electric-light bill he would have to employ a technical lawyer, and he would have to employ also a lot of technical experts to assist him. Then the chances would be that he would never find the end. That only illustrates, while we are stopping in New York, how these things are handled.

Here is another newspaper item:

UTILITY ISSUES RISE; BIG DEALS ON WAY—SHARES OF PRACTICALLY ALL LEADING COMPANIES ARE IN DEMAND ON EXCHANGES HERE—ALLIED AND UNITED ACTIVE—THEIR NEGOTIATIONS ARE CLOSELY WATCHED BY TRADERS—TRANSIT AND COMMUNICATIONS STOCKS UP

What Wall Street regarded as unmistakable signs of the early conclusions of several public-utility mergers or affiliations of the highest importance brought about a general demand for public-utility shares yesterday, with the result that the common stocks of the leading holding companies rose 2 to 5 points in active trading, the strength in this group stimulating a general recovery of the rest of the market—

And so on. That is from the New York Times of April 12, 1929.

These great combinations when they form new holding companies always bring about a "bulling" of the market, involving profits of millions and millions of dollars without the production of a single thing.

Mr. McKELLAR. Mr. President——

The PRESIDING OFFICER (Mr. CUTTING in the chair). Does the Senator from Nebraska yield to the Senator from Tennessee?

Mr. NORRIS. I yield.

Mr. McKELLAR. Can the Senator from Nebraska give us any information as to whether or not the Federal Trade Commission, in making this investigation, is going to ascertain the names of all the newspapers in the land that are owned or controlled, in whole or in part, by power companies?

Mr. NORRIS. I can not. I have no idea that the commission will ever find out all of them; I do not expect that they will get all the information that it is possible to get.

Mr. McKELLAR. But the Senator thinks that the commission is going to make a very thorough investigation of that question?

Mr. NORRIS. Yes; I think so.

Mr. McKELLAR. I hope it will.

Mr. NORRIS. Mr. President, from an Associated Press dispatch of April 25, reporting action taken by the American Newspaper Association assembled in national convention in New York, I learn that the American Newspaper Association had called to their attention the purchase of the two Boston newspapers by the Power Trust. I will read the news item:

NEW YORK, April 25.—Election of officers and a refusal to adopt a resolution censuring the International Paper Co. for buying up interests in newspapers occupied the American Newspaper Association convention here to-day.

All of the present officers were reelected, including the four directors whose terms expired.

I will omit some of that.

Col. Robert Ewing, of the New Orleans States, launched an attack on the International Paper Co. at this morning's session and introduced a resolution condemning "any paper or power company for buying interests in newspapers." The resolution was amended to include "public utilities, banks, and other outside business interests," but was tabled without a vote.

It was the opinion of the publishers that the invasion of the newspaper field by newsprint companies was a matter for the Federal Government to investigate. Simultaneously with this action an announcement by the Federal Trade Commission in Washington stated that four witnesses had been subpœnaed to testify at a hearing in connection with the reported purchase of two Boston newspapers by the International Paper Co.

Colonel Ewing declared that "any commercial concern could not be fair as both a seller and a purchaser," in his attack on the International Co., and cited instances of purchases or attempts to purchase newspaper interests by that firm.

Mr. President, it is a sad commentary, it seems to me, that the organization which is known as the American Newspaper Association refused to take any action upon the resolution introduced by Colonel Ewing, of New Orleans. He stated a truth that no one can deny when he said that no person and no corporation can at the same time act fairly as a seller and a purchaser. He saw the evil that even from the newspaper point of view itself must eventually bring destruction and ruin to that profession if it does not clean its own house. Here was an attempt by the Power Trust to invade the newspaper field by using money collected from the people to buy outright newspapers, and this association would not condemn it. I take it, if an association of lawyers or doctors had called to their attention a violation of their professional ethics in a way not half so disreputable as this, they would have been excoriated and condemned from one end of the country to the other if they had refused to take any action in condemnation of such conduct.

(At this point Mr. NORRIS yielded to Mr. WALSH of Massachusetts, who suggested the absence of a quorum, and the roll was called.)

Mr. NORRIS. Mr. President, while we are still in New York I want to read part of a letter that I have received from Utica, N. Y., that has a direct bearing upon the connection between some newspapers and the power companies. This letter reads as follows:

For your information I wish to state that William E. Lewis, a director of the Mohawk-Hudson Power Corporation, is a large stockholder in the Utica Daily Press. Mr. C. B. Rogers, who is also on said board of the First Bank & Trust Co. of Utica, N. Y., is also a director of the Mohawk-Hudson Power Corporation and was executor of the will of George E. Dunham, another large stockholder of the Utica Daily Press. I think it would be wise to expose to the public the fact that Mr. Lewis is a stockholder in both the Mohawk-Hudson Power Corporation and also the Utica Daily Press, as surely he has had in the past a large bearing on the management of the Utica Daily Press and has kept it from telling the people of this community the truth. The Press on several occasions has refused to publish articles which I presented which exposed the Power Trust.

The rate case which I am leading against the Utica Gas & Electric Co. is proceeding very satisfactorily—

And so forth.

Now, Mr. President, we have achieved the purpose for which we stopped in New York; and we will leave Wall Street now and start with our plane to the great State of Nebraska.

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

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from New York?

Mr. NORRIS. I yield.

Mr. COPELAND. Does the Senator have the same driver of the plane now?

Mr. NORRIS. Not the one we started with from Washington. But, Mr. President, when we get over the great State of Iowa, where they produce a good share of the foodstuffs of the civilized world, we find our gas getting low. We find that it is necessary to land in the State of Colonel BROOKHART; and while we are there replenishing our tanks with oil we find that the great Power Trust has not forgotten Iowa. It is all accidental that we get this information. We find that, while in Massachusetts and a good many other parts of the country they buy newspapers, out in Iowa they buy men. We pick up the Des Moines Register, and we find there that over in Fort Dodge they have had a grand-jury investigation, and this is the report of it:

The Webster County grand jury Friday returned 20 indictments against the Fort Dodge Gas & Electric Co. on charges of making illegal expenditures in the campaign preceding the reelection of Mayor C. V. Findlay and Commissioners W. F. Hohn and J. J. Brennan to the city council March 25.

No true bills were voted against individuals. The grand jury reported to Judge Sherwood A. Clock, bringing to a close a 3-weeks' investigation in which more than 125 witnesses were called, one of whom, Frank Crosby, of Fort Dodge, was ordered to jail for refusing to testify. County Attorney John E. Mulroney and D. M. Kelleher, appointed to assist him by the board of supervisors, directed the probe.

CHARGE VOTE BUYING

Each indictment charges the Fort Dodge Gas & Electric Co. with "the crime of giving and contributing money, labor, and things of value for political purposes and campaign expenses to and for the benefit of candidates for public offices in violation of the Iowa statutes regulating election funds."

County Attorney John E. Mulroney announced that the grand jury had unearthed expenditures of between $2,000 and $3,000. Payments for election services were traced to more than 50 persons, he said, the amounts ranging from $5 to $100. The utility company is subject to a maximum fine of $1,000 on each indictment, a total of $20,000.

PROBE ORDERED BY JUDGE

Trial of the cases will probably take place next fall.

The investigation was ordered by Judge Sherwood A. Clock after a committee had appeared before the board of supervisors with the complaint that the Fort Dodge Gas & Electric Co. had spent "large sums" to defeat John M. Schaupp, candidate for mayor on a platform of lower electric-light rates.

The utility company was not represented when the grand jury reported. It will receive formal notification of the indictments within the next few days.

Mr. BROOKHART. Mr. President——

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

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

Mr. BROOKHART. That is an important little matter in the history of the public utilities in Iowa; but they have had such a powerful control of the legislature of the State that it has been impossible to pass a public-utility law or create a public-utility commission that would really regulate. A few years ago they had such control that they passed a law of their own that exactly suited them. It reached Gov. Nathan E. Kendall, whom, I think, the Senator knew in the lower House of Congress, and he vetoed the bill; and but for that we would be ruled by a public-utility law framed by the public-utility companies themselves.

Mr. NORRIS. Mr. President, this only demonstrates that, as I have said many times, the Power Trust does not forget anything. They are not above looking after the little baby in the cradle. They take care of everybody. They follow everybody. They mix up in village elections as well as national elections. They not only buy great newspapers in Boston and other parts of the country but they come out into Iowa and they buy men who are running for village elections, for councilmen in a city council, in order to defeat the man who stands on a platform of lower electric-light rates. They go into every kind of activity, according to the very nature of the activity itself. If it is a metropolitan newspaper, they undertake to devise ways and means by which they can buy it. If it is a little country newspaper, they go into a local utility to get it. When they want to hire a lawyer, if he has a special purpose, if it is for a particular use, some particular individual that they want to control, they take the lawyer that they think can exercise that control, although he may have no ability as a lawyer.

This was well illustrated, Mr. President, when the resolution of the Senator from Montana [Mr. WALSH] was before the Interstate Commerce Committee of the Senate. The Power Trust were fighting it. They had raised a fund of $400,000 to be used in Washington, and one of the objects was to beat Muscle Shoals. Another one was to beat the Boulder Canyon Dam bill. Another one was to defeat the resolution itself, or at least to provide that the investigation should not be made by a Senate committee, and so they hired lawyers. You will remember that that is when they employed ex-Senator Lenroot, who had served in this body for about 10 years.

Did they hire him because he was a lawyer? Why, God bless you, no! They knew he was not a lawyer. They had good lawyers of their own. They had another reason for hiring him. As a matter of fact, ex-Senator Lenroot up to the time he left this body never tried a real lawsuit in his life. He was not admitted to practice before the supreme court of his own State. They were not looking for a lawyer. They were looking for an ex-Senator; and so they selected him, and they paid him a fee of $20,000, so the evidence before the Federal Trade Commission shows.

His activities as a Senator had been fought out before the people of Wisconsin. They converted him into a lame duck. The Power Trust were willing to contribute a $20,000 fee for a man who had never tried a lawsuit because they thought that might influence some United States Senators. Incidentally, they never forget their friends. That is one thing that is commendable in them.

Later on, in the preconvention fight at Kansas City, Mr. Lenroot did valiant service for Mr. Hoover, and now we find him ascending the bench, putting on judicial robes, to hold a job for life at $12,000 a year, not because he is a lawyer but because he has the favor not only of the Power Trust but of the great political powers in his own party. With $20,000 jingling in his pockets, he mounts the bench to preside as a judge as long as he lives, or at his option, after 10 years of service, to retire and still draw the salary for life.

I hope that the time will come, I hope to God it will come soon, when men high in official life, when a President of the United States, will not undertake to pay private political debts by elevating men to judicial positions for life.

Mr. President, having replenished our supply of gas, we hop over the Missouri River and come down in the great State of Nebraska. We find that the legislature adjourned just a short time ago, and that during that session of the legislature one of the principal things at issue was a power proposition, in which the Power Trust took an active part. I have a letter from a friend of mine in Nebraska, a man who has lived in that State nearly all his life and is now an old man, a man who has always taken an active interest in the political affairs of his State, a high-minded, patriotic, courageous, and able man. I want to read some extracts from a letter which recently reached me from him, but before I read I want to state what the issue was. Similar issues exist in other States.

A municipally owned electric-light plant can not extend its lines or do any business outside of the limits of the corporation in which it is located. A private company supplying a municipality is not thus limited. It can extend its lines out as far as it pleases and whenever it pleases. So the municipalities of

the State which owned their own electric-light plants and were operating them had a meeting, drew some bills, and went before the legislature. The principal thing they asked of the legislature was that they should permit a municipality operating an electric-light plant to extend its lines beyond the city limits if the farmers beyond the city limits desired to have that done and wanted to get the service.

That looks like a simple proposition. It would seem that no fair-minded man would oppose that kind of a program. Here is a municipality supplying its people with electric light. Just across the road, but outside the city limits, lives a farmer who wants electric light in his house, who wants some power facilities, who wants electricity for power to fill his silo, or wants to grind some of his feed for his hogs or his cattle by electricity, who wants to light his house, who wants to churn his butter, who wants to enable his wife to wash the clothes by electricity, and perhaps who wants to give his wife the benefit of an electric range. Less than a hundred feet away is the power, and the people who have the power want to sell it to him, and he wants to take it. Why in the name of God should it be prohibited by law? That is what the municipalities asked, that is what the farmers outside of the municipalities asked, and you would think they would get it by the unanimous vote of the legislature; but not so. They were defeated. The power influences were too great. I will read now, what my friend says in his letter:

Our legislature has adjourned. * * * Municipal bills were all killed but one and it was amended so it was worthless.

After making several definite charges as to what was done, he says:

The largest and strongest power lobby ever known was there and it is wholly responsible for the disgrace. It was plain and perfectly obvious to everybody. I am anxious to see what the State at large will think of it. Strange, the power lobby and university lobby pulled together all through. They helped each other openly.

Mr. President, I noticed, just after the legislature adjourned, that a division of the Power Trust had a meeting in that great State, at Omaha, and they boasted of their bosses. They were not the ones, of course, who bought the Boston Herald and Traveler, and who sent traveling men all over the country to buy newspapers. Their domain was somewhat circumscribed, but they had a meeting and boasted of the activity of their bosses.

I read now from a newspaper account:

"No apology should be made for any acts of the Power Trust as disclosed by the Federal Trade Commission's power investigation," Thorne A. Browne, managing director of the Middle West division of the National Electric Light Association, declared at the closing session of the annual convention.

Mr. Browne said no apology should be made. He is not ashamed of all these activities, which bring the blush of shame to many an honest newspaper man, and every patriotic citizen who is dumfounded and almost breathless at the daily disclosures that come from the Federal Trade Commission investigation. Mr. Browne said:

A careful perusal of all the testimony before the Federal commission, not only of witnesses from the Middle West but from many sections of the country, has not disclosed anything for which an apology should be made.

That is the statement of their representative in the State of Nebraska, Mr. Browne, managing director of the Middle West division of the National Electric Light Association. If these men can not be shamed by the disclosures that have been made, then they are proof against disgrace and shame, no matter where they may go or what they may find.

Unfair inferences—

He says—

were made both in the examination of witnesses from the Middle West and in newspaper accounts of the testimony.

The stand followed statements Thursday afternoon to the effect that electric-light organizations in the Middle West were still "keeping in close touch" with educational institutions, and that in Iowa the distribution of public-utility bulletins and booklets, exposed during the Federal Trade Commission inquiry, is still going on.

Notwithstanding these disclosures, they are continuing along the same line and are boasting of it out in the great city of Omaha. There was another speaker at that meeting. I read:

We are keeping in close touch with educational institutions—

Said Mr. Chubb.

During the public relations meeting Clarence A. Davis, former attorney general of Nebraska, explained the nature of the bills affecting public utilities introduced in the 1929 Nebraska legislative session.

That is another instance where they employed an ex-official. Mr. Davis was one of their representatives before the legislative committees, I take it from this, and he came before this meeting and explained to them how they beat the bills. He used to be attorney general. That is the kind of fellows they employ. I think that is the reason they employed him. Here is a quotation:

"Only one of these bills of any importance was passed," said Mr. Davis.

"The most complete municipal ownership program proposed in Nebraska since the war was offered to the Nebraska Legislature."

Davis declared several very unfair bills had been proposed in Nebraska, but that the utilities were able to beat all of them.

That is how they handle the legislatures. Let me read some more of what occurred at this meeting. There was a man at the meeting who attacked the newspapers and magazines which gave publicity to municipal-ownership reports. He termed them "bunk bulletins," and coupled them with demagogic politicians and socialists. That is the old cry. That is what they said over in Illinois when Insull was running things over there. When they want to beat a man and they can not find anything against him except that he is against the Power Trust, they say, "Don't say anything about the Power Trust, but call him a Bolshevik; call him a socialist." That is what they have done, and that is what this man is still doing—attacking newspapers. If this man had lived in Maine he would have helped boycott the Portland Evening News. He would fight any newspaper that dared to publish the truth. He attacked newspapers and magazines which gave publicity to municipal-ownership reports. That is part of the Power Trust activities. That is part of the newspaper propaganda. While we are exposing their tricks in the East they are uniting for additional warfare along the same lines in the West.

The principal man they have there is this man Browne, a very fine gentleman. I have not anything in the world against him. He is a man of ability. But let us see who he was. Let us see how they happened to get him as their representative.

It will be remembered that Mr. Browne is the managing director of the Middle West division of the National Electric Light Association. He used to be on the Railroad Commission of Nebraska. He was defeated for renomination in the Republican primary mainly because of his propower inclinations. When he was defeated, what happened to him? The Power Trust gave him a better job than he lost, just the same as Lenroot. When Lenroot was defeated by the patriotic people of Wisconsin for renomination, after working a little bit down South and getting a lot of colored delegates to come across and support Hoover, he was given a better job than the people of Wisconsin took away from him. That is the way these things go.

I want to read from another letter telling something about Mr. Browne and his connection with the Power Trust. Here is a letter that was written November 13, 1928, in which it is said:

Mr. Thorne A. Browne was a candidate in the Nebraska primary election in the summer of 1925 for the nomination for State railway commissioner—

They have charge of electric-light rates—

to succeed himself. He was opposed by Mr. John Miller—

Miller is another Republican, and this was the Republican—

who was recognizedly very poorly equipped for the position. The utility people naturally supported Browne. There was some talk started about furnishing him with a campaign fund, and I was asked to inquire about how much he would need. Commissioner Taylor—

Another member of the commission—

had lately gone through a campaign, and I asked him about it, and we decided that $800 or $1,000 would be a substantial help. We also thought that Taylor should handle the fund.

Incidentally Taylor is now working for the railroads, a very fine man, a very able man, but he tried to be appointed to the Interstate Commerce Commission down here in Washington, and because he could not get the support of either one of the Nebraska Senators the thing went by the wayside. When he could not be put on the Interstate Commerce Commission in Washington, the railroads picked him up and gave him a better job than he had on the Nebraska Railway Commission, and he is there now. I presume they would rather have had him on the Interstate Commerce Commission, but if they could not get him there they would take him where they paid him a regular salary. All this is said without any criticism of Mr. Taylor. As I said, he is an able man and, I think, conscientious in his belief. But it is pretty hard for him to discover that a big

corporation like a public utility or railroad company can ever do anything wrong.

Mr. HEFLIN. Mr. President, I take it that, as Paul said, a man in his environment had good influence.

Mr. NORRIS. A great deal.

Mr. WHEELER. Mr. President——

The PRESIDING OFFICER (Mr. NYE in the chair). Does the Senator from Nebraska yield to the Senator from Montana?

Mr. NORRIS. I yield.

Mr. WHEELER. It is not only true with reference to the State railroad commission but it has also come to be true with the national organization by their putting directors of railroads on the Interstate Commerce Commission. When they are appointed, the next day after they are confirmed of course they resign from the directorship. If they can not have a director on the railroad appointed on the commission then they put on a bondholder, and if they can not get a bondholder on the commission, if they can not get away with that, they put some ex-officer of a railroad on the Interstate Commerce Commission with a view of having him fix the rates and valuation of the railroads for the people of the country. We have had at least three illustrations of that in the last two or three years during the Coolidge administration.

Mr. NORRIS. I thank the Senator from Montana.

We are trying to find out who this man Thorne Browne was and what his connection was, this fellow who spoke at the meeting in Omaha and who boasted of everything the Power Trust had ever done and that they were going to keep on doing the same thing:

Following this conclusion there was a meeting in Omaha of the electric light, gas, telephone, and possibly street-car interests, and at least two steam-railway companies were represented.

Remember, Browne is running for renomination and he has opposition.

The matter was discussed and acted on favorably. I was not at the meeting and do not know how much money was raised. A gentleman who was there told me that there was a scramble among the attorneys representing the various interests to be the messenger who would deliver the funds to Mr. Browne personally. After Mr. Browne was defeated in the primaries the utilities furnished the money to finance Mr. Miller's campaign.

The man they had fought they are now supporting because they think he is not as good as Browne, but he is still better than the Democratic candidate, so they go into the election campaign and there they win.

After Mr. Browne was defeated in the primaries the utilities furnished the money to finance Mr. Miller's campaign against Floyd Bollen, who was the Democratic nominee. Mr. Miller was elected and has, I believe, paid back the money advanced to him. I give him credit, however, for not knowing who actually furnished the money, which was handled by a very intimate friend of mine.

Mr. President, sometimes as in this case they did not like the man they supported, but it was because they disliked the other fellow more that they supported the man whom they had fought in the primaries. Incidentally and in passing, while it has not anything to do with the question I am discussing, I want to state that no man can blame Mr. Miller. As this writer says he never did know that the utilities furnished the money to support him. What they were trying to do was to beat the other fellow, and they did it.

Here is another letter from the same individual in which he said in part:

For a year and a half I have not had the remotest connection with the electric industry, except that I have accepted employment for certain fees or on a per diem basis. I was secretary and publicity director for nearly eight years for the electric-light industry until a committee called upon me to say that Former Railway Commissioner Thorne A. Browne, who had been defeated for reelection, had been employed to take over my work.

So without notice to their former director they take care of their friend after the people had defeated him.

Here is another letter bearing on it. This letter was written by Horace M. Davis, and it was brought out at the Federal Trade Commission investigation, in which he refers to the same thing. The letter is dated at Lincoln, Nebr., August 11, 1923, and reads:

This will acknowledge the file of correspondence with universities and colleges about textbooks for utility studies. I have not waded through it yet, but have touched the high spots and will go into it more completely. Thanks for your thoughtfulness, and I will be glad to bring the matter, as you suggest, to the attention of my committee which will not meet until September 25.

One of our State university professors, Kirchman, of the College of Business Administration, is writing a work, under contract with Shaw Publishing Co., on investments. He is now ready for a chapter on public utilities and came to see me. We spent a couple of hours to-day, and I was able to furnish him with some literature that he considers "pat." He said that he is trying to write the text in such a way that it will fit into his own needs in the classroom. Either he is stringing me or he is undertaking to see things as we would have him see them. I had never heard of him before, but will undertake to get a "close-up" on him and learn his antecedents and what influences may be back of his writing.

In the meantime, if you have any suggestions I will be glad to have them. I pointed out "regulation," "customer ownership," and "capitalization—without reduction" as salient features for his chapter on utilities.

That letter, as I said, was signed by Horace M. Davis. He was the recognized man there whom they had put out in order to put Thorne Browne in, whom the people had defeated, and while he lost his job, as the testimony before the Federal Trade Commission shows, they are still paying him considerable sums of money for extra help.

Here is something else that came out about the Nebraska situation before the Federal Trade Commission. All these things, we must remember, the power people are now proud of. They are boasting about them already among themselves, how they controlled the legislature and how they beat the municipalities. I read:

A statement that he had been told that Nebraska utility companies had contributed in 1926 primary campaigns of Thorne Browne, who unsuccessfully sought reelection to the State railway commission, was made in the Federal Trade Commission's utilities investigation to-day by Horace M. Davis, of Lincoln, Nebr.

Davis, after previous refusals to answer, named F. E. Helvey, secretary of the Insurance Federation of Nebraska, as the man who gave him the information.

Helvey afterwards denied it.

He identified Helvey to-day only upon the insistence of Commissioner McCulloch, presiding, after questions by Robert E. Healy, commission counsel, were ignored.

A letter of May 5, 1927, from Davis to John N. Coadby, secretary of the Wisconsin Utilities Association, was introduced in reference to the Browne defeat.

That is the same Browne, who is now their representative, who now holds Davis's job and who made the speech from which I quoted earlier in my remarks. Here is the letter:

"Our people were particularly interested in him," Davis wrote, "and lost immeasurably in his defeat."

He is speaking of Browne.

They figured they owed him something—true enough. He is a judge, a philosopher, methodical, studious, impelling in personality, opinionated, and naturally executive.

That is what Davis wrote about Thorne Brown.

Healy wanted to know why Davis wrote that the untility interests felt they owed Browne something, and the witness said this was because they felt Browne had been satisfactory to them in dealing with matters which they had before the railway commission.

Davis's letter continues:

Our company executives have an unconscious feeling that they want some supermen to study Muscle Shoals, Boulder Dam, and other such big matters and tell the executives what to think so that they will have more time to golf and play hooky. Mr. Browne is the very boy to do that for 'em.

Mr. WALSH of Montana. Mr. President, what kind of a man did they say they wanted?

Mr. NORRIS. They wanted a man to tell them how to think.

Mr. WALSH of Montana. No; the Senator read something about "unconscious."

Mr. NORRIS. I will read it again. Mr. Davis's letter continues:

Our company executives have an unconscious feeling that they want some superman to study Muscle Shoals, Boulder Dam, and other such big matters and tell the executives what to think, so that they will have more time to golf and play hooky.

Mr. WALSH of Montana. Did they not use the wrong word there? Was not the word which they should have used "unconscionable," not "unconscious"?

Mr. NORRIS. The Senator may be right about it.

Mr. WHEELER. Mr. President, I will say to the Senator from Nebraska they could have come out to Montana and taken

some of our railroad commissioners and have accomplished substantially the same purpose.

Mr. NORRIS. I have no doubt of it. The letter continues:

Mr. Browne is the very boy to do that for 'em. When Browne was offered a good place at Washington and threatened to go, our men engaged him instanter.

He was a "lame duck," one of those whom the Republican electors had defeated for renomination for the position, mainly because, as I have before stated, of his inclination to favor public utilities and the railroads.

Mr. WHEELER. May I inquire of the Senator from Nebraska whether or not he is a lawyer?

Mr. NORRIS. I do not know.

Mr. WHEELER. I was going to say that if he is, there might be some more judgeships down in Washington to which he could be appointed.

Mr. NORRIS. At the present time, as the Senator knows, Mr. Browne has a job, though what the Senator suggests may be necessary later.

Mr. WHEELER. They may not want to keep him on the payroll all the time, and when they get through with him on the pay roll they may want to get him a Federal job.

Mr. NORRIS. That may be so, but the difficulty in that respect is, I will say to my friend from Montana, that the people have made so many "lame ducks" it is pretty hard for those in power here to find places for all of them, but they are doing the best they can. Give them time and they will get all the "lame ducks" jobs after a while.

Mr. WHEELER. It has been suggested to me that it is not necessary for this man to be a lawyer in order to be appointed a Federal judge.

Mr. NORRIS. I think it may be necessary for us to change the requirements for office, for at a meeting where, of course, I shall not dare disclose what happened, we heard it argued by the greatest lawyers in this body that to be a good judge one never ought to have tried a lawsuit.

Mr. McKELLAR. Mr. President, if the Senator from Nebraska will permit me to interrupt him, I desire to suggest that to be eligible to appointment to a judgeship it would be necessary for the applicant to have obtained a license somehow in same way at some time.

Mr. NORRIS. Yes.

Mr. WHEELER. But he could get a license to practice in the Supreme Court apparently without being a member of the bar of the supreme court in his own State.

Mr. NORRIS. Let me read the last sentence again:

When Browne was offered a good place in Washington and threatened to go our men engaged him instanter, but without thinking just what they would do with him. You can see the logical result. They looked upon him as a judge and upon me as a secretary, a hired man. I can not bring myself to the point of working under Browne. I will work with him—he and I have been the best of personal friends for 20 years—but I can scarcely become a clerk.

Another letter introduced, written in May, 1924, by Davis to A. Flor, Electric Bond & Share Co., New York, outlined the work being done by the Nebraska utility-information committee at that time:

We have had a very high-class lecture course at the Nebraska University—

It said—

with such men as Martin Insull, Major Forward, Dean Raymond, of Iowa State University, Carl Jackson, L. O. Ripley, H. L. and M. H. Aylesworth among the speakers. We can't ring up receipts in the cash register for such efforts, but there are reasons to believe that the profession is dignified by contact between such authorities and university people.

We are very averse to brass-band methods, and not a small part of our success is due to personal contact with such organizations as State bankers, State manufacturers' associations, insurance groups, good-roads organizations, State teacher association, and the State press associations, and others.

That, it would seem, would be almost enough. That shows their methods, and every student knows, from the investigation that has been going on, that recent activities in the purchase of newspapers for millions and millions of dollars are only incidents in the great propaganda fight which the power interests have been making all along the line.

Let me read on:

We undertake to keep an eye open to happenings at the State house, and are measurably in touch with developments in the political organizations. We are knee-deep in a survey of the forthcoming legislators and can venture something of an appraisement of the issues to be met and the temper of the body.

From the letter which I read awhile ago it is quite evident that they looked after the last legislature as well as the preceding ones.

Davis testified that the utility companies had financed the sending out of a questionnaire by O. O. Buck, secretary of the Nebraska Press Association, to newspaper editors.

Think of that!

The article states:

Davis testified that the utility companies had financed the sending out of a questionnaire by O. O. Buck, secretary of the Nebraska Press Association, to newspaper editors. One introduced into evidence was signed by John Berney, of the Bartlett Independent, which answered an inquiry whether public ownership of utilities was as profitable for newspapers as private ownership in the negative.

That was one of the questions that would call at once to the attention of the editors of the various newspapers the financial point. Do you get the most money from the private company operating the utility in your town or from the municipality operating it? In other words, the power interests are great advertisers, and the secretary of the Nebraska Press Association, in his questionnaire, was able to call that fact to the attention of all the newspapers of the State. They did not know that the expense was paid by the Power Trust, but it was.

Although his official connection with the N. E. L. A. (National Electric Light Association) in Nebraska has been severed, Davis testified that he still receives an average of $150 a month in connection with the preparation of digests of State news for circulation in its bulletin.

So, while they took Brown into their arms and gave him a fat job as soon as the people defeated him for reelection, Horace Davis, although he lost his job, still gets $150 a month, and that will keep the wolf away out in Nebraska. It might not go far in Washington or New York City or Boston, where the Power Trust offers $20,000,000 for a newspaper, but it will go quite a ways out in the short-grass country.

Earlier in the hearing to-day Davis declared his organization had ceased distribution of pamphlets and publicity releases last spring.

Earlier in the investigation testimony was given to show that the joint committee had played a major part in activity against the adoption of the Walsh Senate resolution, which ordered the present inquiry, and that much of this was handled through publicity channels. Testimony also was given that more than $400,000 had been spent in connection with the work, some of it going to widely known men who opposed the resolution.

Davis said the joint committee still issues bulletins periodically, but that they are not sent to newspapers. He testified that issuance of publicity matter had tapered off gradually until it was discontinued entirely last March or April. Negotiations are now under way, however, he added, to get out publicity releases about the commission's investigation.

Commissioner McCulloch inquired whether these would relate only to the inquiry, and the witness assented. He said there was no thought of reviewing the past and that the material would be solely in connection with future hearings when the financial phase, as ordered by the Walsh resolution, is to be gone into.

* * * * * * *

Only after a warning by Commissioner McCulloch, presiding, that steps would be taken to compel him to answer, did Davis give the name of a man he said had first-hand knowledge of the Browne campaign?

* * * * * * *

Browne for eight years was a member of the railway commission, which regulates issues and transmission-line construction by the power companies. It was during a Republican primary in 1926, when Browne failed of renomination, that Davis said he "heard" of money being put up by utility men—

And so on.

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

Mr. NORRIS. I yield.

Mr. WHEELER. I was just examining the resolution which was adopted by the Senate requiring the Federal Trade Commission to conduct the investigation. I notice that on page 3 it reads as follows:

The commission is further empowered to inquire and report whether, and to what extent, such corporations or any of the officers thereof or anyone in their behalf or in behalf of any organization of which any such corporation may be a member, through the expenditure of money or through the control of the avenues of publicity, have made any and

what effort to influence or control public opinion on account of municipal or public ownership of the means by which power is developed and electrical energy is generated and distributed, or since 1923 to influence or control elections: *Provided*, That the elections herein referred to shall be limited to the elections of President, Vice President, and Members of the United States Senate.

Since the passage of this resolution I have noticed that the commission has been inquiring into various newspapers that have been bought and owned by some of the public-utility corporations. I am wondering if the Senator can tell me whether or not the commission intends to go into the ownership of all of the newspapers, whether they are owned directly by the utilities, or whether they are owned not only directly but indirectly—say by corporations or the directors of corporations that are associated with public utilities.

Mr. NORRIS. Mr. President, the commission, of course, are limited in the scope of their investigation by the resolution under which they are acting. I have not looked at that resolution recently, but from my recollection of it I should say that they would not be authorized to make an investigation per se of the ownership of newspapers. The only place where they would be able to take up that question would be where there was evidence to show that power companies had something to do, either directly or indirectly, with the ownership of those papers.

Mr. WHEELER. I should gather, from the investigation that has already been made, that the power interests are so interwoven with many other great corporations that it would be difficult to tell whether or not many of the newspapers of the country were owned partly or whether they were not owned partly by power interests; and I was wondering if the Federal Trade Commission would not go into practically all of the newspapers of the country to determine just what money, if any, was invested in those newspapers by power companies.

Mr. NORRIS. I should think perhaps it would require additional authority if they undertook to do that.

Mr. WHEELER. It struck me that under this resolution, as I read it, they really could inquire of every newspaper in the country as to whether or not the power companies had any interest in that paper, or whether or not any corporation which was affiliated with a power company had any interest in the newspaper.

Mr. NORRIS. They certainly have a right to get that evidence, I think, under the existing resolution. I do not have any doubt of that, as I remember it; but I do not know how far the investigation is to go. I suppose that as long as these leads are coming out the commission will not stop until they get to the end of it. They certainly have done a great work. They certainly are entitled to a great deal of credit, I think, for the masterful way in which they have handled the matter; and it is quite evident that they are far from the end.

Here is a letter that came out in the investigation, written to Carol B. Jackson. He was an attorney for one of these light corporations. The letter says:

> It has a certain psychological value, in fact a very definite one, of having little Billy Smith's stock in the name of little Billy. Billy's dad is much less apt to forget that he intended the stock for him and hesitates to sell or mortgage it. The fact that it is in the child's name puts a certain sentiment behind it.

That is in their propaganda to induce parents to buy stock in the Power Trust for their babies, for their little children, for the psychological effect it may have upon the parents; and if the child grows to manhood or womanhood, and still owns the stock it may perhaps have an influence upon his or her activity, even in the political field. They forget nothing. They are handling our children as well as they are handling us. They are laying the foundation for the complete ownership of the United States. They are letting no stone go unturned.

The suggestion was made by one of the Senators some time ago that they would go into the broadcasting business. Why, Mr. President, they are already in the broadcasting business. This man Aylesworth, whose name figured prominently all through this investigation, is the head of the National Broadcasting Co. That is the company that is controlling, more than any other one, the air we breathe. Not only the water that God has given us, but the air that we must breathe, unless we in some way call a halt, will soon be within the control—yes; within the ownership—of the Power Trust! We will not dare or be able to breathe without their consent. In other words, we will be slaves. There is not any other explanation of it. They own the air, and the earth, and the water on the earth. What, for God's sake, are the people going to do except be subservient to that kind of a master?

Mr. President, let us get into our machine again. We have seen what they have done in Nebraska. We have seen how they handled the legislature. We have read the testimony of the man who handled the legislature a couple of years ago. We have read the testimony of Mr. Clarence Davis, ex-attorney general of the State of Nebraska, telling how, through his manipulations, the Power Trust succeeded in defeating every power bill in the legislature. They made it impossible for a municipality to supply a farmer across the street with a single kilowatt of electricity. If you are outside of a municipality, you must pay tribute to the Power Trust if you have an electric light in your house.

No farmer in the State is able to have his house lighted, is able to have any machinery about his farm of an electrical nature, is able to permit his wife to have an electric churn or toaster, or even an electric fan to cool the hot kitchen, or an electric stove, or an electric iron, or an electric washer, without first paying tribute to the Power Trust.

There is a municipality just across the road ready to give it to you practically at cost; but no! The Power Trust is so big that in this great State of Nebraska, that is supposed to be free and supposed to be progressive, if you are outside of a municipality, as all farmers are, you can not have a kilowatt unless you contribute to the Power Trust; and here comes their ex-attorney general boasting how he beat them. Here comes their ex-railway commissioner boasting how he beat them for the Power Trust, and here come the letters showing who furnished the money when the campaign was on.

Mr. President, I wonder how long a free people of that kind are going to suffer in silence. How long are they going to permit their legislature to be manipulated and controlled by power men who boast of it afterwards?

Well, we are in the machine again. We are going to take a long jump, because I have to hurry on. I had some stops arranged, but under the circumstances we will put in an extra supply of gas and we will go clear to Los Angeles.

Mr. NYE. Mr. President——

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

Mr. NYE. The Senator speaks of putting in an extra supply of gas. Is that at the Iowa stop?

Mr. NORRIS. It is at the Nebraska stop that we are doing that. We have gone out of Iowa.

Mr. NYE. But that was where the Senator replenished his supply of gas, as I recall.

Mr. NORRIS. Yes. We get some more in Lincoln, Nebr., where they have a municipally owned supply station. We get it at several cents cheaper than you get it here.

Mr. NYE. What assurance has the Senator that this Iowa supply is going to carry him through? Might it not easily be that it is pseudo-gas that the Senator got in Iowa? [Laughter.]

Mr. NORRIS. Yes; but I have learned from my experience here that pseudo-gas is the best gas there is. If you want something to explode real well, even a Senator, just say "pseudo" to him, and you touch him off at once. [Laughter.] I think a great deal of pseudo-gas. It is working first-rate on this trip.

But now, Mr. President, here is a night letter from Los Angeles. I know the man who sends it, and yet I can not give his name. In the case of some of these other letters I have not given the names, because when I tell you the story of how they went after Gruening in Portland, Me., and boycotted him and did everything they could to injure him, you will realize how a man almost takes his life in his hands when he tells the truth about this gigantic monopoly.

Some time ago, a year or so ago, I had something to say on the floor of the Senate about Colonel Copley and the Illinois situation, and it was investigated by the Federal Trade Commission upon his request. This night letter says:

> Federal Trade Commission only skimmed Copley matter in its short investigation last spring. It did bring out that Copley still has about $5,000,000 of security holdings in Insull companies, and that shortly after he sold control of his own companies to Insull he started buying papers, apparently with this Insull money. He paid $3,000,000 for the San Diego papers, and floated a bond issue of $3,200,000 to pay for them. Bond issue handled by W. W. Armstrong & Co., of Aurora, Ill. That bond house is regional distributor for Utilities Securities Co., which is Insull security marketing concern.
>
> Copley's attorney told Federal Trade Commission last April that the $5,000,000 had been "overlooked" by Copley, who did not consider stock holdings a business connection when he stated in the San Diego Tribune that he had "no connection with any public utilities anywhere." Think commission should reopen case, subpœna Copley, and question him about all money transactions, bank loans, and sources of funds for either temporary or permanent use in purchasing newspapers.

Should also subpœna records of Copley Press (Inc.) and records of W. W. Armstrong & Co., and find names of purchasers of the bonds and present holders. In that way they probably can clear up question as to whether power crowd have any direct control with Copley in addition to present proven close association.

Mr. President, it was peculiar that Colonel Copley just overlooked $5,000,000 when he was making professions that he had no interest in these great corporations. It is peculiar also that when he issued bonds on the strength of his newspaper purchases in California those bonds should be handled in Aurora, Ill. A California bond can be handled better in California than in Aurora, Ill. Aurora, Ill., compared with Los Angeles, is just a country village. Yet he brought them back there to be handled. Incidentally it developed that this corporation which handles them is an Insull company, and he operates in Aurora, Ill. That is worthy of investigation. I think the Federal Trade Commission ought to follow this suggestion and go to the bottom of it.

In an article by Mr. Ramsey, republished in the Capital Times, Madison, Wis., which is the paper from which I am reading, it is said:

Electric power companies poured out $664,000 for propaganda and other measures to influence California voters against State development and operation of public-utility plants, the Federal Trade Commission learned yesterday.

* * * * * * *

The records showed that the greatest battle was fought out in 1922. Heading the forces opposed to State development of water supply and electric plants were the Greater California League—

What a beautiful name!—

and the People's Economy League.

Another beautiful name, representing the Power Trust.

Each of these organizations, the records showed, was the power companies in a false face.

There might be for some of these things some excuse if they were done openly and honestly and aboveboard, but they are secret. Crime, debauchery, and wrongdoing always hunt the darkness, always operate underneath the surface. If they had nothing to cover up, if they had no sins to cover, if they were doing what they had only a right to do under their charters, an honest, upright business, these secret operations would not have been carried on.

The Greater California League got $133,000 of its $245,000 expenses from the Pacific Gas & Electric Co. The rest was collected by this company from other concerns in the industry and turned over to the league. A director was employed for a $25,000 fee to engineer the league's campaign.

A $107,000 fund for the People's Economy League—

Oh, that poor economy league, that blessed name! They got $107,000 from the Power Trust. It was contributed, similarly, by and through the Southern California Edison Co.

The "league" sent out field agents who organized about 60 subordinate "leagues." Their members or agents distributed literature, arranged meetings, talked to neighbors, and worked at polling places.

The directing head of this "league" was H. L. Cornish, Los Angeles real estate and insurance man. He was paid $26,000 by the Southern California Edison Co. for his services, the records showed.

A woman publicity agent was employed by Cornish to conduct a department of women voters. She was paid $65 a week.

She should have gotten more than that, judging by the way this fellow was getting money. The poor woman did not know about that, or she probably would have held him up for more.

Several women under her made speeches against the water and power act at meetings of women.

That is the way they worked the women. I hope that when this evidence comes out, and the women of the United States read it and see how much some of these men got, they will insist on getting more. For instance, this one man, whose name I read a moment ago, got $26,000 from the Power Trust, and this poor woman, who undoubtedly controlled a dozen votes to his one, got only $65 a week. If they ever have another fight the women will not work so cheaply.

I read further from the editorial in the Capital Times:

The use of questionable, misleading, and deceptive campaign methods was attacked in the California State Senate investigating committee's report. Employment of "high-sounding, patriotic names" for organizations masking the power companies, was cited.

The committee also found evidence that supposedly disinterested members of bona fide organizations were hired as campaign workers for the purpose of obtaining the indorsement of those organizations or to influence their membership.

The investigation disclosed that $501,000 was spent in the 1922 campaign. For those of 1924 and 1926 there were only the utilities' own reports of expenditures. The amounts were $94,000 and $68,000, respectively.

That is how they do things out in California. That is how they work the people in California.

Upon the purchase of his California papers Colonel Copley announced:

I have no connection with any public utility anywhere, and no connection with any companies other than the newspaper business anywhere.

That is pretty explicit; that seems to be so explicit that there is no way to dodge it. But let us see what the truth is.

His San Diego Evening Tribune, on January 21, 1928, proudly announced:

He [that is, Colonel Copley] regards a newspaper as being more nearly a public utility than as anything else, for it is depended upon for a constant and trustworthy service, and in business details the two have many similarities. Colonel Copley has, however, completely severed his connection with all public utilities and will not have any further connection with them.

A few months later Mr. Copley's lawyer had to admit to the Federal Trade Commission that the colonel had $2,400,000 preferred stock in the Western United Gas & Electric, also 30,000 shares of its class A common stock and $1,000,000 in its bonds, an investment totaling around $5,000,000.

That is something for the Federal Trade Commission to think about. In other words, retaining $5,000,000 worth of utility interests means completely severing your connection with them.

So, when you want to investigate the matter, when you have taken for the truth the testimony given, perhaps not on a close examination, having faith in the honesty of witnesses, you often find, if they represent the Power Trust, that they have taken a technical advantage to conceal the truth, instead of making a clean breast as their duty to the country demands that they should do. So much for California.

(At this point Mr. DILL suggested the absence of a quorum and the roll was called, when other business was transacted, as appears previous to Mr. NORRIS's speech.)

Mr. NORRIS. Mr. President, we are now about to leave California. After supplying ourselves with a liberal amount of the various kinds of food to last us, we start on our trip to the South. The Power Trust has been quite active in a good many portions of the great South. From the Washington Herald of May 11, I want to read a few extracts, items of news which appeared in that paper regarding disclosures made before the Federal Trade Commission in the power investigation. I quote:

A weird carnival of newspaper buying in the South, the Power Trust interest putting up every penny of nearly $1,000,000 that went into four papers, and standing with an unlimited bank roll behind dickerings with a score of others, was chronicled before the Federal Trade Commission yesterday.

William Lavarre, a smooth young man of 30 with a high-pressure manner and a Harvard background, told how he and another embryonic publisher made a grand tour of the Southern States with the $600,000,000 International Paper & Power Co. financing them.

The International Co. provided them funds to buy the papers without restricting either the number to be bought or the total amount they were to spend, Lavarre testified.

Mr. President, the Power Trust put up $885,000 in cash to buy the Columbia (S. C.) Record, the Augusta Chronicle, the Spartanburg (S. C.) Herald, and the Spartanburg Journal.

Neither Lavarre nor Hall, the partner who followed him on the stand, disclosed the possession of capital other than a bold front and some newspaper and business experience. Both admitted neither had invested a dime.

Instead, records showed, the International Co. has been paying them $1,250 a month salary each since November 15. It allowed them thousands of dollars for expenses while they were traveling about deciding what papers they would like to have. It even put up $15,000 to meet operating expenses of the Augusta Chronicle, when, as Lavarre admitted, there was no cash on hand to run it.

The International Co. sent down $400,000 to pay for the Spartanburg papers, so unencumbered, Lavarre testified, "that I could have taken it and gone to Europe if I had wanted to." Five thousand dollars was handed over to them by the company's lawyers on another occasion, after their first scouting trip through the South without an acknowledgment or receipt.

Why, Mr. President, in this case the Power Trust employed a couple of traveling men. They started them out on the road to buy newspapers. The amount they are to spend is practically unlimited. They go where they please, stay as long as they

please, and come back when they please. Their funds are unlimited. They represent the great Power Trust. They are traveling men on the road. The Power Trust is kind to their traveling men. To avoid lonesomeness they travel in pairs. Lavarre and Hall, traveling together, buying newspapers, spending millions, no receipts taken. As he said on the stand, "We could have taken money and gone to Europe."

The Power Trust are lavish with their funds. They are unlimited with their money. They go on the theory that every man and every institution has his and its price and with that money, backed by hundreds of millions more, they are of the opinion that they can buy the newspapers of the country and through them and their other propaganda instrumentalities buy the Government of the United States.

These traveling men, going down South trying to deal with and buy a newspaper, found on one occasion that there were a couple of other traveling men trying to buy the same newspaper. On investigation they found that the other traveling men represented the Power Trust also. Think of it, Mr. President! The traveling men buying newspapers for the Power Trust were so thick that they came in competition with each other.

In other words, the Power Trust walks down the street with its pockets lined with money and meets itself coming back. The ordinary business man would not think of using his money like these people use their money or what they called their money. No business man would be as extravagant as they were. They spent money as though thousand-dollar bills were as thick as leaves on the ground after the first heavy frost, and they thought about as much of them as we would think of the leaves. There was no limit. "Buy the papers. Pay anything you want to, boys." They started another bunch of men out with the same directions, and, as I said, sometimes they conflicted with each other.

Charles O. Hearon, who was one of the owners of the Spartanburg papers, and has continued as editor, wired Lavarre on May 1, after the International's interests had been publicly exposed by Graustein:

"When I agreed to the sale of the Spartanburg Herald and the Spartanburg Journal I was under the impression that we were selling these newspapers to you individually. I may have considered the sale of the newspapers to the International Paper & Power Co. under some circumstances, but I would not have entered into any agreement to become the editor of newspapers owned or controlled by the International Paper & Power Co. or any other special interest.

"If the Spartanburg Herald or the Spartanburg Journal are owned or controlled by the International Paper & Power Co., I am hereby tendering my resignation as editor in chief of the Spartanburg Herald and the Spartanburg Journal and supervising editor of the Columbia Record and the Augusta Chronicle."

In other words, the men who sold the newspapers did not always know who the purchaser was. These young men armed with millions bought newspapers without always disclosing the interests they represented, and in this case the editor did not find it out until afterwards. Like the man that he apparently is, he refused to take dictation from the Power Trust and resigned his position.

"The International Co. owns and controls the whole purchase price, doesn't it?" asked Healy.

"Only in the same way as a bank," rejoined Lavarre.

"You are under obligations to turn the stock over?" Healy pursued.

"Morally the company has held it all the time," Lavarre acknowledged. "If it hadn't been for this thing (indicating he meant the storm of protest over the International's activity) they would have it now."

* * * * * * *

"So spirited was the scramble for southern papers that Hall and Lavarre once or twice found themselves bidding against other interests having International backing * * *."

Bryan and Thomason were trying to buy the Greensboro News to merge it with the Record, according to the testimony. Lavarre testified he and Hall "stepped out of the way" when they learned who their rivals were.

* * * * * * *

For the Augusta Chronicle, which is the oldest newspaper in the South, but had at the time only 12,000 circulation and had failed to pay dividends on its preferred stock for 10 years, Hall and Lavarre paid $174,500. Lavarre asserted the circulation had since advanced to 17,000.

Here are some of the questions that Attorney Healy asked the witness:

Q. Up to that time you had never owned or had never edited a newspaper of your own?—A. No.

This is Mr. Lavarre who is testifying.

Q. Or you had never edited a newspaper for anybody else or had sole charge of one?—A. No.

Here was this young man without any newspaper experience, never having owned, never having edited a newspaper, turned loose by the Power Trust to go anywhere he pleased, to buy any newspapers, at almost any price, and they agreed to put up the money, and they did. Further on he was again questioned. The question is:

Q. You were not restricted to particular towns, were you?—A. Except as we restricted ourselves.

Q. Well, you could have gone into other towns?—A. Well, I would say anywhere in the South.

Q. You were not restricted to any particular newspapers?—A. No, sir.

Mr. President, let us take a look at conditions in Texas. The Power Trust does not confine itself to great big newspapers. We have an instance where they are getting after a little country newspaper in Ranger, Tex. I will quote from Mr. B. C. Forbes, who is referred to in the Eastland County News, of Ranger, Tex., and who knew about this activity of the Power Trust:

Mr. B. C. Forbes, writer of national reputation, last Friday in the Fort Worth Record-Telegram under the heading of Should Newspapers be Owned by Public Utilities? gives an account of the sale of two Boston newspapers to the International Paper & Power Co. In his opinion, the Power Trust has committed a great blunder in getting into the newspaper business, and says that some of the things done to influence public opinion by the power companies have aroused widespread criticism and that they should think twice before taking any avoidable step calculated to stir up fresh criticism and that this step on the part of the power company will be immediately interpreted as an attempt to mold public opinion in favor of the far-flung activities and plans of the power company.

* * * * * * *

In Mr. Forbes's opinion the transaction was most ill-advised, short-sighted, trouble-breeding, suicidal, and that it should be undone.

It is strangely coincident that the Ranger Times, published in Ranger, Tex., a few weeks ago joined in a merger and change of control as did the Boston papers. It is also strangely coincident that as in the case of the Boston deal the Times deal was announced through another newspaper. And the Eastland County News had evidence at that time that the deal was made, at least three weeks before we announced it.

The Times deal, as the Boston deal, was also veiled in secrecy. In fact, the Times deal was so much veiled in secrecy that even a large number of stockholders did not know of the deal until this paper announced it. And quite a few of them as yet have not had it explained to them or know any more about it than what was published in the paper. It looks to this editor like the methods are the same and this editor shares the almost unanimous belief of the newspaper fraternity that it looks like the money is coming from the same source that is putting over most all the daily newspaper mergers and consolidations and newspaper chains all over Texas.

* * * * * * *

We do not charge that the power interests have anything to do with the Times deal, but we do know that the statement of ownership of the Ranger Times, published on April 2, includes the names of the general manager of the Oil Belt Power Co., the company that generates the electric power for this west Texas territory, as a stockholder. Whether or not this is a private investment we do not say, but we believe, as Mr. Forbes does, that the power industry should think twice before taking any unavoidable step calculated to stir up fresh criticism.

Mr. President, this is just an instance of what is going on in a small way, the same as it is going on in a big way in other instances. The owner of a power company becomes the owner of a newspaper, and he keeps still about it until from other sources the truth is discovered and publicity of the transaction is given.

In Alabama, Mr. President, they have had some trouble over newspapers. For example, in Mobile, where, as in Portland, there was a newspaper fight. In this case, however, the interests are exactly reversed. The existing two newspapers of Mobile have been independent and fearless. The power companies have not been able to control them. I had something to say about that several months ago, I think, in the Senate.

The charge was then made that the power companies would establish another newspaper in Mobile because they were unable to handle the newspapers which were already there. Now they have established it. I am not complaining that another newspaper has been established there. I have no interest in a newspaper controversy anywhere in the world, and particularly I have none there; but it is worthy of note that the stockholders in the new company are very close to the power companies. One of the stockholders, Mr. Bestor, is president of the First National Bank; he is also a director in the Alabama Power Co., also a director in the Mobile & Ohio Railroad Co.,

and in the Mobile Light & Railroad Co. Another incorporator is the surgeon of the Alabama Power Co. Another is the attorney for the Alabama Power Co. Another incorporator, as I remember, is the vice president of the Alabama Power Co., and the editor, Mr. Chandler, recently testified before the Federal Trade Commission that he put up $100,000 of the capital stock. It was a surprise to his friends and to all who knew him. They considered him a poor man, but all at once he announced that he had put up $100,000. Nobody believed it was his money; and so the Federal Trade Commission sent a subpœna for him. They had him on the stand the other day and under oath before the commission he had to admit that it was not his money, but he declined to give the name of the man who furnished the money. I understand that he offered to tell the commission privately afterwards, and that he has told them privately, but no publicity, at least, has been given to it so far as I know.

Mr. HEFLIN. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Alabama?

Mr. NORRIS. I yield.

Mr. HEFLIN. Why should he be permitted to disclose the fact privately and not give it to the public?

Mr. NORRIS. I do not know.

Mr. HEFLIN. They ought to compel him to tell the public.

Mr. NORRIS. I think so. Why should not the public know who owns the newspapers? The law implies that the public shall know, and requires statements to be made; but, no matter who it is that furnished the money, they were not dealing fair with the people, because they announced that this man had put up $100,000. Nobody believed it, and now it is admitted that he did not put up $100,000, although the public does not know as yet who actually did put up the money.

So we can go on the theory that when a newspaper is about to be established in a community, if the Power Trust are satisfied with the newspapers that are there they will boycott the new paper; they will drive them out of business; they will resort to all kinds of things to keep them from even living. When you reverse the case, if there is a newspaper in existence that they do not like, that will not do their bidding, that will not be subservient to their demands, then they say, "We will put another newspaper in the field and put you out of business in that way." They are going into the business. They will not suffer anybody to live and do business who will not be subservient to them.

That is the spirit that is shown. That is what we are up against in the United States. That is what the Power Trust means. If they can not own, they will destroy; and to get permission to live, if it goes on, you will have to make application to them. To get permission to do business, on your knees you must ask them for the favor. Their power that is so great, their influence that is of such magnitude, comes from the money which they control—banks, trust companies, all kinds of corporations—and they are able to do it because of the extortionate rates that they wring out of the toiling masses of the American people. They are able to do it only because they are taking out of the pockets of the people money that they have no moral or honest right to take. They have subsidized the press; they have debauched the commissions that were supposed to regulate them; and from day to day they are issuing their edict as to what papers shall live and what shall not, as to what business shall prosper and what business shall fail. You must pay tribute to the Power Trust or you must suffer the consequences.

They had before the Federal Trade Commission Mr. Thomason. He was one of the representatives of the trust. He was one of the traveling men who went around buying newspapers. Before the Federal Trade Commission Mr. Thomason listed the papers which he had discussed for purchase with the International officers, but none of which was bought. Now, let us get a list of the papers they were trying to get. This man gives it—the representative of the Power Trust himself, under oath, compelled by the Federal Trade Commission to give the evidence. Let us see what they are. These are the papers they tried to get:

The St. Louis Globe Democrat, the Columbus (Ohio) Dispatch, the Kansas City Star, the Atlanta Constitution, the Milwaukee Journal, the Dayton (Ohio) Journal, the Memphis Commercial Appeal, the Detroit Free Press, the Cleveland Plain Dealer, the Cleveland News, the Indianapolis News, the Philadelphia Inquirer, the Minneapolis Star, the Minneapolis Journal, the Newark (N. J.) Evening News, the Booth newspaper chain in Michigan, the South Bend (Ind.) News-Times, the Star-League newspapers in Indiana, comprising the Indianapolis Star, the Munice Star, and the Terre Haute Star; the Buffalo Courier Express, and the Buffalo Times.

There is a list for you. I do not know what they offered these papers, or how far they went with their negotiations; but it is in evidence, undisputed evidence, that for one of the papers, the Cleveland Plain Dealer, they offered $20,000,000 in cash.

Why, Mr. President, this trust could put the Federal Reserve Bank out of business. Their command of cash and money and credit upon notes is unlimited. As I said when we were over in Portland, Me., Insull practically owns that State. It is not his money but he has control. There are thousands of little investors in these various corporations that are built one on top of another, but he has or his friends have the control; and when they get to the top of the whole pile, the holding company, they control. They own a control in every one, clear down through to the bottom; and what is left for the people? There is hardly anything left; and it seems to me that the only escape for the people of Maine, for instance, when they know the truth, when they know that a newspaper is trying to protect their interests and conduct an honest and an honorable campaign for righteous government, is to flock, regardless of party, to the support of such a paper or such a man. If the boycott is to start, let us let it be known that it is a 2-edged sword, and that boycotts can work both ways.

Mr. HEFLIN. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Alabama?

Mr. NORRIS. I yield to the Senator.

Mr. HEFLIN. I should like to say to the Senator that I was in the State of Maine not long ago. Ex-Governor Brewster is making a gallant fight against these papers that have been subsidized by the power interests, the Insull interests; and they are fighting him most viciously, and seeking to destroy him, because he is championing the cause of the people.

Mr. NORRIS. There is not any doubt about that.

Now, Mr. President, I want to take up the case of Mr. Gannett, the owner of the Brooklyn Eagle and several other papers.

I suppose all of those of us who are familiar with the Brooklyn Eagle and its history have rather a great admiration for it. As I understand, it is one of the great newspapers of the United States. It has been engaged on the side of the people in many a battle for righteous and honest government; and when it was disclosed that the owner of that paper had practically sold it—mortgaged it, at least—to the power company, there was not only great surprise but there was a great deal of sorrow.

Mr. Gannett, the owner of the paper and the other papers involved, has been before the Federal Trade Commission. I have a great deal of sympathy for him in his position. Evidently he was too anxious to broaden the scope of his work, and he perhaps thought that by borrowing all this money and mortgaging all these papers he could do a better work in a wider and a greater field; but when he thought it over, and realized what honest men and women thought of the deal, he became conscience-stricken, and he says in his testimony that he made arrangements with the bank and borrowed the money again and paid it all back to the power company.

Mr. Gannett reviewed the negotiations leading up to advances made by the international concerns to aid him in the purchase of the Brooklyn Daily Eagle, the Albany Knickerbocker Press, the Albany Evening News, and the Ithaca (N. Y.) Journal-News.

He testified that Archibald R. Graustein, president of the International Paper & Power Co., approached him at New York in September, 1928, with a proposal of financial assistance in the purchases, and that he accepted Graustein's proposal as a good business venture, affording an excellent contact between his papers and the newsprint products of the company.

I am reading from a report of this testimony in the Baltimore Sun of May 16, 1929.

"If I had for one moment believed," Mr. Gannett said in a statement placed in the record, "that any arrangements with the International Paper Co. could possibly involve me with the so-called Power Trust, I would not have touched one dollar of International money, no matter how advantageous the circumstances in which it was available to me."

Mr. Gannett's statement said that for himself the arrangement with the International enabled the obtaining of funds at rates lower than from investment bankers, and that for the International Paper Co. it was a good investment, as the Gannett newspapers annually bought 20,000 tons of newsprint "at about $55 a ton, a gross business of $1,100,000."

In his testimony, Gannett said, "Every cent the International has advanced to me has been paid back, plus accrued interest to date, and all the stock held by the International has been turned back to me."

To pay the obligations to the International, Mr. Gannett said he borrowed the money from the Chemical Bank & Trust Co., New York.

"I felt we were in a mess about this," he said. "I didn't want any of our papers connected with any power company."

* * * * * * *

After the testimony of Mr. Graustein before the Federal Trade Commission, Mr. Gannett said he "didn't sleep on the train on which he was traveling from Rochester to Washington," and got off at Philadelphia and telephoned Graustein of the plan to pay back the obligations.

Under questioning by Robert E. Healy, chief commission counsel, Mr. Thomason testified that he "did a stupid and foolish thing," because it gave the appearance that "I was trying to hide my backers," in not recording the International in the post-office circulation and ownership statement of April 1 of the three Bryan-Thomason newspapers. The Greensboro Record and the Tampa Tribune had no relation to the International loan, he said.

Mr. President, that reminds me: This man Thomason, I think—if it was not he, it was some other representative of the trust—made affidavit under the law as to the ownership of the mortgage and the bonded indebtedness of the Chicago Journal; and the ownership was placed in the name of a man whose name I can not now recall, but he was an employee in the office, who had no interest in it. He had not invested a dollar. It was put in his name in order to prevent publication of the fact that the Power Trust in reality owned it; and the man who made this affidavit knew that. He said in his testimony before the Federal Trade Commission that it was done in that way at his suggestion; and he made his affidavit under the law that applies to all newspapers and requires them to make affidavit as to the ownership of their stock and the holders of their bonds. He is compelled to state in that affidavit under oath who in reality and in truth does own the bonds. He afterwards filed an amended statement in which he corrected this one. So that it appears from his own statement, his own sworn testimony, that one or the other of his statements was false, and he knew it to be false when he made it, because he said that that arrangement was made according to his suggestion.

I am wondering now whether the Post Office Department will call this discrepancy to the attention of the Department of Justice. I am wondering now whether this representative of the Power Trust, who thus made a false statement, who, under the law, on the face of the testimony, at least, as it stands now, has committed perjury, will be prosecuted for that crime by the Department of Justice. It seems to me that the Post Office Department, where these affidavits are filed, must take notice of this statement, of the fact that it was a false statement, and then call it to the attention of the Department of Justice, laying the evidence which they have before the officials of the Department of Justice with a view to an indictment for perjury.

Mr. President, I have here an editorial from the Alabama Journal. It starts first with a quotation of testimony. The title of the editorial is "Judge by Results." I read:

"I am constantly furnishing information and propaganda advantageous to utilities, not only to newspapers and members of the public-service commission, but to other organizations as well." (Extract from letter of Leon C. Bradley, director of Alabama Utilities Bureau, to Thomas W. Martin, president Alabama Power Co., introduced as part of Bradley testimony before Federal Trade Commission in Washington.)

The editorial proceeds:

One of the things which has been revealed most forcibly by the Federal Trade Commission's investigation of Power Trust activities in the Nation is the widespread ramification of the propaganda and the many hands into which it was placed. Mr. Bradley's admission that the Alabama propaganda advantageous to utilities was sent not only to newspapers in the State, but invaded even the official precincts of an important department of the State government intrusted with the regulation of these utilities, is further proof of the ramifications of this material and proof that no avenue was overlooked where advantage might be secured in behalf of the power company and its associated utilities.

How effective this flood of propaganda has been in Alabama no one is able to say. The people of the State can only judge by results. They know that Muscle Shoals legislation has been held up for nearly 10 years. They know that valuation of the power company's properties for rate-making purposes has dragged along its weary length for nearly seven years. They know that such rate changes as have been made in the State have come only after petition for change had come from the power company itself. They know that one municipal plant after another has been gradually gobbled up until there are less than half a dozen independent units left in the State. They know that the power company threw its influence to the defeat of a bond issue for schoolhouses in Alabama, the most crying need of the State during the present generation. They know that representatives of the Alabama Power Co. have been placed in important places of official responsibility, and that power company influence is a potent factor in every matter which comes before our legislative bodies affecting public utilities.

Developments like this investigation of the Federal Trade Commission are sure to be of powerful effect in counteracting propaganda efforts, for the revelations there have placed a label on much of the material which has been circulated in the State so that it is easy of recognition. In that respect the investigation is serving an inestimable public service.

Mr. President, right along the line of what is said in that editorial, I want to read something about what has happened down in Alabama; how men who represent the power interests have been put in places of honor and of trust in that great State. I read from an editorial appearing in the Mobile Register, of Alabama:

Alabama has had abundant information regarding the manner in which the Alabama branch of this utilities bureau of information functioned. From the presidency of the National Light Association, Aylesworth was promoted to the presidency of the National Broadcasting Co., and he is authority for the statement that the National Broadcasting Co. now operates the greatest broadcasting chain in the world. Greatly pleased with the decision of the three largest educational institutions in Alabama to place WAPI in this chain, Aylesworth is quoted by the Birmingham News as saying with reference to its continued expansion plans: "We intend to carry out the policy even though we do so at a temporary loss, for we believe that the National Broadcasting Co. as a national institution must not hesitate to make its programs available to everybody everywhere," and he adds with significance, "WAPI is a pioneer radio station operated by an educational institution"—

Just listen to that:

WAPI is a pioneer radio station operated by an educational institution.

That is a statement made by Aylesworth, the head of the great propaganda here when they tried to control the Senate in the last Congress, now the president of the National Broadcasting Co. He made this statement:

WAPI is a pioneer radio station operated by an educational institution.

That refers to the University of Alabama, as I understand it But who is at the head of it; who is operating that station? It is none other than Dr. James S. Thomas. Who is Doctor Thomas? He is part of the faculty of that university, operating that broadcasting station in the name of a university. Who is this man, this professor, this doctor? He is the same man who, the investigation of the Federal Trade Commission showed, traveled all over the State of Alabama making speeches in the name of the university, introduced as a university professor, people believing that he was representing the university, always explaining that he was doing all this for the good of the great State of Alabama; but one suspicious circumstance was that in every speech he made, wherever he delivered a lecture, there was a paragraph or a sentence or a statement of some kind that contained the poison of the Power Trust, that was always trying to mislead the people on the municipal ownership question.

Then the Federal Trade Commission in their investigation brought out the fact that this man, during all that time while, as a representative of the Power Trust, he was traveling over the State speaking to commercial clubs, to farmers' clubs, to women's clubs, to all kinds of organizations, was getting $660 every month from the Alabama Power Co. People did not know that when he was around addressing them. Some of them who were critical were able to tell from his speeches that there was something the matter. It was not known that he was drawing two salaries, one from the State and another from the power company. That came out, however, in the investigation, and he is the great man they are going to place at the head of this broadcasting station in Alabama. Aylesworth, the Power Trust man, the head of the broadcasting business in America, lauds this thing to the skies. But he does not say that this man has always been in the employ of the Power Trust. He does not tell the truth to the people of Alabama. He does not say to them that this man was traveling under a false face. He pretended to be doing something for the advancement of the university when he was serving his master, the Power Trust.

The article continues:

Dr. James S. Thomas, who has been designated to supervise the programs broadcast from the University of Alabama, is the same Thomas who as director of extension work at the university confessed that he was secretly on the pay roll of the Alabama Power Co. and following the retirement of Leon C. Bradley was actually put in charge of the Power Trust's bureau of information in Alabama, without ever surrendering his place with the university. The revelation that he was posing as an educational extension worker and accepting public funds for that service and at the same time drawing pay from Alabama Power Co. as a propagandist proved so shocking that even President Denny, of the university, stated publicly regarding this double employment and the amount of money he was receiving from the university

and the Power Trust, "I would have approved neither if I had been consulted."

Prudence may now prompt him and the National Broadcasting Co. not to put flagrant Power Trust propaganda on the air just now, but there is one assumption it appears may be made safely, and that is that no word of criticism of the Alabama Power Co. will be broadcast over Alabama even if it fills all of the offices of importance in the State with its representatives and uses the power sites which Alabama has given it without cost to boost rates sky-high for the consumers of the State.

Mr. JOHNSON. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from California?

Mr. NORRIS. I yield.

Mr. JOHNSON. I merely desire to ask the Senator whether he would prefer to go on to-night or to take a recess at this time. I should be guided by whatever his wishes may be. If he would prefer to continue we will continue, or if he would prefer to take a recess until to-morrow and then conclude, I am willing to follow that course.

Mr. NORRIS. I would like to say to the Senator from California that I will follow his wishes.

Mr. JOHNSON. I have no wishes in the matter.

Mr. NORRIS. The Senator has charge of the unfinished business now before the Senate, and I am frank to say I feel a little embarrassed for taking so much time to discuss something not directly applying to the bill. I shall accommodate myself to the wishes of the Senator from California.

Mr. JOHNSON. I have no wishes in that regard. I was consulting the convenience of the Senator from Nebraska and that is the only reason why I rose. We have now a unanimous-consent agreement in relation to the bill which is the unfinished business, and under that unanimous-consent agreement any Senator may talk an hour, so that it gives ample time for debate as far as that is concerned. I was simply consulting the Senator's convenience.

Mr. NORRIS. I suppose if we take a recess now I would have the floor when we reconvene?

The VICE PRESIDENT. The Senator from Nebraska would be entitled to the floor.

Mr. NORRIS. Is there a limitation on debate commencing to-morrow?

Mr. JOHNSON. Not until Thursday at 3 o'clock.

Mr. HEFLIN. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Alabama?

Mr. NORRIS. I yield.

Mr. HEFLIN. I suggest to the Senator from Nebraska that we take a recess at this time. He is making a very important speech and I know that he must be tired. To-morrow he would be fresh and able to continue without difficulty.

Mr. NORRIS. I am not particularly tired or weary and I can proceed further, but it would suit me just as well to quit now until to-morrow if that arrangement will not inconvenience the Senator from California.

Mr. JOHNSON. Will it suit the Senator better?

Mr. NORRIS. Well, probably. I have not much choice.

RECESS

Mr. JOHNSON. I move that the Senate take a recess until 12 o'clock to-morrow.

The motion was agreed to; and the Senate (at 5 o'clock and 2 minutes p. m.) took a recess until to-morrow, Tuesday, May 21, 1929, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

MONDAY, *May 20, 1929*

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Father in Heaven, for this new day we thank Thee; its call is with us. There never was a better opportunity, a better place, or a better time than now and here. May we prove that we are strong and brave enough to legislate wisely for our Republic and to maintain the integrity and the authority of its free institutions. Stir us with that enthusiasm that calls us to the high levels of service and that sets a great end to which our work may converge. Keep our pathways unbroken and lead us on to life, higher life, ever answering the call of Him, which is ever onward and upward. Reveal to us the vision of that love that unifies creeds and peoples, that inspires service, that makes sorrow useful, and that redeems us from sin. In the name of the Christ. Amen.

The Journal of the proceedings of Friday, May 17, 1929, was read and approved.

SENATE ENROLLED JOINT RESOLUTION SIGNED

The Speaker announced his signature to an enrolled joint resolution of the Senate of the following title:

S. J. Res. 36. Joint resolution to amend Public Resolution 89, Seventieth Congress, second session, approved February 20, 1929, entitled "Joint resolution to provide for accepting, ratifying, and confirming the cessions of certain islands of the Samoan group to the United States, and for other purposes."

SENATE CONCURRENT RESOLUTION REFERRED

A concurrent resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. Con. Res. 6. Concurrent resolution to provide for the printing of 2,000 additional copies of hearings on farm relief legislation; to the Committee on Printing.

THE TARIFF BILL

Mr. HAWLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 2667) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. SNELL in the chair.

The Clerk read the title of the bill.

Mr. HAWLEY. Mr. Chairman, I yield five minutes to the gentlewoman from New York [Mrs. PRATT].

Mrs. RUTH PRATT. Mr. Chairman and Members of the House, my remarks to-day are not to be confined to the labor situation in the domestic sugar industry. The letter I read here on Friday from William Green is expert testimony. Coming from the Federation of Labor, which stands for protection of American labor and for farm relief legislation, this testimony is final on the matter of the employment of women and children and Mexican labor in the beet fields.

My reason for standing against an increase in the tariff on sugar is the obvious impossibility of an expansion of the sugar industry in this country to a point where it can even begin to supply our needs. The domestic industry is not only bound by its labor problem; it is limited by our climate. Statistics show that it is impossible to expand the production of sugar cane in this country. In 1902 twenty-seven per cent of the whole source of our consumption was supplied by domestic sugars. After a quarter of a century of protection the percentage of domestic sugars dropped from 27 per cent to 15 per cent in 1927. Why? Because sugar belongs to the Tropics.

There have been recent attempts to produce cane in the Everglades, but, according to our Department of Agriculture (No. 893, Sugar, p. 14) drainage of the Everglades has never advanced to attain immunity from inundations. The cane can not stand in wet muck. If it escapes the flood, it is destroyed by drought. The Department of Agriculture attributes 85 per cent of the failure of crops in Louisiana to drought. (No. 893, Sugar, p. 16.) We have also early frosts and diseases of cane due to our temperate climate. We learn from the Department of Agriculture (No. 893, Sugar, p. 38) that the presence of these diseases constitutes one of the hazards which confront the cane growers. The amount of seed cane necessary to get a good stand in this country as compared with tropical countries shows the injury worked by disease. In the Tropics, where the dormant period is almost negligible, 1½ tons of seed will produce a good stand. In Louisiana 4 to 6 tons of seed are required.

Farmers' Bulletin No. 1034 states:

> Sugar cane requires a warm climate and long season, so its culture in the United States is limited to a region 200 to 300 miles wide along the extreme south Atlantic coast and the Gulf coast and to some low-lying valleys under irrigation in southwestern Arizona and southern California.

A glance at the past history of the sugar industry in this country makes it impossible for me to hold but one opinion as to the expansion of our sugar production. The cane growers are limited by climate, and, according to their own testimony, the beet growers' problem is labor.

Work in the beet fields is not work for Americans. I have heard it said on this floor that Mexican labor is not employed in the beet fields or that when it is employed the percentage is small. Note the conflict of the opinions of Colorado when it wants labor and when it wants tariff. Hon. EDWARD T. TAYLOR, a Member of this House, has testified before the Committee

on Immigration that never in his life has he known of any member of organized labor going into a sugar-beet field. (Hearing No. 69.1.7, Seasonal Agricultural Laborers from Mexico.) He further stated:

The American laboring people will not get down on their hands and knees in the dirt and pull weeds and thin these beets and break their backs. * * * No matter how much they are paid they will not do it. That kind of labor is tedious work that does not compete with any ordinary farm labor. * * *

Mr. TAYLOR has said that if Congress will not permit the sugar-beet growers to obtain the necessary number of Mexicans they will be compelled either to stop growing beets or go to Porto Rico for help (p. 263).

Mr. TAYLOR described the exacting hard job the sugar-beet-field worker has to do (p. 266), and asked the committee:

How would any of you gentlemen or your sons like to undertake the job of getting down on your hands and knees thinning out the beets in a row to 1 beet to every 12 inches, 5,280 in a mile, and pulling out all the weeds around and between each remaining beet and hoeing that row backward and forward, a row 40 miles long, from the time they come out of the ground in the spring until they are grown, and then pulling them up in the fall, knocking the dirt off of them, and cutting off the tops and piling them up?

Those who are interested in verifying Mr. TAYLOR'S description will find the process described in Farmers' Bulletin No. 568 from the Department of Agriculture. You can find no better refutation to arguments that the condition of Mexican labor has been misrepresented.

Mr. W. D. Lippitt, of Denver, who represented the United States Beet Sugar Association at the hearings on the sugar schedule, when asked his opinion of the possibility of an increase in the production of sugar in this country, said (p. 3331, vol. 5, Schedule 5):

I think that the increase in continental beet production would be relatively slow. I doubt that any reasonable tariff would permit us to expand the industry in any reasonable period of time to supply our own requirements. I think, in production, our expansion in continental United States would barely keep pace with the increase in consumption.

Mr. Lippitt does not state why the industry can not be expanded to meet our sugar requirements even with the greatest tariff protection. Shall we find the answer in the letter of the president of the greatest body of wage earners in this country where he refers to the domestic industry as—

an industry which employs women, children, and Mexican labor at indecent wages and under intolerable conditions of employment.

S. J. Holmes, professor of zoology in the University of California, writing in the May, 1929, issue of the North American Review, quotes the president of the Humanitarian Heart Mission on conditions in Denver. Says that gentleman:

The sugar-beet company employes the very poorest and most ignorant Mexicans with large families; brings them to Denver, working them in the beet fields until snow flies. These unfortunates then congregate in Denver with $15 to $20 to keep a large family and no possible means of support by labor through the winter season.

Ladies and gentlemen, the domestic sugar industry can never be a dominant or adequate American industry, for it is not supported by American climate or American labor. [Applause.]

Mr. HAWLEY. Mr. Chairman, I yield one hour to the gentleman from Michigan [Mr. MCLAUGHLIN]. [Applause.]

Mr. MCLAUGHLIN. Mr. Chairman, ladies, and gentlemen, as a member of the subcommittee of the Committee on Ways and Means on the wool schedule, I wish to speak briefly of wool, and without indulging in any preliminaries I wish to say what must be evident to all that when the question is raised as to how much duty, if any, should be imposed upon foreign importations, it is necessary to ascertain the cost of production at home; also, as nearly as possible, the cost of production in countries from which importations are received.

The committee had the benefit of a great deal of testimony from woolgrowers, individually, and from woolgrowers' associations. We had quite an elaborate report from Texas ranches producing wool, their costs being submitted to us determined by a system of accounting devised for them by an economist of the college of agriculture and mechanical arts of that State. It appears that in that State there has been an intelligent effort made to ascertain costs of production.

According to the system of cost accounting planned by the college economist and approved by the ranchers and their association, each rancher keeps books with himself and enters each item of cost of production of sheep, goats, and other livestock. Such a system should produce satisfactory and reasonably accurate results, and following it closely we should reach a satisfactory figure showing the cost of producing wool in Texas, or, at least, a satisfactory average of production cost.

I wish to refer to reports from 27 ranches. I shall not speak of all of them, but those that I think are typical of the entire number and those that I think will give you the information you desire, so that you may determine, as the committee did, whether or not the costs arrived at are accurate, or reasonably so. Careful study of these reports inclined the committee to believe that one man's guess is as good as another's. It impressed us forcibly that it was our duty to use our own judgment and to reach such conclusions as the facts, as we determined them to be, seemed to justify.

Let me tell you something about these reports on costs of production of wool in Texas. Here is the report of a man who produced 3,568 pounds of wool at a cost of 65.68 cents per pound. He estimates his costs, puts them down systematically and in detail according to instructions from the college. He allows himself pay for his own labor, of course. That is proper. He allows himself interest on his investment. That is entirely proper. In fact I am not going to ask for the elimination of a single item of cost, not a single figure in any of these reports of costs of producing wool in Texas. I am going to draw from them the only conclusion that can be drawn according to their own reports and their system of accounting; but it is our own conclusion, and in reaching it we do no violence to their system or their figures.

For example, this man's total cost, besides the items of interest paid or allowed, was $3,062, and to that amount he adds as interest almost $2,000, or 66⅔ per cent of his actual outlay. He reports a loss on his wool of about $1,000, but he credits himself with $2,000 interest on an actual outlay of $3,000.

This man, if he is to be properly protected by a tariff duty against importations from the country from which the largest volume of wool comes, needs, instead of the 34 cents that the committee recommends, a duty of 95.8 cents per pound.

Here is another rancher who also keeps, besides sheep, goats and other livestock. He produced 15,363 pounds, or about 12,000 pounds more than the rancher of whom I have just spoken.

Mr. HUDSPETH. Will the gentleman yield there?

Mr. MCLAUGHLIN. Yes.

Mr. HUDSPETH. May I ask my friend from Michigan if this ranchman who sustained a loss of $1,000 figured his lamb crop as a part of his revenue? I observed that some of them did and some did not.

Mr. MCLAUGHLIN. He figured everything that the economist from the college told him to figure—costs, receipts, and losses—everything.

Mr. O'CONNOR of Oklahoma. Would an economist know that sheep have lambs? They do not always know that much about them.

Mr. MCLAUGHLIN. I would not make a remark like that reflecting on the people of Texas.

Mr. O'CONNOR of Oklahoma. No; on this economist.

Mr. MCLAUGHLIN. Of course he knows it.

As I have said, here is another man who produced 15,360 pounds of wool, and he reports his cost at not 65.68 cents but 17.41 cents per pound.

His costs besides interest were about $5,000, to which he has added interest to the extent of $3,000, or about 60 per cent, making a total cost of $8,000. This man paying freight on his wool to Boston and having it scoured and cleaned—Texas wool yields about 40 per cent of the grease pound in the clean pound—this man would land his wool in Boston at 43.8 per pound, or 20.7 less than it cost Australian producers to land their wool in Boston.

Here are two other men whose flock of sheep yielded about the same amount—one 10,600 pounds and the other 10,742. One reports a cost of 43.59 per pound and the other 27.17 per pound. Their operations were evidently different, but each followed the highly scientific system provided by the college economist, which allows 50 to 60 per cent interest to be added to all other expenses. One of these gentlemen, the one who produced wool at 43.59 per pound, would need a tariff duty of 40.8 per pound to protect him against the Australian producer; the other would need protection to the extent of only four-tenths of 1 cent per pound.

These have been exceedingly interesting studies to us. I have others similar showing a wide difference between the ranchers in their expenses of growing wool. It is interesting to know what their expenses are. They itemize labor and taxes, feeding, salt—they allow themselves for depreciation when in fact there is no depreciation in a well-organized, well-conducted sheep business. Each one allows to himself quite a substantial amount for miscellaneous expenses by direction of the economist of the college. That is entirely proper; we take no exception to keeping a miscellaneous account.

Of course, there are expenditures here and there, outlays now and again which the rancher is in doubt about when and for what he paid them. Perhaps he does not recall what they were, but he knows he incurred some expense and it is fair to presume he did. So each of these men add something for miscellaneous expenses, and I may say some add substantial amounts.

These reports, all together, you must believe, show that the committee is fully justified in using its own method, arriving at its own conclusion, and that is what the committee has done.

I have said that we have to find the cost of production at home. We have taken the numerous Texas costs, also the average of these costs as appears by their reports.

The National Wool Growers' Association, in an elaborate report, say that it cost something over 39 cents a pound to produce wool in the range States in this country, including Texas. The figures are separate from and in addition to those to which I have referred. Another Texas report states that a 3-year average of cost of production in that State is 42.11 cents per pound, and that the cost of 1927 production was 35.26 cents per pound.

Before I go any farther I wish to say that taking the statement of account by each and every range grower in Texas, taking their figures as to cost of production, eliminating nothing, their own figures show that the average cost of production of wool in Texas in 1927 was 33.4 per pound, at which rate of cost practically no protection whatever by way of tariff is necessary.

Mr. ARENTZ. Will the gentleman yield?

Mr. McLAUGHLIN. I yield.

Mr. ARENTZ. Will the gentleman tell the House the proportion of the total revenue per year from a ewe as applied to the wool cost?

Mr. McLAUGHLIN. That is taken into consideration in these elaborate statements of operation and production costs on the ranches of Texas. It was taken into account also by the gentleman who represented the National Wool Growers' Association. In fact in each and every one of the elaborate statements from Texas the cost of keeping the sheep and producing the wool, keeping the Angora goats and producing the hair, and the cost of producing livestock were all taken into account; and costs were given separately and collectively as to all kinds of production.

When I was interrupted I was speaking of the average cost of producing wool in Texas and the range States in which there is a very large production of wool. The gentlemen appearing before us and those who submitted briefs speak of averages and evidently attach much importance to them. Averages are all right if properly arrived at, and I have an average cost of production of wool in that section of the country that I think is more nearly accurate and more nearly represents the cost of production in this country than any others I have seen. I have taken the average of 39.98 cents submitted by the Wool Growers' Association, the figure of 42.11 cents submitted by the most prominent Texas witness as the average cost of production in that State over a period of three years, the figure of 35.36 cents given by him as the cost of production in Texas in 1927, and the figure of 33.4 cents which is the average cost of production, as appears by the detailed statements of cost of production in Texas in 1927. The result is that 37.71 cents per pound is found to be the average cost of production, and taken as such the cost of a clean pound of wool landed in Boston is 99.27 cents per pound, showing that protection may be claimed by way of the tariff as against the importations of wool from Australia to the extent of only 26.07 cents per pound.

I have spoken of Australia and of the fact that we import a great deal of wool from that country. There has been no investigation by the Tariff Commission of the cost of producing wool in Australia, but we are fortunate in having some data that we think are quite accurately indicative of the cost of production in Australia. For example, in 1916, during the European war, the British Government, acting with the Australian Government, bought the entire wool clip and paid for it 31 cents a pound. A great deal of objection was made to that by the wool growers. They insisted that they should have more money, with the result that the British Government promised to pay them one-half of any profit realized out of the sale of that wool used for other than military purposes. We have a very full and intelligent report on conditions of wool production in Australia by a gentleman named J. F. Walker, who for years was secretary of the Ohio Wool Growers' Association and later a special investigator employed by the Department of Agriculture of our Government. We have also the benefit of the report of the Federal Trade Commission and the Department of Labor to the effect that between 1916, the time the British Government bought the wool, and 1927 there was a general—we might say universal and uniform—increase in the wholesale prices of all commodities in Australia amounting to about 20 per cent.

Based on the price paid by the Government in 1916, and taking into consideration the increase in the cost of everything in Australia, we find that the cost of producing wool in Australia in 1927 was 33.6 cents per pound, and that it is about half and half, 50 per cent clean content, which would make a clean pound cost 67.2 per cent. Allowing 6 cents a pound for preparing that wool for shipment, baling, freight, etc., and landing it at Boston, and taking 50 per cent as the clean content, the cost of Australian wool in Boston is 73.2 cents per pound.

We will take Mr. Walker's figures. He writes very interestingly and shows as a result of his investigation that wool was selling—not the cost price—it was selling from the range at 35 cents a pound, and he says the clean content was 50 per cent, the figures that we use. And he speaks of conditions under which wool is produced in Australia, and in one of his articles he congratulates the wool growers of Ohio that they are not growing wool in Australia. He speaks of the demands and the exactions of labor organizations upon the ranchers, and, as we all know, the Australian Government is a labor government.

If anyone reading reports from that country believes that wool producers get by with cheap labor or unusually favorable conditions of wool production, he will reach a conclusion different from the one your committee has reached. The Australian wool landed in Boston costs 73.2 cents per pound, and taking our figures which are practically the figures, although a little lower than those reached by the wool growers themselves, that it costs 97.5 cents to land a clean pound of American wool in Boston, the difference we find is 23.3 cents per pound. This bill proposes a duty of 34 cents.

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

Mr. McLAUGHLIN. Yes.

Mr. HUDSPETH. I wondered if Mr. Walker called attention to the fact that in Australia they have no predatory animals like we have in the State of Nevada, and whether he called attention to the fact that their wool shrinks 50 per cent while our wool shrinks 66.2 per cent, according to the statement before the gentleman's committee, and also if he called attention to the fact that in Australia they have never had a case of scabies in their sheep, while we have to dip.

Mr. McLAUGHLIN. I do not remember those particular things. I paid more attention to his conclusions that the wool selling price, which includes the profit, which always should be excluded in finding the cost of production, in Australia was 35 cents a pound.

Mr. HUDSPETH. May I ask another question?

Mr. McLAUGHLIN. Yes.

Mr. HUDSPETH. For whom was Mr. Walker working at the time he made this report?

Mr. McLAUGHLIN. Oh, I have not reflected on anybody. I have accepted as absolutely true these interesting but to say the least, not entirely satisfactory figures from the growers of Texas, gathered through their college, and I have not reflected on the honesty or good faith of anybody and I shall not do so.

Mr. HUDSPETH. The gentleman gave the report of the individual ranchmen in Texas. Whom was Mr. Walker representing?

Mr. McLAUGHLIN. In justice to Mr. Walker, not in his defense, because he needs none, it should be said that his facts and figures in every respect are in agreement, almost to a cent, with those of which I have spoken; and these other data are as accurate and as free from suspicion of malign influence as is any other information coming to the committee in relation to any feature of this schedule. We will now take the case of Argentina. The Tariff Commission did make some investigation a number of years ago. The American Wool Growers' Association has also submitted its figures, and they are practically the same as those submitted by the Tariff Commission or that I think they might submit, based on the investigation they made some years ago.

It costs in Argentina 27.3 cents a pound to produce a pound of grease wool. It has a clean content of 51 per cent. Adding to this cost 3 cents per pound for freight and cost of packing, Argentine wool is landed at Boston at 56.6 cents a pound. If that were the only thing to be taken into consideration, a higher duty that 34 cents might be necessary, because the difference between 56.6 cents, the cost of landing wool from Argentina and the cost of landing home-grown wool in Boston is 40.9 cents, but the history of the trade, reports of selling prices, is that the Argentine wool very often, usually, in fact, sells in the market for 8 cents less than does American-grown wool.

We have some other figures outside of the United States, and I do not know that it is necessary for me to except the United States. London is a great wool market. It is a market to

which wools are brought from all over the world, particularly from the British colonies, and when you realize what those colonies are, their location and the extent of them, you will appreciate what the London wool market is, and it is wool that we are talking about.

British possessions, or colonies, include Australia, New Zealand, South Africa, British India, the Near East; and there is the United Kingdom itself. London is the market to which the growers of wool, particularly the colonial wool, as the report says, goes. It is sold at auction; and an understanding of that auction would remove from your minds any idea that it is a sacrifice sale, like a sale in bankruptcy or on the foreclosure of a mortgage. It is the place where wool is brought by those who wish to sell it. It is the place where men and companies go from all sections of the world who wish to buy wool, and it is only fair to presume—and I do not speak from my own knowledge alone, or give merely my own impression—that it is the fully justified impression of those who should know, that these sales are not at sacrifice prices.

Now, we have taken into consideration the relative prices, the quality and kinds or grades of wool sold in London, immense quantities of which are imported into the United States, and we made a comparison between prices prevailing in London and in the United States during six years, from 1923 to 1928, inclusive. That comparison shows that only as to one of those four kinds of wool and only in one year was there a difference between Boston prices and the London prices of as much as 24 cents a pound.

The average difference for all the different kinds of wool for that entire year was only 20.8 cents, and the average difference of all those kinds of wool for the six years was 16.6 cents. I do not have the exact figures in mind. I can not think of any better way or ways—we have taken several of them—of determining the costs and selling prices of the foreign wools laid down in Boston. Domestic woolgrowers are asking for at least 10 cents higher duty than the figures we have gathered and analyzed show they are entitled to.

Mr. GARBER of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. McLAUGHLIN. Yes; I yield to the gentleman from Oklahoma.

Mr. GARBER of Oklahoma. I am very much interested in the presentation of the studies that the gentleman has made of wool, and I would like for the gentleman to state whether or not he took into consideration, in determining the cost of production, the production of the small farms? There are millions and millions of sheep now being raised on the small farms of the country, and it is considered one of the most valuable evidences of diversification. I ask the gentleman whether the rate fixed by the committee is sufficient to protect and cover the difference in the cost of production on the small farm, taken in connection with the mass production? As I understand it, we want to get away from mass production in this country. It is not going to last very long either in cattle or wool, and we shall finally be driven to small-farm production, which is much more valuable, taking into consideration the prosperity of the small farmer.

Mr. McLAUGHLIN. I do not know whether we have given proper consideration to that or not. It depends on what the gentleman considers a small or a large farm. I will say, however, that in 1927, as to ranches reported on systematically from Texas, we find reports from ranches that produced as little as 1,200 pounds on up to those that produced as much as 50,000 and 60,000 and 72,000 pounds, which were all given, it seems to me, due and proper consideration. I do not know what the gentleman means by the small fellow, but when a man produces 1,200 pounds alongside of a man who produces 72,000 pounds, and we take both into consideration, it seems to me we have neglected neither.

Mr. GARBER of Oklahoma. I mean in the number of sheep raised on small farms of the country, running, say, from 15 to 50 head on a farm in contradistinction to mass production.

Mr. McLAUGHLIN. I think we have given proper consideration to the small man as well as to the big one. I admit that it is a mistake if we have not, but we have done the best we could.

Mr. BRAND of Ohio. Mr. Chairman, will the gentleman yield there?

Mr. McLAUGHLIN. Yes.

Mr. BRAND of Ohio. What proportion of wool is raised on the ranches of the United States?

Mr. McLAUGHLIN. I am not able to say.

Mr. BRAND of Ohio. I understand that there are more sheep east of the Mississippi River than west. Am I wrong?

Mr. McLAUGHLIN. I think the gentleman is mistaken about that.

Mr. BRAND of Ohio. Have you taken the cost of producing ordinary wool on every one of the ranches?

Mr. McLAUGHLIN. I have taken the figures from the National Wool Growers' Association, which says it is authorized to speak for all of them.

Mr. BRAND of Ohio. I thought you referred to what he says of ranches.

Mr. McLAUGHLIN. He speaks of the entire wool situation. I attach some importance and significance to the statement of Mr. Walker, who is an Ohio man, and he congratulates the wool growers of Ohio on the fact that they are not producing wool in Australia.

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

Mr. McLAUGHLIN. Yes; I yield to the gentleman from Ohio.

Mr. MORGAN. As I understand the calculations made by the committee, from your previous statements, they are based on the difference in the cost of production per scoured pound. Is that right?

Mr. McLAUGHLIN. Yes.

Mr. MORGAN. What do the figures show—those presented by Mr. Walker and those given in your bill?

Mr. McLAUGHLIN. The same; 50 per cent for Australian wool.

Mr. MORGAN. His figures were based on the difference in cost of production, and you have added the tariff to take care of that difference in cost?

Mr. McLAUGHLIN. Yes, to see what tariff is needed in view of the cost.

Mr. MORGAN. You admit the fine wool in 64 and above which fits with Ohio and Pennsylvania, and the fine wool only yields a benefit of 16 cents per scoured pound. Is not the difference in the cost of production at least 16 cents a pound on scoured wool too low now?

Mr. McLAUGHLIN. We did not consider it so. We knew of no place where there was that radical difference of which the gentleman from Ohio speaks. It was not called to our attention, and the result of our investigation revealed no such situation.

Mr. MORGAN. In order that we may get the facts clear, the difference you have given in the cost of production between Australia and the domestic clip is 34 cents per scoured pound. Is that right?

Mr. McLAUGHLIN. Oh, no.

Mr. MORGAN. That is the rate you have proposed?

Mr. McLAUGHLIN. Yes; that is what we have proposed; but the difference between the Boston landed cost of Australian wool and the home production cost is only 24.3 cents, and the protection we proposed in this bill is 34 cents.

Mr. MORGAN. Does not the testimony show that 64's and above are now receiving a tariff protection of only 16 cents per scoured pound, and that 56's are receiving protection to the extent of only 24 cents?

Mr. McLAUGHLIN. It is often difficult to tell how much actual protection a tariff duty gives, and it depends on how you make your calculations. I will say to the gentleman from Ohio that I do not see how we could consistently go into that proposition. The theory of a protective tariff duty, according to our platform and according to the accepted theory of this country, is the difference between the cost of production at home and abroad.

Mr. MORGAN. I hope you hold to that; and if you do it is evident that the rate originally requested, 36 cents, is not adequate to meet the difference between the cost of production based upon the protective benefit now received of 16 cents for 64's and above and 24½ cents for 56's and above.

Mr. McLAUGHLIN. The tariff works in a mysterious way its wonders to perform.

Mr. MORGAN. I know; but its wonders must be the difference between the costs of production.

Mr. McLAUGHLIN. I may say to the gentleman from Ohio, who knows wool and the wool market much better than I do, that many things disturb that market. Many things besides the tariff influence wool prices. There may be a real or only an apparent shortage, or an oversupply of wool. It may be withheld from or piled upon the market; there may be a proper or an improper control of the market in some way or a manipulation of prices. None of these things can be materially, if at all, influenced; certainly can not be prevented or controlled by the tariff, nor can they be properly taken into consideration in determining tariff duties. Duties are to be determined as nearly as may be by the difference between home and foreign costs of production. When the duty is provided, the market in other respects must take care of itself

and those who buy and sell on the market must take care of themselves. I think we have taken proper notice of cost differences; but it has been insisted to me—but it was not brought before the committee—that our home producers of wool are under a terrible threat on account of importations of fine wool from South Africa.

Mr. MORGAN. That is true, is it not?

Mr. McLAUGHLIN. Please wait a minute. It was said that it is very fine wool, produced cheaply there and that we need more protection. I have figures showing the amount of wool imported into this country from every other country for some years, and find that in 1928 the wool importations from South Africa, compared with the total importations of clothing wool, were one-fifth of 1 per cent of that total. That is all, and yet fault is found with us because we do not protect against South Africa, and of all the wools brought in from all over the world during three years, from 1926 to 1928, inclusive, the highest amount ever brought in from South Africa was about 5 per cent.

Mr. MORGAN. Will the gentleman yield?

Mr. McLAUGHLIN. I do not think it will do any good.

Mr. MORGAN. Just for one brief question.

Mr. McLAUGHLIN. My information about these things is limited. I am giving you the result of our investigations and the conclusions we have reached. I will not guarantee to answer all the questions that may be asked about this complicated matter of wool.

Now, I think it very proper when we are approaching a revision of the tariff to give attention to the manner in which the law now on the books, or on the books at the time the revision is attempted, has operated, and it is a pleasure to be able to report to those who themselves have not made an investigation, that wool conditions from one end of the business to the other have been quite satisfactory, except in some of the factories producing the finest kinds of cloth. The rate of duty now in force, 31 cents, has encouraged the growing of sheep so that during the last six years there has been an increase of more than 8,000,000 in the number of sheep in this country. There has been a material reduction in importation of wool into this country. There has been profitable operation of the factories in this country except, as I say, those that are producing the very finest fabrics. The figures showing the increase of the production of wool in this country are very gratifying; the figures showing the remarkable decrease in the importation of wool from other parts of the world are also gratifying. But we must bear in mind that all our figures show that with all the increase of production of wool in the United States we produce only 11 per cent of the wool of the world and that it is now, always has been, and for years will be necessary for us to import a great deal of wool.

I do not know whether or not I should talk further about wool. We have changed a number of paragraphs in the law as it is now. We have changed the pargaraph which relates to the bringing in of carpet wools and that they shall be free of duty if used in the making of carpets, otherwise they shall bear the regular rate of duty, 34 cents. We have assumed to recommend a reduction of duty from 31 cents to 24 cents on wools known as 44's. Of course, those wools can be used—and there is a very small importation of them—for the making of carpets, also for the making of cheap fabrics, for cheap clothing for the benefit of those who wish or find it necessary to buy that kind of clothing. That reduction was recommended to us not by the manufacturers or the users of wool but by officials of the wool growers' organizations. Mr. Hagenbarth himself recommended that the duty on that kind of wool be reduced from 31 cents to at least 24 cents. Other wool growers testified to the same effect.

In speaking of the present quite fortunate conditions that have arisen since the enactment of the law of 1922, I might quote some of the woolgrowers who appeared before the committee when they spoke about previous laws and about the uncertainty and difficulties imposed upon the woolgrowing industry on account of that uncertainty. They said that if they were given something certain and substantial and they were permitted to go on as they are now they would very soon clothe the country, to use their own words, although they admitted that they already, on account of the increase in the number of sheep, have quite a problem on their hands in regard to the meat of sheep and lambs.

Mr. MORGAN. Will the gentleman yield?

Mr. McLAUGHLIN. Yes.

Mr. MORGAN. The stabilization feature to which reference was made by the growers was on the basis of a continuance of the scouring-content rates, so that they would have something definite on which to work.

Mr. McLAUGHLIN. Well, there was no disapproval of the idea of adhering to the scoured-wool content, and the duty has been and will be imposed upon that.

I am sure you do not wish me to go through each of these paragraphs and explain, as I may be able to explain, just why the changes were made. I may say that for the benefit and for the protection of the manufacturers no increase whatever was made in the protective duties so far as they are concerned, except and because of the increase of duty on imported wool.

Request for increase of duties on manufactured wool products did not come from manufacturers alone; it came also from witnesses who testified in behalf of wool producers. They said that if there was to be an increase of the duty on wool, manufacturers should have full and proper increases of duties, because, they said, the manufacturers are our only customers.

We have divided some of the brackets relating to the importation of woolen fabrics, all above a certain price per pound, all above a certain value per square foot, and so on, because we have found that importers have taken advantage of the lines we have drawn between these different values, and we have tried by changing these brackets to stop up the holes through which importations, larger than we think they should be, have been coming in.

The largest increase that we made is in the matter of felt hats, which have been coming largely from Italy. The increase in the number of them coming in is startling.

In 1924 the value of imports of felt-hat bodies was $106,000; in 1927 it was $4,000,000. In 1927 there was 8,475,000 of them imported and for the first 11 months of 1928 there were 26,000,000 imported. There is an immense increase. In one district in Italy there are 7,000 employees receiving from two and a half to six dollars a week, whereas in American factories the average wage is $25 per week.

So we have increased materially the duty on these hats and we have put a specific duty on each article, if it is advanced beyond the first state, including those that are trimmed and finished, even though they have not reached the condition at which they are sold in the stores.

We feel this increase is justified.

Mr. MORGAN. Will the gentleman yield for one question?

Mr. McLAUGHLIN. Yes.

Mr. MORGAN. The erroneous press reports that are going out concerning the great increase in the cost of woolen fabrics are unjustified, are they not, in view of the fact the you are only passing on the compensatory duty given on wool; in other words, you are just giving the compensatory rate on wool to the cloth and not readjusting rates?

Mr. McLAUGHLIN. Oh, we are readjusting rates, giving not only compensatory duties, but some protective duties; and where we have found it necessary to consider a protective duty on some of the higher-priced products we had a system devised for us by the Tariff Commission as a result of investigations in mills in this country and in England.

In the manufacture of the more expensive light worsted fabrics, as low as 20 per cent of the total production cost results from the cost of raw materials; that is, 80 per cent is conversion cost. About 60 per cent of this conversion cost is the charge for labor. Domestic wool textile labor averages about 23 per cent more efficient than in Great Britain, but American wages are two and a half times as high as in Great Britain. It is obvious that with the higher priced American labor, which constitutes so large a proportion of the manufacturing cost, a higher protective rate of duty must be granted.

This is simply a mathematical calculation. Having the degree of efficiency, the hours of labor, and other factors of cost that I have mentioned, you can make up an example in mathematics and reach a definite, correct conclusion. I was skeptical of it when it was first suggested to me, but am not satisfied that it works out satisfactorily. Anyway, we have adopted it and we have given the manufacturers of wool only such increase in their compensatory duties as is necessary on account of the increase in the duty on wool, and we have not changed the protective duties more than we found to be absolutely necessary on account of our higher labor and other conversion costs.

Mr. STAFFORD. Will the gentleman yield?

Mr. McLAUGHLIN. I yield.

Mr. STAFFORD. Does the gentleman refer in his reference to increasing the duty on felt hats to paragraph 1527?

Mr. McLAUGHLIN. No; paragraph 1115.

Mr. STAFFORD. In 1527 you make a small increase on various kinds of hats, caps, bonnets, and hoods for men, women, boys, and children.

Mr. McLAUGHLIN. Fifteen hundred and twenty-seven, that you speak of, is not in this schedule at all. I had nothing directly to do with it.

Mr. STAFFORD. Eleven hundred and fifteen refers only to the fabric, and not to the manufactured article.

Mr. McLAUGHLIN. Paragraph 1115 refers, in a way, to the manufactured article, so far as hats are concerned, by adding a 25 per cent duty on each of the finished products or those that are advanced beyond the raw stage.

Mr. STAFFORD. Wherein does paragraph 1115 (b) differ in its general classification from paragraph 1527?

Mr. McLAUGHLIN. Paragraph 1115 relates only to woolfelt hats; 1527 relates to fur felts.

Mr. RAMSEYER. Will the gentleman yield?

Mr. McLAUGHLIN. Yes.

Mr. RAMSEYER. Eleven hundred and fifteen (b) deals with wool felt, while the other paragraph deals with fur felt.

Mr. McLAUGHLIN. Mr. Chairman, I yield back the balance of my time.

Mr. GARNER. Mr. Chairman, I yield 30 minutes to the gentleman from Texas [Mr. SUMNERS].

Mr. SUMNERS of Texas. Mr. Chairman, when the Congress concluded its work at the end of the last session, after the whole economic situation had been surveyed, it was decided by the President of the United States that agriculture had been left in such a condition that it required the convening of Congress in extra session in order that the problem of agriculture might be considered. So the present bill and the bill just preceding it constitute the suggestion for agricultural relief. These two bills and the necessity therefor must be considered together.

We represent different sections of the country, different interests, and it is useless for any Member of the House to say that he is not in some degree influenced by the peculiar economic conditions in the community from which he comes. But there are certain basic fundamental things of broad national scope which challenge us to the exercise of a broader and more fundamental duty. In my judgment this is one of them. Whether a person comes from New England or from the grain fields of the North and West or from the cotton fields of the South, whether he represents those who produce or those who consume, it is a serious matter to contemplate the inauguration of a policy which will have for its purpose the driving out of existence the exportable surplus, the driving out of business those whose efforts are responsible for these surpluses. In my judgment these two bills taken together set up a policy as important as the bills which established the protective-tariff policy. These bills embody a new philosophy and announce a new policy in American Government. At least they bring into clear relief a policy which we may have been following for a long time. It throws off the mask and definitely fixes agriculture in a subordinate position to industry. I hoped to have more time that I might more thoroughly discuss the two bills, but on account of the limited time I believe I will have opportunity to consider only what I regard to be the fundamental economic question involved.

I want to address myself to your judgment on one proposition, whether you are a Democrat or a Republican, whether you represent an agricultural district, or represent some industrial center. Is it to the best interests of the American people to drive these surpluses out of existence?

It is the policy to do that which underlies this bill, and I challenge its wisdom. The agricultural bill, page 2, declaring the duties of the board and how the duties shall be discharged provides—

and by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from unduly depressing prices for the commodity.

The object of this administration calling Congress into extra session is there stated. Representatives of producers of exportable surpluses gave your indorsement to the bill the purpose of which was no broader under the declaration of the bill than to maintain an advantageous "domestic" market.

We better think about this. You better consider where we are going. You will have to face this bill all your life, in my judgment. This is a crisis in agriculture. There is no doubt about it.

As though that language quoted did not sufficiently indicate to the board set up by the bill what it is expected it shall do, this board that is given $500,000,000 with almost unlimited discretion as to expenditure, was not left with free discretion in extending aid to the producers of exportable surpluses. Think of it!

Can any man stand in his place here and say it was not the distress of the producers of grain, the distress of the producers of corn and cotton and tobacco, that it was not the distress of these people combined which broke the banks of the Northwest and the South and finally called the Congress into extraordinary session? But then they wrote into the bill:

(e) No loan or advance or insurance agreement under this act shall be made by the board if in its opinion such loan or advance or agreement is likely to increase substantially the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual domestic requirements.

There are certain commodities in this country produced for the world's market. That is a legitimate thing to do. They have as much right to produce for world market as manufacturers have. They bear the principal burden of the protective tariff, which is a Federal bounty to manufacturers. These producers can not share in the benefits of the protective tariff system. They are in distress in no small degree because they sell in the world markets, and this Government will not permit them to buy there. A large part of the burden of the tariff system is shifted from one class of our people to another until it reaches the producers of these surpluses and there the shift ends.

And yet this bill, written with an understanding of the situation, limits the discretion even of the board in extending the facilities provided by the bill. It is limited by the mandate of Congress placed in the bill.

The language of the bill and the statements of the President, the Secretary of Agriculture, and the Secretary of the Treasury, made contemporaneously with the consideration of this bill, leave no uncertainty as to the philosophy, if there be any, at least the purpose that underlies the bill, namely, that exportable surpluses are things to be gotten rid of. How?

These farmers are told to raise something else. What? My farmers are told to go into dairying, and they are doing it. But not many more farmers can do that. Dairy production we are told is now within 1 per cent of the full domestic requirement. In the meantime, these farmers are to be discriminated against until they do something. Do what? I will tell you. Go broke and move to town.

They say that the surplus is a bad thing, and that any increase in price tends to increase the surplus. It must follow, therefore, that nothing shall be done to increase the price of those commodities that produce exportable surpluses. It is in the bill, and it is branded as a farm relief bill. You may say that that is a matter of argument. I am going to introduce a witness before this House, one of the most careful observers and one of the clearest analysts among correspondents in the city of Washington, Mr. Mark Sullivan, of national reputation. He has been sitting on the side lines, and this is his analysis:

The new plan will make farmers more prosperous so long—and this is important—as the total number of farmers is kept down to the number who can raise just enough for the American market and no more.

It is a decree of economic death to the producers of exportable surpluses in America.

The relief that is about to go into effect goes on the basic assumption that the farmer's export surplus is an embarrassment, a thing to be avoided. The plan will tend in its working out toward reducing the farmer's export surplus to as near nothing as is practicable.

I regard that as a correct statement of the plan. Is it a wise plan? These exportable surpluses that bring back to the people of this country nearly a billion and a half dollars in trade balance per year, that constitute a margin of safety between the teeming millions that live in the great cities, and the hazards and uncertainties of production, that give employment in their production to hundreds of thousands of families who live on the farms, which bring back from the markets of the world into these farming communities the money which goes into the vaults of the banks which moves the goods on the merchants' shelves, which in a large measure pays the teacher, the preacher, the workman, and all the rest, are to be done away with. I dare say there is not a statesman in central Europe to-day who would not sacrifice half his country's economic strength for the guarantee that his nation could feed and clothe its people from the products of its soil and have the margin of safety, the economic power, the international position which these surpluses give to us. And here comes this administration, despising this surplus and proposing cold-bloodedly to adopt a policy that will drive this Nation to a hand-to-mouth supply of food—that will drive these farmers from the fields to the factories, where they must work as the hirelings of great favorites of this Nation. What are we thinking about? Are we blindly to follow? Have we forgotten our people and the highest interest of the Nation? This is an important day in the governmental history of my Nation. We are launching upon a new policy, one against which the wisdom of all history

warns us. I do not challenge the honesty of the belief but I challenge the soundness of the belief, and I refuse to accept it. The policy is to increase the production of manufactured commodities. By every conceivable subsidy this is being effected, even to freight rates. To illustrate, I direct attention to an excerpt from a hearing before the Interstate and Foreign Commerce Committee in May, 1928, which was placed in the RECORD recently by my colleague from Texas [Mr. JONES]:

Mr. GARBER. * * * Has it ever been called to your attention or to the attention of the commission, through application or otherwise, that the rate on steel from Chicago to San Francisco for home consumption is $1 per hundred, but for export it is 40 cents per hundred?

Do you recall whether or not those figures have ever been presented to you?

Mr. ESCH. We have had figures indicating a very marked lower rate on export traffic than on domestic. The theory back of that is, I suppose, the development of our foreign commerce. * * *

Mr. GARBER. How does it come that that export rate for steel—it is a 60 per cent preferential, is it not?

Mr. ESCH. About that.

Mr. GARBER. How does it come that that was ever granted? On what theory was it granted? There is not such an export rate on wheat, is there?

Mr. ESCH. I do not know as to the rates, but it has been a general practice as to some commodities of putting in a lower rate to a port when the commerce is destined abroad, for the reason I have just stated, as a stimulus to our foreign trade.

I quote again from the article of Mr. Simons, who is at least a disinterested examiner of these bills:

Now, let us contrast this policy for farming with the quite different policy we have for manufacturing. To manufacturing we say:

"Export. Export more and more. Flood the world with American manufactured goods. Send American manufactures to the farthest corner of the earth. Make America the greatest exporting nation—in manufactures—in the world."

To the farmers, we say in effect, "Limit yourselves to producing just enough for the American market."

What are you going to do with these farmers? They say to your wheat farmers who are producing these exportable surpluses, move out, go somewhere and do something else until there is no surplus, but what will they do? Where will they go? I will tell you what they will do. They will become the hirelings of the manufacturers, and these men and women who have been breathing the free, clear air of the western prairie will be breathing the smoke of the great cities. Restriction of immigration has reduced the supply of hired people. A new supply is to be provided, driven by the lash of economic injustice from the farms of this country, and you will be responsible for it. We do not have to pass any such legislation as this. We have these bills in such shape that they can both go to conference, and have these provisions worked out. It is not too late.

Mr. COLE. Mr. Chairman, will the gentleman yield for a question?

Mr. SUMNERS of Texas. For a very brief question. My time is limited.

Mr. COLE. Is it the gentleman's understanding that it is the policy of these bills not to permit any export?

Mr. SUMNERS of Texas. Of what?

Mr. COLE. Of wheat and cotton.

Mr. SUMNERS of Texas. Why certainly, it is the policy to drive the exportable surpluses from existence.

Mr. COLE. I do not believe it is.

Mr. SUMNERS of Texas. Perhaps the gentleman does not, but I am telling these gentlemen what I think. I am quoting the clear language of the bill. I am referring to the communication of the President and of the Secretary of Agriculture and of the Treasury, and I am quoting from a disinterested observer of national reputation.

Mr. COLE. We will export as much as we are exporting now.

Mr. SUMNERS of Texas. I can not yield any further. The gentleman has too much wisdom, and he will get me embarrassed. I want to keep this witness Sullivan on the stand a little bit longer.

Hand in hand with this farm-relief policy comes the tariff policy supplementing it, and "meant to be equally helpful to agriculture."

With the emphasis on the equally, and I do not think you are going to be disappointed about its being equally helpful to agriculture.

In effect, the policy of this bill says, "Let the farmer stop trying to raise crops for sale in Europe; let him confine himself to raising crops that America can consume, and only so much of them as America can consume." Stated with concrete reference to one crop, the policy says: "Raise just as much wheat as you can sell in America and no more. As to the remainder of your wheat acreage, on which you now raise wheat for Europe, turn that acreage into other crops which America can consume."

Hand in hand with this farm-relief policy goes a tariff policy supplementing it and meant to be equally helpful to agriculture. In the tariff bill about to be passed it is proposed to say in effect: "We will put a protective tariff not only on all crops now raised in America, but on all crops that can reasonably be raised in America; in short, we will give to the American farmer a substantial monopoly of the American market as to all products that American farmers can reasonably raise."

That is not my judgment. It is the judgment of a disinterested correspondent, whose judgment the American public hold in high regard.

Mr. COLE. It is not incumbent upon us to accept Mr. Sullivan's analysis.

Mr. SUMNERS of Texas. It is not incumbent upon you to accept anything, except the President's mandate. But I ask my friend to read the bill again and see that the Congress denies to the agricultural board that you are creating, the opportunity even to use its free judgment in aiding these producers of exportable surpluses. Read the bill and you will not find one word that indicates that it has been written to help these producers of exportable surpluses.

Everything beyond domestic requirement is classed as "surplus" and placed under the ban. If you find any such thing I will vote for this bill. The whole thing considered in the bill is the domestic market. Is not that so? Answer yes or no. Well, the gentleman is taking too much time, and he is fixing to make a speech, and I will say that he answered it "no."

Mr. COLE, Oh, no.

Mr. SUMMERS of Texas. He said "no"; I knew he would. [Laughter.]

I do not mean to take advantage of my friend for whom I have the highest regard. He means by "no" that he does not agree with me and I want the RECORD to show that fact.

Mr. COLE. May I ask the gentleman just one question?

Mr. SUMNERS of Texas. Surely.

Mr. COLE. Would it be your policy for the Government to loan money to put more wheat growers in the field to grow more wheat? Would that be a wise policy to increase the production of wheat in that way?

Mr. SUMNERS of Texas. Do I understand the gentleman to hold to the converse of that proposition, that the Government should refuse to loan money to the wheat farmers?

Mr. COLE. To increase production? Yes.

Mr. SUMNERS of Texas. Very well. The gentleman can make his own speech.

Mr. GARBER of Oklahoma. Mr. Chairman, will the gentleman kindly give the citation?

Mr. SUMNERS of Texas. Yes. The article from which I have just quoted appeared in the Washington Star Sunday before last.

Continuing, Mr. Sullivan says:

Let us now see where the American farmer will end if these two principles are followed out—limitation of exports for the farmer, expansion of exports for other industries; nonexport for the farmer, aggressive export for the manufacturer. Let us examine the ultimate outcome of these two policies running parallel.

Ten years from now the farmer will be less than 25 per cent of the total population. The farmer's share of population, the farmer's share of the total voting strength, the farmer's proportion of influence in politics, his place in the whole economic and social structure will be steadily growing less. The farmer's economic status and his social status will tend to become that of gardener to an immense manufacturing and business community.

CHANGES ARE FORECAST

Presently we shall reach a point where the farmer will be only, let us say, one-fifth of the total population, where the farmer will have only one vote while the other industrial interests will have four votes. About that time something may happen. About that time the manufacturers and all those engaged in other industries may say their food is costing them too much. They will run into a period where it is difficult to sell American manufactured goods abroad because of the competition of other countries. They will encounter obstacles to carrying out the grandiose advice about flooding the world with American exports of manufactures.

At that point the manufacturers may say that America must reduce its manufacturing cost. Among the first things to occure to them will be the thought that America's food is costing too much. The employees and everybody engaged in other industries will say the same thing. Under the pressure of diminishing wages they will look about and say:

"The gardener's pay is too high—our food is costing us too much. Let us take the tariff off farm products. We must buy our food as cheaply as possible. If Australia or South America or Canada is willing to produce food more cheaply we must buy from them."

This would be the logical course of a country in process of becoming mainly a manufacturing country. If manufacturing and export is the main industry, agriculture must become subordinate. That is what happened to England when she became a manufacturing nation.

This definite subordination of farming to other industries would seem likely to be the ultimate outcome of these two policies running parallel, the policy of nonexport for the farmer and aggressive export for the manufacturer.

I have studied the general situation for a long time, and I have examined these bills. For whatever it may be worth, I venture the judgment that Mr. Sullivan has drawn the conclusions which the facts compel.

These consequences follow naturally the policy which these bills embody. Farmers are now only about a fourth of our population. There is no longer any subterfuge. The purpose and the policy is clear.

These things are facts not because Mr. Sullivan declares them. He declares them because they are facts. He ventures a national reputation in this declaration. It requires no great genius to discover them. They are as certain to come true under the policy proposed as it is certain that there is a natural law which compels like results from like causes.

Now, this tariff, as I say, is a part of the program; the agricultural program, if you please. The farm-relief program. The agricultural bill relieves these farmers and other people of $500,000,000, and this tariff bill relieves further through increase in tariff duties. But this tariff bill does not touch the question of exportable surpluses except to increase the cost of that which the producers of exportable surpluses are buying and to leave them with this new burden on their backs and the necessity to sell, as heretofore, at a price fixed in the markets of the world in competition with the cheapest labor of the world. The producers of exportable surpluses are excluded by the language of the agricultural bill itself, and also by the language of the tariff bill, so you have a situation where the Congress is called into extraordinary session to deal with farm relief and leaves untouched, except to increase their burden, the wheat, cotton, and tobacco growers, who are not given economic justice, as every fair-minded man will recognize, at the hands of this Government.

For a long time the producers of wheat were made to believe that they were included in the general protective policy and that the tariff was a panacea for all economic ills. But under that tariff the farmer did not get along very well, so the tariff has been raised from time to time until now it is 42 cents a bushel on wheat. Even the greatest spellbinders are not now able to convince the people back home that that 42 cents duty is effective. We had a man in our town who was a great frog hunter, and he came back from his hunting one day and claimed to have killed a frog that weighed 102 pounds. His statement, of course, was disputed, but he said, "Yes, I did; but only 2 pounds of it was frog." [Laughter.]

You remember the gentleman from New Jersey [Mr. BACHARACH], in charge of the metal schedule, said they had changed the existing schedule in 19 instances, I believe, and that in all except three instances the rate had been raised. Is that going to help the people who produce exportable surpluses? We men in the South will join with you men who come from the grain section of the North and West and get economic justice for your people. We will stand with you if you will stand with us. We defeated the bill last session proposing to authorize the organization of a monopoly to buy rubber. If that bill had passed we would have set the precedent for an international pool to buy our cotton and grain and that when rubber was far under the cost of production; if we had not stood together and defeated that bill we could not have complained if, following our example, an international pool had been formed to buy our grain and our cotton. But we prevented that.

All we ask is economic justice for the men and women and children who toil in the field, and who produce exportable surpluses. Why not? It is the policy of the Government to stimulate manufacturing exports. The steel trusts on their exportations get a railroad rate, a bonus of 60 per cent. The people who patronize railroads have to pay that bonus. When the farmer comes to buy an automobile there is a tariff of 25 per cent. On a 25-cent knife there is a tariff of 35 cents, and thus it runs from the largest to the smallest. The Government compels these farmers to pay a bounty to these manufacturers. No wonder the farmers are in economic distress. I do not appeal to prejudice. These farmers are on a free trade basis when they sell and almost everything they buy is protected. There is no paternalism there you say, but when we insist that economic justice be done to the men who produce exportable agricultural surpluses in this country, then we are charged with advocating paternalism. I want to tell you that Mr. Lincoln made a true statement when he said, "This country can not be half free and half slave." I tell you that economically we can not be half slave and half free. I do not appeal to prejudice. Agriculture is an economic slave in this country, not a human being on the face of this earth can successfully contradict the statement that these producers of agricultural surpluses are the economic slaves of industry.

Mr. GARBER of Oklahoma. Mr. Chairman, will the gentleman yield there?

Mr. SUMNERS of Texas. Yes.

Mr. GARBER of Oklahoma. I have great respect for the gentleman's opinion. The surpluses are a part of the farm problem, a part that has refused to yield to the studies made on the other side. Would the gentleman state how he would get rid of them?

Mr. SUMNERS of Texas. I will face the question squarely. As long as we are under a protective tariff system, whether the amount comes from the Treasury, directly or indirectly from the pockets of the people, it all comes from the pockets of the people. I would give to the producers of exportable agricultural surpluses a compensatory advantage to equalize the disadvantage which results from the burden which the protective tariff places upon them, whether you call that compensatory advantage a subsidy or a bounty or a direct assessment upon the Treasury of the United States. [Applause.] It is contrary to the most fundamental interests of the American people that agriculture shall continue to rest under an economic disadvantage in the country. [Applause.] There is nothing more valuable to a nation than the ability to feed and clothe its own people and to preserve a surplus beyond current necessity. I do not ask that anything be given them by the Government beyond that which the Government compels them to contribute as a bounty to the manufacturers. All I ask is that a part of what the Government forces them to pay be returned, so that agriculture may have a fair chance to remunerate those engaged in its business, as fair a chance as industry, and let the economic laws which govern control the shifts of effort and of profit.

What do automobiles and palaces and all the things that are developed in the cities mean when a hungry, crazy mob surges down the streets of your great cities? We have entirely lost the relative value of things in this country. Why is it not as just to give to the producers of exportable surpluses a bounty, if you want to call it such, as to have the Government compel these farmers to pay a bounty to the manufacturers? Answer me that. I am talking about plain, ordinary, 100 per cent common, human justice. Nobody can answer it. Not a human being on the face of the earth can challenge the economic or governmental justice of that proposition.

I pass to another question and lay down this proposition, that it is more valuable to a nation to have a large percentage of its people pursuing the productive vocations of the fields than it is to have them crowded together in great, congested centers of population. Is that sound?

If those two propositions are sound, then why in the name of common sense will we adopt the policy embodied in these two bills that will drive these producers of exportable surpluses from the fields. Where are they going and what will they do when they get there? They will work in the cities as unskilled laborers, these men who live out in the fields, these men who are producing $1,500,000,000 of our exportable surpluses. [Applause.]

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. GARNER. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. SUMNERS of Texas. Now, gentlemen, I have found this out about this House. We are partisans in a sense, and we are selfish, possibly, in a sense; but I have never seen the House of Representatives yet when it felt that a situation challenged it to be statesmanlike that it was not able to measure up to the challenge of that responsibility.

I am speaking to you in great earnestness this morning. I feel as deeply as I am able to feel the economic injustice of the policy of this Government, and I feel, gentlemen, that that policy of economic injustice will bring its penalty upon the people who are responsible for it. I declare to you—and I am backed by everything in history—that that nation is strongest which has the largest percentage of its people following the productive vocations of the country. I declare to you—and I am supported by every line of human history—that great cities do not add to a nation's strength. They are a tax upon its vitality. I would not say a word against the legitimate interests of the great cities. I live in a sizable city that is politically dominant in my district. I have no prejudice when I state these propositions. But I tell you that that economic policy which will drive these free and independent men, women,

and children who are living out in the fields of this country—the men, women, and children who produce the food and clothing material for this Nation and whose products bring back $1,500,000,000 annually to our balance of trade; the men, women, and children who are driving the wolf from the door—I tell you that a governmental policy which would deliberately drive those men and women from those fields until there is no surplus produced and make them hired men and women in the great cities is a damnable policy. [Applause.] Let these men and women have a fair chance. Let nature take its course. That is all.

There are a lot of things happening in this country, friends, that mean serious times for the future. There is concentration everywhere; concentration of property; concentration of wealth and the subjugation of the people to great groupings under a single management. This country can not remain a free country when it is supported by a Nation of the sort of hirelings to the sort of masters who are coming into power under a policy and a political philosophy of the sort which finds expression in this so-called farm-relief program.

I do not reflect on the men who are employed. But I do not welcome this modern development of a few masters. Men fight for their firesides and homes as they will not fight for a boarding house; men fight for property when they own it as they will not fight for property when they are hired men. This new thing, of which this policy is a part, is called cooperation. It is a delusion. Cooperation signifies equality in relationship, to judgment and independence of action. It is not cooperation, my friends. It is economic and industrial feudalism. These men who can think only in the terms of commerce are not good friends of the interests which they represent.

We are moving too fast in the direction in which we are going; we are approaching a crisis; and we know that in the great crises of the past—listen to me, you men who are representing the wealth of the great cities, listen to me in this one closing statement—you know that in the great crises of the past, when governments and civilizations have been put to the supreme test, that if governments and civilizations have stood, it has been largely because of the conservative strength of the country; and now we come in these two bills and write across their pages a declaration of economic and governmental policy that would drive these producers of exportable surpluses from their homes into the industrial cities of this country. Can you not read the signs of these times? Listen to me; is not this true? Are we not stronger economically by reason of the fact that we ask no nation to furnish us with bread for our people? Are we not as an ally and from every standpoint stronger because as a nation we can feed not only ourselves but those who stand with us in battle? We all hope there will never come another war, but think of our contribution in the last war by reason of the fact that the men who are despised in this bill were producing 200,000,000 bushels of wheat to help feed our allies! [Applause.]

My time has expired. I thank you very much for listening to me. [Applause.]

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. GARNER. Mr. Chairman, I yield 20 minutes to the gentleman from Alabama [Mr. ALLGOOD].

Mr. ALLGOOD. Mr. Chairman and gentlemen, I come to-day to speak in behalf of the 6,000,000 farmers in the United States, representing 30,000,000 people, and also in behalf of 75,000,000 more consumers in our towns and cities.

I realize that the Republicans, with a majority of 102 Members in this House, are able to force through almost any character of legislation they wish to pass, and it seems they are determined to pass this tariff measure; and it is possible under the rules of the House for them to pass the bill even without a roll call; and therefore, in order to make it known that I am opposed to it, I am taking this opportunity to speak against it.

This measure has been brought into the lap of this Congress by deception, because this session of Congress was called for the sole purpose of equalizing agriculture with industry. This is what the President said and this is what the newspapers of this country heralded far and wide. Yet a little group of New England protectionists have brought this measure here, not in behalf of agriculture, not to equalize agriculture with industry, but to further protect industry in this country.

Therefore I say that you have deceived the farmers of the country, and you have deceived the consumers of the country, because the farmers and the consumers are not looking to this Congress for such a measure as this.

This bill can best be compared, because of its far-reaching tendencies, to a sea animal I have in mind. You have more than a thousand schedules in the bill and you have raised more than 900 of the 1,000 schedules, which raises will bring an increased cost of living to the entire American people if this bill becomes a law. This tariff tax will reach down into the pockets of everyone in this country and can best be compared to an octopus, a greedy sea monster, with its tentacles reaching down into the hard-earned savings of the American people and raising the cost of living upon the consumers of this country.

The farmers of this Nation need help and not increased taxes.

Statistics from the Department of Agriculture show that the income of the farmer has been increased 31 per cent since 1914, but while the income of the farmer has been increased 31 per cent his outgo or his cost of living has been increased 71 per cent. So you can see that the farmer is getting the worst end of the economic situation. It is like the old question that was asked me when I was a boy. If a frog is in a well and he jumps up 3 feet in the daytime and falls back 7 feet at night, how long will it take the frog to get out of the well?

This is the condition that is confronting the American farmer to-day. He is down in the well of despair, he is in gloom and in debt, and every time he comes out of debt $31, under the economic condition that is confronting him, he is going in debt $71. These are the statistics, these are the facts that can not be denied, and yet you come here and let a committee that is controlled by a little group of New England protectionists write this bill. If I were a Republican Congressman from New England, of course I would vote for this bill, but I do not see how a Representative from the South or West, whether Republican or Democrat can support it.

In my opinion it will prove a boomerang to the Republican Party. It will come back on you two years and four years from now and you will have to answer to the American people. We Democrats have been attacking you from long range. We have been attacking you with your handling of the oil reserves of this Nation. We have been trying to defeat you by hollering fraud from a long distance, but we have not been successful with it; but you just wait. Wait until this bill is passed, if it is passed, and it reaches down into the pockets of every consumer of this country, and two years from now you Republicans will hear from it.

Why do you let a small bunch of New England protectionists come here and write this iniquitous measure and put it upon the backs of the American people? Because the masses of American people are unorganized, and the great majority of them are poor, and not able to contribute to campaign funds, but you will make rich a few monopolists by this tariff bill who will be able to put up the millions necessary for a national compaign. It seems to be the Republican idea of a tariff that you can tax the people to make them prosperous.

Do the industries of this Nation need this bill?

The Manufacturers' News of Chicago has just published some statistics which show that the major industries of this Nation do not need further protection. These statistics show that for the year 1928 their profits were more than they were in 1927.

They show that the automobile manufacturers made 19 per cent more profit in 1928 than they did in 1927, and that the manufacturers of automobile accessories and parts made 60 per cent more profit in 1928 than they did in 1927; that the manufacturers of brass and copper made 56 per cent more profit; that the manufacturers of building supplies made 1.37 per cent more profit; that chemical manufacturers made 30 per cent more profit; that drug manufacturers made 15 per cent more profit; that manufacturers of food products made 14 per cent more profit; that hardware manufacturers made 20 per cent more profit; that steel and iron manufacturers made 33 per cent more profit; that machinery tools manufacturers made 21 per cent more profit; that metal products made 31 per cent more profit; that mining and smelting made 43 per cent more profit; and that oil refiners and producers made 94 per cent more profit.

Mr. ROBSION of Kentucky. Will the gentleman yield?

Mr. ALLGOOD. I yield to the gentleman.

Mr. ROBSION of Kentucky. The gentleman mentioned mining and smelting. I assume that he does not mean coal mining?

Mr. ALLGOOD. No; not coal mining, because you have failed to put a tariff on oil; you have taken care of the Rockefellers. Oh, yes; the oil interests of our country own vast oil properties down in Mexico and you let their oils come in free, which oil comes in direct competition with coal and helps ruin the price of American coal.

Mr. ROBSION of Kentucky. Will the gentleman and his party vote to put a tariff on oil?

Mr. ALLGOOD. Oh, I have heard that cry before. Your party is in control; why do you not place a protective tariff on oil?

I think that a great economic question such as this is should be nonpolitical. I believe that any question that affects the cost of loving of the American people as does the tariff should be nonpolitical.

Mr. LANKFORD of Georgia. Will the gentleman yield?

Mr. ALLGOOD. I yield.

Mr. LANKFORD of Georgia. It has been ably pointed out to-day by the gentleman from Texas [Mr. SUMNERS] that the policy of the present tariff and the farm relief bill is to give the farmers only the American market and suppress the surplus and give the manufacturing interests the markets of the entire world. Now, the question I want to ask the gentleman is, Can the farmer ever be put on a parity with other enterprises as long as he is restricted to the home market while the automobile manufacturer and other manufacturers have the world market?

Mr. ALLGOOD. Never in the world.

Mr. LANKFORD of Georgia. To my mind the two bills are designed to put agriculture on a lower level than agriculture has been heretofore.

Mr. ALLGOOD. I thank the gentleman from Georgia for his contribution. I was out in the corridor a while ago and overheard a Republican colleague refer to the debenture as a bounty. It seemed like the word "bounty" was such that he could hardly bear to mention it. I must say that I do not see much difference between the debenture and a tariff.

Mr. LANKFORD of Georgia. A bounty in the form of a tariff generally helps the manufacturers and a bounty as now proposed by the debenture plan would help the farmer.

Mr. ALLGOOD. I thank the gentleman for his suggestion.

The Federal Reserve Board reports that in the entire history of the United States the output of the factories for first quarter 1929 has been more than at any other period, and yet here you are under this bill building higher tariff walls.

I have shown there is no justification for a tariff of this character. Oh, well, I heard one speaker say, it was to protect the American people. He said he was patriotic and wanted America first. That reminds me of back in 1898 we went to war with Spain because Spain had her iron heel on the neck of Cuba. Cuba was our neighbor. Spain was crushing out the lifeblood of Cuba, and so the American Congress declared war against Spain. We sent our best men to Cuba to fight for her independence. One of your great leaders, Theodore Roosevelt, offered his services and his life, if need be, for the political solution of that problem—the freedom of Cuba—yet you Republicans come here 30 years after that time and are satisfied to put our Government's heel on the neck of Cuba and at the same time put the Government's heel upon the necks of 120,000,000 people in America in order to maintain a few monopolies in this country. I can not understand this kind of reasoning. If Cuba was good enough to fight for in 1898 it seems to me we ought to be fair enough to her to-day to give her a chance for her economic life.

But let us leave Cuba out of the picture and return to America and see what the passage of this bill as it is now written will mean to our people. It is my opinion that the tariff on sugar will cost every family on an average of from five to ten dollars a year. This bill also increases the prices of farming implements, of leather goods, glass, brick, shingles, furniture, clothing, and practically every manufactured article that the farmer has to buy. Unless the schedules are restricted so as to protect farm products only, I fear that it will more than offset the benefits that the farmers will receive from the farm relief measure. I have lost faith in the House of Representatives as far as tariff legislation in behalf of agriculture is concerned, and if the Democratic Senators and the progressive Republican Senators do not defeat this measure or amend it from beginning to end, the cost of living will continue to be increased upon the peoples of this Nation whether they live on the farm or in towns and cities.

Like Mr. CRISP, of Georgia, said:

> If I thought more of my party than I did of my Government, I would vote for this measure because, if passed in its present form, it would do more to destroy the Republican Party than anything that has ever happened.

If the Democrats can stop the passage of this measure it will, in my opinion, render the greatest service that any minority party has ever accomplished for the people of this Nation. [Applause.]

Mr. GARNER. Mr. Chairman, I yield 30 minutes to the gentleman from Mississippi [Mr. RANKIN].

Mr. RANKIN. Mr. Chairman, for one who believes as I do, that a high protective tariff is more or less legalized robbery designed to help one class rob another, I must say that the future does not look very bright. We are now face to face with one of the great and overshadowing problems out of which have grown most of our troubles, even that of the Civil War.

The logic of John C. Calhoun, that great statesman from South Carolina, has never been answered, when he opposed, even to the point of nullification, the imposition of a high protective tariff for the benefit of the few at the expense of the many and in violation of the Constitution of the United States.

If it had been known at the time our Government was formed that this policy would ever be adopted, the Constitution of the United States would never have been adopted by the thirteen original States.

You men from the North, and a great many from my section of the country, have been taught that the Civil War was fought solely because of slavery and secession. But back of all that this great economic question was at least as great, if not a greater influence, in bringing about that struggle and carrying on the fight than either slavery or secession.

If you will pardon me, I shall read to you from a speech made on this floor on January 12, 1847, at page 94 of the RECORD, in defense of the right of secession by one of America's great men, who has long since passed to the Great Beyond, Abraham Lincoln. In discussing the right of Texas to secede from Mexico Mr. Lincoln on this floor, as a Representative from Illinois, said:

> Any people anywhere, being inclined and having the power, have the right to rise up and shake off the existing government and form a new one that suits them better. This is a most valuable, a most sacred right, a right which we hope and believe is to liberate the world. Nor is this right confined to cases in which the whole people of an existing government may choose to exercise it. Any portion of such people that can may revolutionize and make their own, or so much of the territory as they inhabit. And more than that, a majority of any portion of such people may revolutionize, putting down a minority, intermingled with or near about them, who may oppose their movements. Such minority was precisely the case of the Tories of our own Revolution. It is a quality of revolution not to go by the old lines or the old laws but to break up both and make new ones.

In other words, long before the great crisis of 1861, Mr. Lincoln himself had advocated the policy of secession and sustained that right in the people of Texas. In his inaugural address he said, in quoting his own words:

> I have no purpose directly or indirectly to interfere with the institution of slavery in the States where it exists. I believe I have no lawful right to do so, and I have no inclination to do so.

He had already approved the principle of secession. He admitted that he had no right to interfere with slavery in the Southern States. Horace Greeley was saying, "Let our erring sisters go in peace." But there was this great economic problem that is to-day giving you people from Maine more trouble than any question you have had in many a day. The question of secession did not disturb New England. In 1814, when Andrew Jackson was leading that invincible band of southern soldiers to New Orleans, they had met at the Hartford convention for the purpose of seceding from the Union, and that at a time when we were at war with a foreign power.

They cared nothing about slavery; they had sold us their slaves and spent the money. The "moral" side of slavery did not shock them so long as they were selling slaves and getting the money for them. And my experience has convinced me that no "moral" question would influence the predatory interests who are the sponsors and chief beneficiaries of this tariff legislation.

But when the South finally seceded, it dawned upon those tariff barons that if the southern Confederacy were established it would grow into a rich and powerful country, with a monopoly on certain raw materials which the New England manufacturers had to have. They realized that they would be unable to plunder the people of an independent country through a high protective tariff, as they are plundering the great masses of our people to-day, and therefore threw all of their strength behind the administration during the four long years of bloody war.

If the emancipation proclamation had been issued the day of Mr. Lincoln's first inauguration, there would have been such a revolt against it in the North as would have almost disrupted the Federal Government, as it then stood, and the chances are that there would have been no Civil War. If there had been, it possibly would have ended with the first battle of Bull Run by the independence of the Southern States being recognized throughout the world.

The South would have gone on her way in peace. In the course of time they would have freed their slaves, and would possibly have ultimately come back into the Union with an understanding that their constitutional rights should not be trampled upon as you are to-day trampling under foot the most sacred principle of government in the passage of this high protective tariff bill, which is designed to rob the masses for the benefit of the favored few.

Government is supposed to be organized to keep the strong from oppressing the weak. In the last seven years the very purpose of government has been distorted, and to-day it is being used to enable the strong to oppress the weak.

Not satisfied with the lion's share they are receiving under the present tariff law, they come now and attempt to increase it and further plunder the farmers who produce the raw materials, as well as the consumers of this country. What is the result of such a policy? Let us see if New England's fears were well founded in 1861. To-day you are building up to the north of you a rich and powerful farming country, because in Canada, under a reasonable tariff or free trade, they buy their materials so much more cheaply and live so much more economically that their farmers are growing rich and prosperous, while ours are facing foreclosures and bankruptcies.

Listen to this: In 1919 the United States produced 968,000,000 bushels of wheat, and Canada produced 193,000,000 bushels. In 1928 the United States produced 903,000,000 bushels of wheat, a falling off of 65,000,000 bushels in nine years, and Canada, instead of producing 193,000,000 bushels as in 1919, produced 534,000,000 bushels, an increase of 341,000,000 bushels, And I predict that if this thing goes on for 10 more years, Canada will produce more wheat than the United States.

With a high-protective tariff on everything our farmers have to buy, you have made farming so unprofitable in this country that they are going into bankruptcy here, while on the other side the wheat farmers of Canada have prospered and are prospering to-day. Yet you have a tariff of 42 cents a bushel on wheat for the purpose of fooling the farmers, when you know it is not worth the paper it is written on. Wheat was 11 cents a bushel higher in Winnipeg yesterday than it was in Chicago.

It would be proper for honest Republicans to vote to wipe that tariff on wheat from the statute book, because it is a fraud and a farce.

I have heard two distinguished gentlemen from Maine, of whom I am very fond, talk about the farmers of Maine raising potatoes at a loss and facing bankruptcy. They have to pay protective-tariff prices for everything their farmers use. They must have warm clothing up there in winter, you know; heavy overcoats, and heavy underclothing; and they have to have good houses in order to be comfortable. Your farmers in Maine have just as much right to live decently as the manufacturers have in Boston, and the potato farmer in Maine can not profitably sell his potatoes in the markets of the East, even when they have a tariff, because right across the line the Canadians are raising potatoes and selling them in competition and at a profit. Why? Because the Canadian farmer buys in an open market and at reasonable prices.

My friend in front of me [Mr. BEEDY], one of the ablest men in the House, said the other day that the cost of producing potatoes had more than doubled in Maine in the last seven or eight years. But on the other side of the line the cost of production has not doubled. It is not much, if any, higher now than it was eight or ten years ago. Therefore, those people are successfully raising potatoes and shipping them across the line and making money, while the gentleman's constituents in Maine are losing money. And they will continue to lose money, in my opinion, even if you raise the tariff on potatoes.

Mr. BEEDY. Mr. Chairman, will the gentleman permit an interruption there?

Mr. RANKIN. Yes.

Mr. BEEDY. I know the gentleman wants to be accurate. The gentleman has made a pretty general statement. It costs $1.25 to raise a barrel of potatoes in Maine, and when they ship potatoes into our market at $1, as they do in Canada, it does not take much of a mathematician to see that he is not making much money.

Mr. RANKIN. If the gentleman from Maine can salve his conscience and vote for this bill, I have no objection; but the farmers of this country have a great deal more sense than these Republicans think they have. There is going to be a rigid trying out next year. The most intelligent man in the United States for his opportunities is the farmer, because he has to study every problem, from the protective tariff down, in order to live; and when you Republicans go back to the West you will find next year a greater spirit of resentment than you found in 1922.

I heard Victor Berger speak on this floor one time. Frankly, I never had any sympathy for his views. But once when he was making a speech I moved down close to the front in order to hear what he was saying, and in one statement that he made he set me to thinking. He said, "You have no socialist party in this country now, but the time will come when you will have one." He said, "The reason is that your people, when oppressed, have been able to go out into the open country, like the States of Iowa and Nebraska and Minnesota and Kentucky and Missouri and the great West, and there they have wrung a living from the ground—a very poor living at times it is true—but they have been able to make it." He said, however, "If these policies are continued, the time will come when they can not do it. You will have great hungry masses in the cities clamoring for bread, men out of work, with no means of making a living, who can not go into the open country and make it. If these policies continue," he said, "the time is coming when you will have the same conditions they have in Europe."

He was simply sounding a warning to the American people which Congress had better heed.

You have attempted to build a Tower of Babel, a tariff tower, into the realm of economic safety for the favored few, and you have now reached the confusion of tongues.

The gentleman from Maine talks about potatoes produced in Maine, the birthplace, almost, of the Republican Party, and of a high protective tariff. He says that his people are being ruined, that it costs twice as much to raise potatoes now as it cost heretofore. Your tariff on wheat is not worth anything, neither is your tariff on corn.

You export more corn than you import. Corn is lower to-day, and wheat is lower to-day on the Chicago market than it has been since 1914. You are selling those things in the open market and at pre-war prices, and yet you called Congress together pretending to help the farmer, but you pile upon him an almost unlimited burden in the shape of high protective tariffs on the things he has to buy.

One gentleman, Mr. MOUSER, from Ohio, made a speech the other day that was most amusing. I was in Mr. MOUSER's district last year and men told me they were selling farms under foreclosure for less than half the appraised value five years before. They are doing it in all those Western States. Mr. MOUSER appealed to us to pass this tariff bill to help the farmers.

You propose to put a higher tariff on sugar, to raise the price of living to all the American people in order to help 140,000 people in this country and at the same time make more prosperous, perhaps, the Philippine Islands, Porto Rico, and Hawaii at the expense of the great masses of the American people who use sugar. Yet they tell us that, even with the tariff they have, sugar is cheaper in the United States than it is in foreign countries and cheaper now than it was in pre-war days before your present tariff law was passed.

You propose to raise the tariff on lumber, and in that you are backed by those people who hold cut-over lands, who are trying to turn them over to the Government, under the pretense of having them reforested, in order to escape taxation.

Mr. O'CONNOR of Louisiana. Will the gentleman yield?

Mr. RANKIN. Yes.

Mr. O'CONNOR of Louisiana. What conclusion does the gentleman reach from the statement he has just made that sugar is selling cheaper in the United States than in Europe? Is it that the United States is a better market than Europe?

Mr. RANKIN. I was repeating the statement made by the gentleman from Colorado [Mr. TIMBERLAKE] as best I could. I reach the conclusion that the tariff on sugar is ineffective and that it would be unwise to increase it.

Some farmers are asking for the crumbs that fall from the table. They ask you to put a tariff on hides and even those of you from the farm States have not the courage to vote for it, because the shoe manufacturers and the powers that be in your party are against it. I went down town the other day and priced a pair of shoes that had less than a dollar's worth of leather in them and the labor that went into them did not cost $1.25. They shoved those shoes on the counter and asked me $10 for them, and yet the next morning I received a letter from those same shoe people protesting against a tariff on hides because they said it would raise the price of hides $100,000,000 in the United States. They added, however, that it would not help the farmer but that it was in the interest of the packers. Have you Republicans not learned any packer sense yet? Do you not know that if the packers would get $100,000,000 out of such a tariff they would be packed around the doors of the Ways and Means Committee asking for such a tariff?

The object of the recent trip to South America was to encourage trade in order that the tariff beneficiaries might ship their manufactured articles down there, where they are selling them cheaper than they are in Maine, and import free raw materials. That is what they wanted and that is the reason they do not want this tariff on hides.

You have gone on with this proposition to where the time has come when the American farmer can not continue to live. You have reached the saturation point with your manufactured articles. You have got to where you can not sell what you

make. The other day a man from a neighboring State said to me, "Something must be done." He said, "You can go throughout my district and never get a cinder in your eye." I asked what he meant, and he said, "I mean, we have so many manufactured goods on hand that we can not sell them; therefore our factories have been shut down and our people are out of work." I heard a Congressman from West Virginia, a great coal State, say that the output of his county was worth $71,000,000 a year a few years ago, while to-day a coal mine worth hundreds of thousands of dollars is sold for the taxes. They say people will not buy coal lands because they can not afford to pay the taxes and lose. What is the matter? You have gone on and on until the rest of the world has recuperated from the World War. They are manufacturing their own materials and you can not unload these manufactured goods on them. And remember, that these American manufactured goods are sold cheaper in every other country in the world than they are in the United States. Strange to say, the farmers, the people you say you want to help, are the people who do not get any relief under these schedules; that is, the wheat grower, the corn grower, the man who grows oats and barley and those things, that you pretend to protect in this tariff bill. You do not even go through the mockery of pretending to help the cotton farmer.

Read the schedules contained in this bill and you will find that it will not better the farmer's condition one particle.

The farmer will not be as able to buy next year as he was last, and if your bill is effective at all, manufactured articles will be much higher.

You asked the gentleman from Texas [Mr. SUMNERS] how he would correct this situation. I will tell you how I would correct it—just as the American people expected you to correct it—and that is to revise the tariff downward; bring down the price of the commodities the people have to buy. You not only refuse to do this but you ignominiously dodged a vote the other day to even give the farmers a part of the tariff through a debenture plan.

No; the high protective tariff in this country is for the purpose of helping the few to plunder the many. That is what it is doing now. That is what this bill is for. This Congress did not come here to help the farmers, and it is not going to help them.

Instead of helping them you propose to pile this extra burden upon his back. You remind me of an old negro woman down near my home. A negro got drowned in the creek near the town in which I lived, and all the negroes in the community went out to fish for him the next morning. They got in a couple of old, rickety boats and in some way they ran the two together and knocked the ends out of both of them, which filled the creek with scrambling, plunging, screaming, drowning negroes. Old Uncle Alf, one of the victims, was getting along in years. He could not swim worth anything, and he knew it, and he knew that he was in a very serious situation, so he began to plunge and struggle to try to get back to the bank. He drifted on down the creek, and every time he came up he would get a little nearer to a willow bush that overhung the creek bank. Every time he would get a little closer, and he saw that if he kept on he was actually going to save himself, while the others were drowning. An old negro woman, old Aunt Mary Haugen, who was way up the creek, saw him and said, "Lawd, look at Uncle Alf." She rushed down the creek bank, picked up a chunk, pitched it to him, hit him right on top of his head, and they never saw Uncle Alf again.

That is the kind of relief you are giving now when your farmers are struggling to keep their heads above the water, fighting a losing battle from the Lakes to the Gulf and from Maine to Mexico, you come here, and instead of helping him, reaching down and giving him a hand and lifting him out, you drop this chunk on his head, this raise in tariffs, this raise in the cost of commodities that he must have to live—you pitch this chunk on his head, knowing that he can not survive the blow.

If you really want to help the American farmer, instead of passing this iniquitous tariff bill, let us relegate it to the waste basket and pass a law reducing the tariff, bringing down the cost of what farmers have to buy, thereby giving some real farm relief. [Applause.]

Mr. HAWLEY. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. HOGG].

Mr. HOGG. Mr. Chairman and Members of the House, the American people consume sixteen and one-half billion dollars worth of food products every year. Almost every item of food can be produced in a foreign country, shipped into America, and sold at a profit for less than our cost of production. The American food market is a valuable thing. It belongs to the American farmer. A protective tariff says to the foreign producer of food that he can not ship his products into this country unless he pays a tax or a tariff to the Government when his products cross the boundary line of the United States. [Applause.]

That is the Republican doctrine of a protective tariff—that the American farmer shall supply the American demand for food.

DEMOCRATIC POSITION

The Democratic Party, in the last tariff law which it enacted, decreed that the American farmer had no special right to the American market for food. The Democratic Party opened our doors to the cheap food production of the world. The interest of the Democratic Party in the welfare of 6,000,000 farmers and their families is shown by the fact that at every opportunity it has always placed the products of the American farmer on the free list. At every opportunity it has given away the American market to foreign nations. In 1913 the Democratic Party had the opportunity of paying its respects to the American farmer, and it did so in the Underwood-Simmons Tariff Act. This act declared in words and effect that foreign food producers could ship any amount of beef, pork, milk, and other farm commodities into America, and sell them here without the payment of a protective tariff. [Applause.]

It did not matter to the Democratic Party that the American farmer was an American citizen and an American taxpayer. It meant nothing to the Democratic Party that cheap foreign labor had none of the advantages of American labor. It was of no concern to the Democratic Party that every dollar's worth of imported food took the place of food produced in America and robbed the American farmer of his rightful market. No wonder then, that such a policy ruined the American farmer and turned 5,000,000 American workmen out of employment.

WHAT PROTECTION MEANS

The bill under consideration provides that before the foreign producer can ship his food products into our markets that he must pay a substantial tax to the Government for that privilege. On cream imported he must pay 48 cents per gallon when the cream crosses the boundary line of the United States. On butter and butter substitutes the foreign producers must pay 12 cents per pound; on sheep, $3 per head; on beef, 6 cents per pound; on cheese and substitutes for cheese, 7 cents per pound; on poultry, 6 cents per pound; on eggs, 10 cents per dozen; on wheat, 42 cents per bushel; on onions, $1.75 per hundred; on oats, 15 cents per bushel; on apples, one-half to 2½ cents per pound; on tomatoes, 3 cents per pound; on potatoes, 50 cents per hundred; on wool, 24 cents per pound. [Applause.]

These are only a few of the items of increase. This increase will cost the American consumer very little, if anything, and the American farmer will be better protected.

PEPPERMINT OIL

The present tariff rate of 25 per cent ad valorem on the importation of peppermint oil in the United States has not protected the American farmer against importation from Japan and other nations where labor is paid one-fourth the amount that labor is paid in America. In northern Indiana are thousands of farmers who produce large quantities of peppermint oil. For years they have been forced to sell below the cost of production, partly because of cheaply produced crops in other nations.

INDIANA PRODUCTION

The annual production in the United States is near 500,000 pounds, of which two-thirds is produced in northern Indiana, where 30,000 acres are under cultivation. The yield is from 10 to 60 pounds per acre, the average being in the neighborhood of 15 pounds per acre.

The peppermint growers in Indiana, Michigan, and other States of this Union should have the right to the aid of the protective tariff to the fullest degree to supply the American demand for peppermint oil. The duty should be made three times as heavy as at the present time.

It costs the farmer in Indiana $3 to $3.50 per pound to produce peppermint oil. He is occasionally forced to sell at $2 to $2.50 per pound. That is not a square deal. Much handwork is necessary for the successful cultivation of peppermint oil.

It is very easy to have unfavorable weather to ruin a crop, and thus create fluctuation in price. During the last 25 years wholesale prices have varied from 75 cents to $30 per pound. The crop in Japan alone is two and a half times the American crop. In 1925 there were imported 25,123 pounds of peppermint oil, and in 1926 there were 15,730 pounds of importation.

In the 10 years last past more than 210,000 pounds of peppermint oil has been imported into the United States. In Australia the producers of peppermint oil are asking a bounty from their government in order to compete with American producers. Imported peppermint oil is used for making menthol.

MENTHOL

Imports of menthol are increasing and, in addition, there is a production of synthetic menthol in the United States, and which appeared on the market in 1923. There is a duty at the present time of 50 cents per pound on menthol. Menthol is imported principally from Japan, and the United States is the largest customer of Japan in menthol. Imports in menthol reaching a total of 450,000 pounds has been valued at $2,808,000 in 1920, and 360,000 pounds valued at $1,310,000 in 1927. Synthetic menthol is used largely for external applications. As importation menthol as made from peppermint oil competes with it, and as the United States is able to supply the demand for menthol without importation, the tariff for menthol should be increased to $1 per pound, and on peppermint oil to three times the present rate—that is, to 75 per cent ad valorem. [Applause.]

ONIONS

The Tariff Commission has recently completed a most thorough investigation concerning the cost of production at home and the importation of onions into the United States. As a result of that investigation the President of the United States ordered that the tariff be increased the full amount authorized by the provision for flexible tariff from 1 cent per pound to 1½ cents per pound. This afforded some relief to the American farmer, but the facts warrant a higher increase of tariff. There are three general crops of onions.

1. Strong onions, consisting of bulk or domestic consumption.
2. Bermuda onions.
3. Spanish onions.

Strong onions are smaller than Bermuda onions, and are globular in shape and highly flavored. In color strong onions are white, red, brown, and yellow, the yellow predominating. Onions imported from Egypt are of the strong variety and correspond in appearance with the strongest varieties of domestic northern grown onions.

Bermuda onions which are grown in the United States are from seed imported from the Canary onions, and are large, flat, and mild. The Spanish onion is a large, globular-shaped onion, golden yellow in color, and mild. The total production of onions in the United States in 1928 amounted to 1,084,000,425 pounds. This was slightly under an average crop, but on account of the increase of the tariff brought a larger return than any crop since 1923.

The leading States in the production of strong-type onions are New York, Indiana, California, and Massachusetts, in the production of Bermuda, Texas, and southern California, and in the production of domestic Spanish are Washington, Utah, and Idaho. For 1927 the production was as follows:

Total production	Pounds
Strong onions	966,200,000
Bermuda onions	213,500,000
Domestic Spanish	113,700,000
Total farm value	
Strong	$10,757,000
Bermuda	5,826,000
Domestic Spanish	916,000
Farm value per pound	Cents
Strong	1.1
Bermuda	2.7
Domestic Spanish	.8

SPAIN AND EGYPT

The production of onions in Spain is so cheap that the Spanish refuse to permit the Tariff Commission to study the cost of production there. However, the best grade of onions grown in Spain sell regularly for 20 to 25 cents per bushel at marketing time. The Department of Agriculture of the Government of Egypt some time ago stated that the increase of tariff in the United States on the importation of onions would work a great hardship on the producers of onions in Egypt for the reason that Egyptian producers' object had been to recoup their loss in the United States which they had made elsewhere in the world in the sale of their crop. The Egyptian production of onions is 50 per cent larger than the American production. Importation of onions has steadily increased since 1918. In 1927 121,000,000 pounds of onions were imported, and in 1928 125,000,000 pounds were imported. Importations from Spain begin in June and continue through the succeeding February, and are not in competition with domestic Spanish onions, and to a small extent only with Bermuda onions.

Onions from Egypt arrive in the United States from April to July. Domestic strong onions on the market in April and May are storage onions from the crop in the preceding fall. From April, through June, domestic Bermuda onions are also on the market in large quantities. Our total exportation of onions is less than one-fourth the importation. The total cost of production of onions in the United States per pound was found by the Tariff Commission to be as follows:

	Cents per pound
Strong onions	1.82
Bermuda onions	2.04
Domestic Spanish onions	1.23

Delivered at New York, the average cost was found to be for—

	Cents per pound
Strong onions	3.00
Bermuda onions	3.60
Domestic Spanish onions	2.82

The imported onions, although no better in quality are, for psychological reasons, able to command a better price than the home-grown onions. It is a matter of common knowledge that a ship loaded with onions leaving Spain or Egypt depresses the market in America, and forces the American producer ofttimes to sell below the cost of production.

TARIFF NOT SUFFICIENT

In spite of the increase in the tariff as ordered by the President, imports into America have increased. High freight rates in the central and western part of the country demand a still higher tariff than we now have.

For several years the American producer has been selling below the cost of production, while a substantial part of his market has been turned over to the foreign producers of onions. America has a potential production of sufficient amount to fully supply the American demand, and to this market the American producer is entitled. The tariff on onions should not be less than 3 cents per pound. [Applause.]

SUGAR BEETS

Every year the American people spend $800,000,000 for sugar. This sum is equal to 60 per cent of the value of the cotton crop, or 85 per cent of the wheat crop and three times the tobacco crop.

The experience of the American people with the price of sugar has been that under a low tariff the importers, by lowering the price, put the American sugar-beet producers out of business. Then the importers raise the price to three or four times what the price of sugar should be and the American people are forced to pay the bill.

Sugar beets are being grown on a commercial scale for 102 factories, in the following 19 States: Indiana, Ohio, Illinois, Michigan, Wisconsin, Minnesota, Iowa, North Dakota, South Dakota, Nebraska, Kansas, Montana, Idaho, Wyoming, Colorado, New Mexico, Utah, Washington, and California.

In the last 20 years the country's output of beet sugar has nearly doubled.

Total production of beet sugar, United States

[From table 395, p. 957, U. S. Department of Agriculture Yearbook, 1927]

	Short tons
Average 1909–10 to 1913–14	655,000
1924–25	1,172,000
1925–26	981,000
1926–27	964,000
1927–28	1,140,000

Wyoming has only begun to develop its beet-sugar industry. There are three new factory sites in that State which, under favorable conditions, will shortly have new sugar mills, Wheatland, Powell, and Riverton. Testimony before the Ways and Means Committee was to the effect that Montana was destined for a large increase in beet-sugar development.

Minnesota has large areas suitable for sugar-beet cultivation. The same may be said of Iowa, Wisconsin, South Dakota, and North Dakota.

A MILLION TON INCREASE POSSIBLE

Colorado, leading producer of beet sugar, has not reached the limits of expansion.

There were more than a score of idle beet-sugar factories in 1928. If they were reopened, if conditions, whether from an increase in the tariff or any other cause improved, and farmers could grow sugar beets for these plants profitably, there would be a material increase in the country's domestic beet-sugar output.

The possible increase in beet-sugar production in the United States would be from 500,000 to 1,000,000 tons within a reasonable number of years, if sugar prices were stabilized at a level affording the farmers $8 to $8.50 per ton of beets. [Applause.]

The increase in the rate of sugar tariff, contemplated in the pending bill, is not going to increase prices to consumers more than a fractional part, if any, of the intrinsic worth of this important food commodity.

DOMESTIC CANE PRODUCTION CAPABLE OF TREMENDOUS GROWTH

A possible increase in the domestic cane-sugar industry in continental United States is shown from testimony before the Ways and Means Committee, as printed on page 2952 of the record of the hearings of January 21, 1929.

Mr. Kemper, representing the American Sugar Cane League, said in reply to queries from committee members:

Florida is just opening up a very large development down there. I understand it will not be difficult for them to very quickly increase the production to 500,000 tons. I think all of the Rio Grande Valley of Texas could go into cane. It is a more adaptable climate to cane than we have in Louisiana. But no one will put any money in our country when you have a fluctuating condition like in the sugar market to-day, where a duty of 1.76, which at one time gave reasonable protection, no longer does so.

"In the State of Louisiana," testified Mr. Kemper, "we could produce 1,000,000 tons."

Pressed for an estimate of the cane-sugar production for all continental United States, Mr. Kemper replied:

Cane production is already being carried on in portions of Mississippi and Louisiana and Georgia. There is no reason why Alabama should not grow it and Texas and Florida. I am perfectly sure they could probably produce 2,000,000 to 3,000,000, tons of cane sugar in this country if they had the market.

TOTAL BEET AND CANE ON CONTINENTAL UNITED STATES COULD EASILY MAKE 2,500,000 TONS ANNUALLY

We now have a domestic beet-sugar industry producing 1,200,000 short tons of sugar a year. Our domestic cane-sugar production to-day is in the neighborhood of 250,000 tons. It would require only about 1,500,000 tons additional to double the output of sugar on continental United States. [Applause.]

There are differences of opinion with respect of the amount of possible increase. All authorities agree some additional beet and cane sugars can be produced in this country. The preponderance of authoritative testimony is to the effect that the increase, with no more than reasonable adequate tariff protection, could be 1,000,000 tons within 5 to 10 years.

I need not point out the desirability of fostering such a development from the standpoint of our surplus crops. The displacement of wheat alone, for example, by increased sugar-beet acreage would contribute materially toward this solution of our wheat problem.

PROBLEM OF OUR INSULAR SUGARS AND OF HAWAII

Some one may ask: If the situation is so promising as to make it possible in 10 years to produce the amount required for local consumption, would not that create a rather serious situation in our insular possessions and of Hawaii?

The domestic sugar industry as constituted to-day comprises the following:

Beet-sugar production in continental United States, 1,200,000 short tons.

Hawaii, 900,000 short tons.

Porto Rico, 600,000 short tons.

Continental cane, including Louisiana, 200,000 tons.

At present approximately 600,000 short tons are expected to enter the United States annually from the Philippines duty free. If no limitation is placed on Philippine free trade with this country her sugar exports to the United States within 5 to 10 years will be 1,000,000 tons.

From our continental sugar production and our insular possessions, therefore, come 2,900,000 short tons a year, exclusive of the Philippines. With the latter added the total is 3,500,000 short tons.

Porto Rico and Hawaii have reached the practical limits of their cultivated cane areas. Some additional sugar tonnage may come from those islands as a result of the introduction of better cane varieties. Hawaii, however, has already experienced this improvement and Hawaii's output may truly be said to be at its maximum to-day. There has not been a new sugar mill erected in Hawaii for 20 years and no new companies organized for sugar production there.

Here is the testimony of the represenative of the Association of Sugar Producers of Porto Rico, F. E. Neagle, before the House Ways and Means Committee:

Porto Rico has reached practically its limit. It has reached its limit in land. Practically all of the cane land in Porto Rico has been in use for periods of from 30 to 50 years. There is, because of the nature of the island and the mountainous character of the island, only a certain amount of land which can be used in sugar production. That land is in use.

Hence any increase in the tariff will not injure our insular possessions, Porto Rico and Hawaii. It would not hurt the Philippines as long as they have free trade with our country. The Cuban advocates of a low tariff, of course, claim that the proposed increase in rates on sugar would benefit the insular possessions at Cuba's expense.

CONCERNING CUBA—CUBA WILL NOT BE HURT IF SHE WILL OCCUPY HER PROPER PLACE IN AMERICA'S SUGAR SUPPLY

Even Cuba, if her production is not unduly enlarged as in recent years and if her agriculture were more diversified for her own good, would still have a market in the United States for all the sugar that Cuba should reasonably produce for this market.

In calculating supply and demand factors sight must not be lost of the fact that there is a steady increase in world sugar consumption and in the demands of the American people for this commodity. The average annual increase in sugar consumption in the United States in the last 100 years has been 5 per cent.

Cuba sends us nearly 80 per cent of her annual sugar output. She has obtained from the reciprocity treaty benefits greatly in excess of the benefits the United States has enjoyed therefrom. That was the finding of the United States Tariff Commission.

I hear a deal of talk that an increase in the sugar tariff would alienate the affections of the Latin-Americans for the American people. For myself, I have little sympathy for these psuedo threats from foreign peoples who are trying to influence our farm relief tariff program. [Applause.]

The tariff has been increased several times since Cuba obtained her freedom from Spain and since we entered upon our recoprocity treaty with that island. Always Cuba raises the alarm that if the tariff is increased her sugar industry will be ruined. But she has steadily increased her total sugar output and the amount of sugars she is sending to the United States. Since 1898 Cuba has increased her sugar production 1,400 per cent. That does not sound like our tariff policy has been particularly hard on Cuba.

We are telling our farmers to diversify in order to obtain for themselves a measure of farm relief. We might tell Cuba the same, inasmuch as sugar forms 80 per cent of her total exports. In any event, regardless of what so-called internationalists may think of my position, I am going to vote on the sugar tariff for the best interests of my constituents rather than for the welfare of Cuba.

A VOTE FOR A HIGHER SUGAR TARIFF IS A VOTE TO PROTECT AMERICAN CONSUMERS FROM FOREIGN EXTORTION

In adopting this position I am not forgetting the interests of the larger constituency—the American people.

The effect of an increase in the sugar tariff has been grossly misrepresented by its opponents in calculating "the tax on consumers." Fanciful have been some of the figures used in estimating the cost of the sugar tariff. They have ranged as high as $500,000,000 a year. If opponents of the protective tariff used like methods on every item in the tariff bill they would approximate the "tariff tax" at a sum in excess of the annual income of the American people.

The fact is that most of these estimates are guesses. They err, first, in assuming that every penny of the tariff every day in the year is paid by the consumer on every pound of sugar used in the United States. The Cubans themselves deny this method of calculation in statements that they—the Cubans—must bear the increase proposed in the sugar schedule. The bottled beverage manufacturers, the candy manufacturers, and the refiners of foreign sugar put the lie to these weird estimates of what the consumers must bear by insisting that the increased tariff will fall heavily upon beverage and food manufacturers.

The household user of sugar accounts for not more than two-thirds of the sugar consumed in the United States. As long as sugar is used as a "leader" in grocery stores to attract customers, the housewife will buy her sugar without any pyramiding of profits along the middleman's way. She will buy it frequently at cost or below cost. Sugar sirups entering sodas and beverages will not, because of any increase in the tariff, cost the fountain fans any more than to-day's prices. Candies will not be advanced in price because the sugar tariff is to be increased by sixty-four hundredths of a cent per pound.

And meantime, with the benefits accruing from a valuable cash crop, from hundreds of millions disbursed by the domestic-sugar industry annually in the United States, the average consumer will have a measure of protection from that industry against control of sugar in the hands of foreign producing interests. I well remember what happened in 1920 in Indiana and throughout the eastern portion of the United States. Sugar sold at retail for 25 cents and more per pound. It was hard to get at the price. The market was in the control of the Cuban producers. Nobody can deny that fact.

The American people in 1920 paid a high price for sugar and learned an unforgettable lesson. The American consumer can

not afford to be misled by propaganda to the effect that he bears the entire tariff on sugar at all times. He should remember that he is a producer as well as a consumer; that the entire farm relief question is one of increasing prices the farmer receives for his crops; that when the farmers are prosperous the city consumer is likewise benefited; that a small increase in sugar prices at a time like the present when sugar is selling below its cost of production is only just and fair to the sugar producers; that low prices in sugar are as rightly to be corrected as low prices for labor or low prices for the things the consumer produces.

WHO IS "THE SUGAR TRUST"?

The source of these appeals to consumer opposition on the sugar tariff should make the American people suspicious. The pleas are made by the very persons who were a party to the robbery of 1920.

If there is anyone in this assemblage who does not clearly understand what is meant by "the Sugar Trust," if anyone thinks that the proposed tariff increase is sought by a Sugar Trust to oppress the American consumer, let me put him straight on this now. Certain references to the trust and to dishonesty in the administration of the sugar tariff in the past have no bearing on the demand of beet, cane, and corn farmers and American domestic-sugar producers for a higher rate of duty on foreign imports.

The term "trust," if it means anything to-day, harks back to the American Sugar Refining Co., of New York City. It is opposed to the proposed increase in the sugar tariff. There is, in fact, no sugar trust in the United States to-day. There is no trust in the beet-sugar industry of the United States. Beet and cane sugars compete with each other. All sugar companies in the United States are competitors. No one controls the sugar market, and the nearest approach to control is in the hands of those American banks and refiners who own or direct the larger part of Cuba's sugar production. Cuban sugars fix the price the American consumer pays. Beet sugar, indeed, sells for 20 cents a hundredweight under cane sugar. Were beet-sugar factories forced to cease operation by reason of an inadequate tariff consumers would pay at least 20 cents a hundred pounds more for an equivalent amount of cane sugar.

MEXICAN AND CHILD-LABOR CONDITIONS IN BEET FIELDS HARDLY PERTINENT TO SUGAR-TARIFF ISSUES

There is much of this washing of dirty tariff linen that is beside the point, such as "the Sugar Trust," and the publication of the worst portions of reports on labor conditions in the beet fields. I have not heard, in the demand of certain gentleman for a tariff on cotton, for example, that its merit should be tested solely on the question of whether or not children chop cotton or pick it. I am not aware that the tariff on textiles was ever reduced because children worked in textile mills. By far more children work in the potato fields, in the vegetable patches, in the cranberry marshes of which the gentlemen from Wisconsin [Mr. FREAR] may know something, and in agriculture as a whole than are at work in the beet fields. And to date no one has suggested that farm relief be defeated or that agriculture not be given any consideration in this tariff measure because children to the number of millions are at work on the farms of this country.

I am not defending child labor. From the days of the use of this term in connection with the exploitation of children in factories child labor has been decidedly and justly unpopular with the American public. But farm work is not factory work. Family labor on farms in which the children properly have a place is not child labor as ordinarily understood.

I would be the last man to tolerate or defend abuses of children even in farm work. But I am not ready to accept the implication that the school, the State, and the local authorities in the different beet-producing districts are grossly negligent in preventing abuses. Probably a relatively few cases of abuses are always likely to be found in any employment and in some families, both in the cities and on the farms. But because there may be a few newsboys of tender age contributing to family incomes in Milwaukee I am not ready to accuse the State of Wisconsin and its citizenry of a deplorable failure to protect children. [Applause.]

With the attacks on the beet-sugar industry based on its use of Spanish-speaking citizens of the United States, the so-called Mexicans, I have even less patience. The beet-farm owners are not Mexicans. The beet-farm tenants are not Mexicans. The beet-factory workers are not Mexicans. The communities largely dependent upon the prosperity of the beet-sugar factories are not Mexican communities. The consumers benefited by lower sugar prices resulting from freedom of foreign control as an outcome of having an American sugar industry are not Mexicans.

Already, the sugar-beet growers are increasingly adopting cross cultivation as a method of blocking sugar beets. That reduces by nearly one-half the work in the spring, of blocking and thinning the germinated stand of young beet plants. Also, mechanical beet harvesters have been the objective of a number of inventors. Several are now on the market. The ingenuity of Americans will not be slow to develop means of coping with the hand-labor situation in the beet industry in the event the industry is endangered by a shortage of people willing and available to work on the beet farms. [Applause.]

Mr. HAWLEY. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois, Mr. WILLIAM E. HULL.

Mr. WILLIAM E. HULL. Mr. Chairman and gentlemen, an adequate duty on molasses in my judgment will do more for the relief of the farmer of the Middle West than all of the things that you are going to do in this bill put together. First of all, corn means more to the agriculture industry in this country than wheat and cotton put together. It means more than cattle and swine put together. Still, when I look through this great volume, this tariff bill of 434 pages, I find that you have less than 10 lines on the subject of corn. Everything that you have done for corn in this tariff bill amounts absolutely to nothing. You have increased the tariff on corn, but what does that amount to? Less than 3,500,000 bushels of corn are imported into this country, and that does not amount to anything. The most important thing that corn can be used for in this country has been left out of this tariff bill. The thing that I speak about this afternoon is nothing more than blackstrap. What is blackstrap? It is the offal of sugar. Formerly it was dumped into the sea, because it had no value whatsoever. Still, when prohibition came in and you forced the corn distilleries to cease operation in Peoria and other places—and the farmer was largely responsible for it—at the same time you drove the distilling business onto the Atlantic coast, and forced the production of alcohol to be made from blackstrap. What has been the result? Since that time the farmer has lost the sale of 40,000,000 bushels of corn per year. All of the money that would have gone into the farmer's pockets for corn, has gone into coffers of Cuba for blackstrap. As soon as the prohibition law was passed, these financiers from New York bought up the old distilleries in Peoria, Pekin, and other points, and for what purpose? So they could protect themselves against the very thing that I am asking of you in this tariff bill, that is, a tariff on blackstrap. They own the distilleries at Peoria, Pekin, Terre Haute, and Lawrenceburg, Ind., and they also own the distilleries along the Atlantic coast. They now say to you that they can not operate a corn distillery because they are not equipped for that, but that is not true. There are several distilleries equipped to make alcohol out of corn, if they want to use them.

Mr. MICHENER. Who owns those distilleries?

Mr. WILLIAM E. HULL. Most of them are owned by the same people who own the molasses distilleries. Part of them are not.

Mr. MICHENER. If they are, then it would be up to these same people to open those distilleries.

Mr. WILLIAM E. HULL. Exactly so, and if you put a tariff of 8 cents on blackstrap they will go out there and open them all up.

Mr. MICHENER. Will they open them with a tariff of 2 cents?

Mr. WILLIAM E. HULL. No; they must have an 8-cent tariff.

Mr. MICHENER. Is the 2-cent tariff of any value, so far as distilling is concerned

Mr. WILLIAM E. HULL. No. I was in the last campaign, and I know what the situation is in Iowa and Illinois in the farming districts. You told the farmer that you would come here and help him with a tariff bill, and instead of that you have helped everybody but the farmer. If you go back home and do not do something that will protect corn by these rates, you will hear from the farmer at some future time. I come here pleading for the corn farmer, because that is the biggest agricultural crop in the United States. Put 8 cents a gallon on Cuban molasses and you will put every one of the corn distilleries back where they started over 25 years ago making alcohol out of corn, an alcohol that is worth at least 3 cents a gallon more than any other kind of alcohol. I am here in the interest of the farmer. I am not now in the distilling business, although I was in that business for some 28 years. Nobody in this House can tell me anything about that business. You can not scare me with your synthetic alcohol. That is nothing more than a hoax which has been perpetrated on the public to keep the tariff off molasses. Even if it were true that you could make alcohol out of coal, at least you would be making it out of an American product, and you

would not be going down to Cuba to get the product out of which to make the alcohol. [Applause.] I say to the committee as I said the other day, with all due respect to the committee, this is one place where you can really help the farmer. Why do you not help him? Do not be afraid. There is nothing that will destroy the business. I heard a man talk on the floor the other day about the alcohol institute. He did not even know what the institute is. It is nothing more than a price-setting machine. They own the molasses and they own the distilleries, and they tell the prohibition force where they want them located; they are running the whole shooting match. If you do not put the tariff on, you will practically raise the price of alcohol, because you leave the business in the hands of three or four men; when they have such a monopoly on molasses and on the distilling business there is no reason why they should not raise the price of alcohol.

Mr. DICKINSON. I understand that there is contention that the 2 cents will be of no benefit to anyone. Would it be of any benefit to the sugar producers of this country?

Mr. WILLIAM E. HULL. I think that 2 cents would not help the distiller, but you might as well leave it on as long as you have got it there. I do not think it will increase it any, because these fellows who are going to run the alcohol business are going to advance it anyhow. That is a subterfuge. They can make alcohol with 12-cent blackstrap to-day at a profit. At the present time they are holding the price of alcohol down and putting up the price of molasses. They control both.

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

Mr. WILLIAM E. HULL. Yes.

Mr. MICHENER. If you add 2 cents, as provided in the bill, that would add 6 cents a gallon to the price of alcohol, would it not?

Mr. WILLIAM E. HULL. It might, but I do not think it would.

Mr. MICHENER. Then that would mean 24 cents a gallon to all the makers of varnish and paints and things like that.

Mr. WILLIAM E. HULL. I do not care to have the gentleman make a speech in my time. He can get time and talk all afternoon if he desires. If the gentleman from Oregon [Mr. HAWLEY] will give me five minutes more I will yield to the gentleman. Otherwise the gentleman from Michigan and the others must sit down and let me proceed.

Now, I can explain the situation to you very easily. Adding an 8-cent duty to molasses would increase the price of alcohol 24 cents, but that would not amount to anything, because, with a combination as strong as distillers control, these men will raise the price 24 cents of their own accord, whether the duty is put on or not.

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

Mr. WILLIAM E. HULL. Certainly.

Mr. BANKHEAD. Does the gentleman propose to put a prohibitive tariff on blackstrap?

Mr. WILLIAM E. HULL. No. Eight cents on blackstrap for the production of alcohol only.

Mr. BANKHEAD. How much do you use?

Mr. WILLIAM E. HULL. Forty million bushels of corn.

Mr. BANKHEAD. Will that raise the selling price of corn?

Mr. WILLIAM E. HULL. Yes; it will raise the price of corn; and take care of the wet corn.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. HAWLEY. Mr. Chairman, I yield to the gentleman five minutes more.

The CHAIRMAN. The gentleman is recognized for five minutes more.

Mr. MICHENER. Now will the gentleman yield?

Mr. WILLIAM E. HULL. Yes.

Mr. MICHENER. How many gallons of antifreeze alcohol are used each year?

Mr. WILLIAM E. HULL. Forty million gallons.

Mr. MICHENER. If these figures are correct, it will cost the users of antifreeze alcohol about $9,000,000.

Mr. WILLIAM E. HULL. But the figures are not correct. You will find that the trust has got its combination so fixed that they can make alcohol as they please. If you pass this bill without putting a duty of 8 cents on blackstrap they will raise the price of alcohol anyway. If you keep corn as a competitive product you will insure a lower price.

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

Mr. WILLIAM E. HULL. Yes.

Mr. COLE. Is it not true that you can make alcohol from corn at 90 cents a bushel just as cheaply as by using blackstrap?

Mr. WILLIAM E. HULL. I will say to the gentleman, yes.

Mr. MICHENER. Right there is it not true that industrial alcohol can be made out of corn?

Mr. WILLIAM E. HULL. It can be if you put a duty of 8 cents on blackstrap. You can make alcohol on the present price of molasses now on 90-cent corn. Do not attempt to tell me how to make alcohol. The gentleman from Michigan may know how to make automobiles.

I am going to close this speech by warning the House that if the Members leave here without putting an 8-cent duty on blackstrap, so as to put corn on an equality with blackstrap, there will be trouble for them to face at home. I know what I am talking about.

Mr. DICKINSON. The statement is made that it will add to the cost of making alcohol.

Mr. WILLIAM E. HULL. Yes.

Mr. DICKINSON. Do I understand that the price of all these commodities will be increased to that extent, or do we go on the theory that the tariff on other products should remain the same?

Mr. WILLIAM E. HULL. They are just multiplying 8 by 3. That is where you get the 24 cents. [Laughter.]

Mr. MICHENER. And that is all "bunk"?

Mr. WILLIAM E. HULL. Yes; that is all "bunk." I have been making alcohol for 28 years. I have had synthetic alcohol thrown under my nose during all that time, but it never materialized.

Mr. COLE. Will the gentleman tell the House how you can make alcohol from corn at 90 cents a bushel for 37 cents a gallon?

Mr. WILLIAM E. HULL. Yes. Ninety-cent corn with 10 cents drawback for feed will make 36-cent alcohol. They are all trying to throw dust into your eyes. I have a whole pocketful of their propaganda. It simply does not mean anything. Gentlemen, here is your chance to put an 8-cent duty on blackstrap, a foreign product, and then you can go home and know that you have done something for the farmer. But if you leave it off you will find that you will have left undone that which you promised to do.

Mr. SCHAFER of Wisconsin. Why do you not repeal the prohibition law? [Laughter.]

Mr. WILLIAM E. HULL. I am not talking about prohibition. But if you go home without putting a tariff on blackstrap you will hear from it. [Applause.]

Mr. Chairman, for the information of the committee, I desire to extend my remarks by inserting a prepared statement on the benefit to be derived from a tariff on blackstrap molasses and tapioca flour.

Industrial alcohol is being produced to-day in almost equal quantities that it was produced before the war. One hundred and seventy-six million proof gallons of alcohol were produced per year on the average of three years—namely, 1926, 1927, and 1928—as against 178,000,000 average for 1911, 1912, and 1913. In other words, they are producing alcohol now within 2,000,000 gallons as much as they did before prohibition went into effect.

The opportunities for a still greater increase exist on account of the enormous usage of alcohol. Before the war, practically all of the alcohol, or the major part of it, was manufactured from corn which took from the farmer 40,000,000 bushels of corn per year. Since the war, or since prohibition went into effect, all of the alcohol, or practically all of it, has been made from blackstrap imported from Cuba. Therefore, the farmer has lost the sale of 40,000,000 bushels of corn per year by the transfer of distilleries of corn in the West to blackstrap distilleries in the East.

There is only one way that I can see whereby the farmer will be restored to this market and that is by placing a duty upon blackstrap.

You can hear all kinds of arguments against it. They will tell you a duty of 6 or 8 cents on blackstrap will increase the price of alcohol 24 cents a gallon and will not bring back the use of corn. They have their emissaries here calling on different Congressmen, explaining to them how the price of alcohol advance would affect the consumer. I will admit it will raise the price of alcohol temporarily but, on the other hand, if at any year we should have what is known as a large crop of no-grade corn, known as wet corn, that corn would be utilized by the distilleries for making alcohol, but if you continue the policy that is being practiced by the prohibition unit at the present time, not allowing distilleries to be built without a permit to make alcohol and allowing what is known as the Alcohol Trust to-day to monopolize all of the capacity, you will then not only destroy what few distilleries you have left for the manufacture of alcohol from corn but you will prevent new distilleries from being built. Therefore, under those conditions, the farmer is in hard luck.

We have at the present time, five large corn distilleries: the Union, the Rossville, the Greendale, the American, and the Clarkes (now Industrial Alcohol). All of these distilleries are

equipped for corn with a capacity of between twenty and twenty-five thousand bushels per day but no corn is being ground to speak of in any of them.

Now, let us analyze the United States Industrial Alcohol Co., the American Commercial Alcohol Co., the Rossville Commercial Alcohol Co., the General Commercial Alcohol Co., and the Publiker Industrial Alcohol Co. These companies are making practically all of the alcohol out of black strap. While they are not one organization, they are controlled by a combination and only yesterday one of the speakers on the floor spoke of the information that he had received from the alcohol institute. He did not explain to the Members of the House that the alcohol institute was nothing more than a trust, or the mouthpiece of the combination that sets the price. There is where all of the information disseminates from under the guise of the alcohol institute.

Only yesterday I was approached by an emissary of the alcohol user, but when I talked to him he did not satisfy me that he knew what he was talking about, if he were really talking for the user, for this reason: If you pass this bill without putting a duty on blackstrap for the purpose of giving the opportunity to make alcohol out of corn where it originated, then you put your eggs all in one basket. You make a monopoly of the alcohol business through the alcohol institute; they control the price of molasses at Cuba, and they control the price of alcohol in the United States. You take away from the community the opportunity of allowing these distilleries, that are equipped to make alcohol out of corn by not putting a duty on blackstrap, which is a foreign product, and therefore you put alcohol in the hands of a few people. They eventually will raise the price. The consumer will pay the price, and the farmer will not sell the corn. That is the answer to your alcohol situation. If you want to help the farmer, here is a chance to give him 40,000,000 bushels of corn per year by simply putting a duty of 8 cents a gallon on blackstrap for distilling purposes only. Take the opportunity now while you have got it, my friends, in favor of helping the farmer.

A tariff of 2 cents a pound on tapioca would make it possible to use 4,000,000 bushels of corn in the corn-products industry that is not being used at the present time, and the reason for that is that tapioca is used for starch principally against cornstarch.

At the present time the market price of tapioca starch is $2.75 per hundred pounds, while starch made from corn is $3.25. With the 2-cent duty on tapioca, it would just about equalize the price for cornstarch.

There have been arguments made that tapioca starch does not compete with cornstarch which, in my judgment, is untrue. From statistics that I hold I am satisfied that the competitive field equals about 68.8, or an amount of corn equal to at least 4,000,000 bushels.

It seems to me if you want to help the corn farmer you should put a tariff of 2 cents per pound on tapioca for the reason that the increase in importation is going up very rapidly, and I call your attention to the fact that the first three months in 1928 they imported 37,000,000 pounds of tapioca, while in the first three months of 1929 they imported 45,000,000 pounds. The acreage and opportunities are so great in Java for the production of tapioca that it will not be long until cornstarch will be a thing of the past unless relief is given.

Sago, which is a starch that comes from the sago palm, is in exactly the same class as tapioca as far as competition is concerned, and the same duty should be put on sago as is put on tapioca.

I want to call your attention to these figures: In 1928 there was imported into the United States 55,000 long tons of tapioca flour.

In 1928 there was exported to all of Europe combined only a total of 27,500 long tons, or one-half as much as was imported into the United States.

Why such larger imports here? Because this is the most favorable market. If you continue to allow this you will certainly increase the importation of tapioca flour and decrease the use of corn in our corn-products industry.

Now, if you want to kill off the best industry you have for the farmers, leave tapioca on the free list.

Gentlemen, I have given you my honest thought on two propositions. I am sure that if you allow this bill to be passed without putting a duty upon blackstrap you will for all time to come destroy any opportunity of the farmer selling corn for alcohol purposes, because the distilleries that now exist that could grind corn will soon deteriorate and be a thing of the past.

If you allow tapioca to stay on the free list you will encourage the importation of tapioca flour from Java to be used by the corn-products industry instead of corn, and will eventually eliminate the use of corn for making starch in this country.

If I were writing the tariff bill I would put an adequate duty on each of these foreign products to protect the farmer of the United States.

Mr. HAWLEY. Mr. Chairman, I yield 20 minutes to the gentleman from Wisconsin [Mr. BROWNE].

The CHAIRMAN. The gentleman from Wisconsin is recognized for 20 minutes.

Mr. BROWNE. Mr. Chairman and ladies and gentlemen of the committee, I agree perfectly with the distinguished chairman of the Committee on Ways and Means [Mr. HAWLEY] that the markets of the United States are for the producers of the United States, and that this is a domestic question. No matter what foreign countries think about our tariff and the tariff duties, it is a question for the people of the United States to decide.

I agree with my distinguished friend from New York on the Committee on Ways and Means [Mr. CROWTHER] when he says that the true theory of the protective tariff is that every article produced in substantial quantities in the United States should have a duty upon it sufficient to equalize the difference in the cost of production here and in the competing countries abroad.

So there is no difference between us in regard to the principles of the protective tariff. The only difference is in the application.

I represent a State, the State of Wisconsin, which produces the largest amount of dairy products of any State in the Union. The dairy industry is the largest branch of agriculture. It produces each year products the farm value of which amounts to over $3,000,000,000. This question of a tariff on dairy products amounts to more and is more important than a tariff on any 50 products you have in your tariff bill. Therefore, I think we ought to give this question, if we are here to help the agricultural interests in this country, more attention than we are giving it. We ought to have a chance on this floor, if necessary, to amend this schedule in regard to dairy products if the Ways and Means Committee do not amend it. It is a question of such magnitude and importance that if a judgment adverse to it is made by the committee we should have an appeal to the entire membership of the House of Representatives.

I maintain, and I think I can prove to the satisfaction of anyone who will listen to me, that the duty on dairy products is not sufficient in this proposed tariff bill to equalize the cost of production here and in foreign countries. Now, take butter. Forty-six per cent of all milk goes into the manufacture of butter. Butterfat is the basic product upon which you fix your tariffs. We had a tariff under the Fordney Tariff Act of 8 cents a pound on butter. A great deal of butter came into this country and our dairy industry asked for a higher rate on butter. We went before the Tariff Commission, and after the commission had sent men all over this country and to Denmark, and after we had sent men to New Zealand and these different places, facts were placed before the Tariff Commission on which they said we were entitled to the full amount they were able to give us, which was an increase of 50 per cent, a raise from 8 cents a pound to 12 cents per pound.

The Tariff Commission would have raised it very much more, after getting all the facts, if they had been able to do so; under the law 50 per cent raise was the limit, and they raised it to the limit. That was April, 1926. The commission made a mistake in not raising at the same time the duty on cream. They left the duty on cream the same as it was, 20 cents per gallon, 40 per cent test. Now, every farmer knows that a gallon of 40 per cent cream will make 4 pounds of butter, and when they raised butter 12 cents a pound they ought to have raised the duty on a gallon of cream to 48 cents, four times the amount of butter. But the commission left it the way it was, and the result was that Canada, with only a 1-cent duty upon butter from New Zealand, sent to New Zealand for its butter, and Canada consumed the butter and sent its cream to the United States and only paid 20 cents a gallon duty on cream, thus evading the duty on butter. Now, in that hearing before the Tariff Commission the dairy industry of this country produced facts which showed conclusively that the difference in the cost of producing butter in the United States and in New Zealand, Denmark, and other competing countries amounts all the way from 16 to 18 and 20 cents a pound, and yet we are only given a tariff of 12 cents a pound.

Let me read from the United States Tariff Commission's report.

The report of the United States Tariff Commission on the cost of butter made in 1926 can be found on page 60 of their report.

The commission holds that comparing the cost of production of butter in Denmark with the cost of production with like or similar butter produced in the cooperative or independent creameries of the United States—

REPORT

"If Danish cost was ascertained in Danish currency and converted into United States currency there is a difference in the cost of production of 14.95 cents a pound on butter."

This does not take into consideration transportation charges. Butter can be transported from Copenhagen to New York, where 25 per cent of our butter is consumed, for nearly half as much as it costs to ship butter from Wisconsin and Minnesota to New York City.

An intensive survey was made of the cost of producing butter in New Zealand as compared with the United States, and it was found that butter could be produced in New Zealand for from 16 to 24 cents a pound cheaper than in the United States. (See itemized report filed before the Tariff Commission by the University of Wisconsin, March 11, 1925; Wisconsin Bulletin 377, published by the Wisconsin Agricultural Experiment Station.)

Difference in market prices, New York over London, of 92-score butter

	Cents per pound
Oct. 7, 1926	14.88
Oct. 14, 1926	16.78
Oct. 21, 1926	16.26
Oct. 28, 1926	16.99
Nov. 3, 1926	17.74
Nov. 10, 1926	18.77
Nov. 17, 1926	20.25
Nov. 24, 1926	20.83
Dec. 2, 1926	20.01
Dec. 9, 1926	18.70
Dec. 16, 1926	20.04
Dec. 23, 1926	14.95
Dec. 30, 1926	18.81
Jan. 6, 1927	12.52
Jan. 13, 1927	11.82
Jan. 20, 1927	11.31
Jan. 27, 1927	12.99
Feb. 3, 1927	13.91
Feb. 10, 1927	12.45
Feb. 17, 1927	15.19
Feb. 24, 1927	17.48
Mar. 3, 1927	12.75
Mar. 10, 1927	17.53
Mar. 17, 1927	15.86
Mar. 24, 1927	18.05
Mar. 31, 1927	19.55
January, 1928	16.50

BUTTER

Weekly prices in Copenhagen and New York, in cents per pound, at par of exchange

Date	New York	Copenhagen official quotation	New York above Copenhagen
December, 1926	54.0	36.24	17.76
December, 1927	52.0	36.71	15.29
January, 1928	52.0	36.71	15.29

COST OF PRODUCING BUTTERFAT IN NEW ZEALAND COMPARED WITH THE UNITED STATES

A comparison of New Zealand and Wisconsin farm costs of producing butterfat—for creamery butter making—indicates a very much lower cost for New Zealand. Upon the conservative estimates in Table 3 of 48 cents per pound to produce Wisconsin butterfat and of 32 cents a pound to produce New Zealand butterfat, the Dominion cost is only two-thirds as great as that of Wisconsin. Yet the New Zealand cost is based on land values which are one-half greater than in Wisconsin.

TABLE III.—*New Zealand and Wisconsin farm production costs of butterfat*

	Wisconsin [1]	New Zealand [2]
Average size of farm—acres	132	162
Cows per farm	18.7	32.2
Butterfat per farm—pounds	3,641	5,335
Butterfat per acre—do	27.6	32.9
Butterfat per cow—do	194.7	170.0
Conservative estimate of butterfat cost of production per pound—cents	48–60	32–36
Land value interest or rent as proportion of total cost—per cent	22.2	37.5
Representative dairy land value	$150	$225

[1] From data made available in preliminary statement of the U. S. Tariff Commission, March 11, 1925, covering the three districts, Barron, Trempealeau, and Waupaca.
[2] Based on Dominion statistics and testimony of dairy farmers in New Zealand.

This did not take into consideration the freight rates. The freight rates from Copenhagen to New York City are lower than the freight rates from Wisconsin and Minnesota to New York City. Wisconsin dairymen have to pay almost twice as high freight rates.

Let us consider the difference in the New York price and the London price of butter. On October 7, 1926, New York prices were 14 cents more than London prices for same quality of butter; on October 21, 16 cents; in November, 17 cents, 18 cents, and 20 cents; and so on right down. I will put these figures in the RECORD in my extension of remarks. I will show that the price of butter in London and the United States differs more than 15 cents, and very often as much as 18 cents and 20 cents.

Now, our State university sent Professor Russell, Dean of the Agricultural School of the State University of Wisconsin, with Professor Macklin, who is a specialist on this subject, to New Zealand, and they made an extensive survey of the cost of producing butter in New Zealand. They found that the cost of producing butter in New Zealand was from 16 to 24 cents lower than it was in Wisconsin and Minnesota and our other dairy States. This is certainly very good evidence and there is not anything to disprove it. Their report is filed with the Tariff Commission, where it can be examined. So it was conclusively shown that the difference in the cost of producing a pound of butter in the United States and in New Zealand and Denmark is more than the tariff duty we ask of 15 cents a pound. These same specialists made a thorough survey of the cost of production of butter in Wisconsin on the same plan that they did in New Zealand.

Mr. ESTEP. Will the gentleman yield?

Mr. BROWNE. Yes.

Mr. ESTEP. Admitting that the difference in the cost of production is about the amount the gentleman has mentioned, will he tell the committee how the price in the home market can be affected where there is a domestic production of 2,000,000,000 pounds and importations of 4,000,000 pounds?

Mr. BROWNE. Yes; I will be pleased to tell you. That is an old argument and is a fallacy. Just listen to this. They produce butter in New Zealand for from 16 to 24 cents a pound cheaper than we do in our country. A cargo of butter is sent from New Zealand to London via Panama Canal, and it is only about 150 miles farther to go to New York, and the butter has an optional bill of lading to London with the option of stopping at New York. It comes to New York, and before it arrives it is advertised by the speculators in New York that a cargo of New Zealand butter at a price of 48 or 49 cents—which is below what we can really produce it in the United States—is coming there. This cargo of butter causes the market to go down. The New Zealand butter arrives at New York. If the butter market is strong, it stops there and brings down the price of butter for that time. If the butter market is not strong or if the owners of the butter do not think it is going to be strong for a short time, they either put it in bond or go on to London, but that same cargo of butter has the effect of bringing down the price of butter for some time.

You have got to remember that in the production of butter and in the production of dairy products we have only a margin of 1 per cent under a surplus. If we had 1 per cent more, we would have a surplus; and when it is so near a surplus it does not take but a small amount to glut the market and materially affect the price, and we know this has been the case in the past.

When you are writing a tariff bill and you are putting a 50 per cent duty on clothing so that a $30 suit costs you $15 more, because there is a 50 per cent ad valorem tariff on it, you do not weigh it the way you are trying to weigh the proposed duty the farmers are asking for on dairy products.

The dairy industry, as I said in my opening remarks, amounts to $3,000,000,000 a year, and we are entitled to have the same rules apply that you have applied on manufactured products that you apply on pig iron, hardware, and nine-tenths of what the farmer buys; and we know that to-day all the countries of the world are producing more dairy products. They send their students over to the different agricultural schools; they learn the latest methods of producing dairy products, and the South American Republics are becoming very efficient in the production of these products; and to-day there is a very large surplus of dairy products ready to be sent abroad and imported into this country.

Mr. BANKHEAD. Will the gentleman yield for a question?

Mr. BROWNE. Yes.

Mr. BANKHEAD. Is the dairy industry in the gentleman's State under present conditions fairly prosperous?

Mr. BROWNE. No; it is not. To-day the dairy farmer is selling his product for less than the cost of production. Dean Russell, of the State University of Wisconsin, after an intensive study of the subject, has found that it costs 48.6 cents to produce a pound of butter in Wisconsin, and it can be produced as cheaply in Wisconsin as in any State of the Union.

Mr. RAGON. Forty-eight and six-tenths cents to produce 1 pound of butter?

Mr. BROWNE. One pound of butter; yes.

Mr. RAGON. When is the laboring man going to be able to eat that butter?

Mr. BROWNE. We protect the laboring man against immigration and we protect him in a great many other ways.

Mr. RAGON. Let me ask the gentleman another question.

Mr. BROWNE. I want to tell you right here that the American Federation of Labor is in favor of giving the dairy farmers a larger tariff duty upon their products than the Ways and Means Committee.

If the gentleman will give me a little more time, I will be pleased to yield.

Mr. RAGON. I can not do that; I wish I could. Let me ask you this question. It seems to me that the cost of production in your State is higher than it is in others, is not that true?

Mr. BROWNE. No; we produce dairy products as cheaply in Wisconsin as in any State of the Union. There is no question about that. I want to read you just the difference in the market price. In January, 1928, there was a difference in the market price of London and New York on butter that ran considerably over 16 cents a pound.

There is another thing I want to call your attention to, and that is that we are manufacturing 294,000,000 pounds of oleomargarine each year, which is taking the place of a great deal of butter.

When we are talking about helping the farmer, why do we not go out and help him? When we show that the cost of production of butter in this country is over 15 cents a pound more than it is in foreign countries, why do we not put a tariff of 15 cents a pound on butter, the same as we do on other things?

Mr. SCHNEIDER. Will the gentleman yield?

Mr. BROWNE. Yes.

Mr. SCHNEIDER. The Tariff Commission found no difficulty in arriving at the conclusion to increase the tariff on butter simply because of the fact that the prices in foreign countries, Australia and Denmark, were sustantially lower than in this country by 14 to 16 cents a pound, and therefore the Tariff Commission granted an increase in the tariff on butter, and yet, in this bill which is before the House at the present time, there is no increase for butter over the amount that he is now obtaining.

Mr. BROWNE. There is no question about that. The Ways and Means Committee have not raised the tariff on butter at all. The Tariff Commission raised it to 12 cents and undoubtedly would have raised it several cents more, but they could not do it because they could not under the law go beyond 50 per cent of the prevailing duty.

CHEESE

There is an inadequate duty on cheese. We went before the Tariff Commission on cheese. The President has told us to diversify our agriculture products. We have diversified our dairy products and we are now making all kinds of cheese that are produced anywhere. We have the best of milk and we can make any kind of cheese that they can make in any country of the world. We are making Swiss cheese and our dairymen went before the Tariff Commission and upon a due hearing, after taking a long time to consider it, the commission raised the tariff as much as it could on Swiss cheese and gave us a rate of 7½ cents a pound. What does the Ways and Means Committee do? They lower it. They take off one-half cent a pound on Swiss cheese, which is an industry we are trying to build up, and every year for the last two or three years the people have been importing more Swiss cheese and manufacturing less. To-day we are manufacturing and producing in the United States not quite half the Swiss cheese we use.

Some of our friends say that the imported Swiss cheese is better than the domestic cheese and it does bring a higher price. Our Agricultural Department, however, has analyzed it and I will put in the RECORD their report that domestic Swiss cheese is just as high in nourishment and tests as high, if not higher, than other cheese imported from foreign countries. Do you want to build up that industry? If you do we must have a sufficient tariff.

Now, we are manufacturing Italian cheese and Roquefort cheese; they take more work, more hand labor than the common American cheese and we have got to have a higher tariff. We can not compete with a tariff of 7 cents a pound. If you are going to protect industry why do you not protect the dairy products which is the largest part of agriculture. We have 22,000,000 cows in the United States and over one and one-half million farmers who are dependent on the dairy industry. Dairying keeps up the fertility of the soil. Dairy farming is the only salvation of agriculture. It would have been a decadent industry without dairying. When wheat and grain and corn did not pay, many from those branches of agriculture went into dairying which will soon fall with the rest of agriculture if we do not treat it fairly and give it adequate protection and the benefit of its own home market; and we have got up to the point where we are producing within 1 per cent of the surplus. The dairying interests are educating the people by trying to get them to consume more dairy products which are the healthiest products the people can use, and yet we are all the time allowing the importation from other countries that can produce dairy products at a less cost than we can. [Applause.]

PRESIDENT HOOVER CALLS CONGRESS IN SPECIAL SESSION TO HELP AGRICULTURE

We all know that where there is a large surplus of any agricultural product that a protective tariff will not operate without supplemental legislation to take care of the surplus.

The dairy industry, the largest branch of agriculture, the value of its products on the farm amounting to $3,000,000,000 annually, needs help and can be helped immediately by an adequate tariff. Over 44 dairy cooperative organizations representing 315,787 dairy farms have appeared through their representatives before the Ways and Means Committee and asked for a fair increase upon dairy products.

PRESIDENT HOOVER'S MESSAGE TO CONGRESS

President Hoover in his first message to Congress spoke as follows:

An effective tariff upon agricultural products that will compensate the farmer's higher cost and higher standards of living has a dual purpose. Such a tariff not only protects the farmer in our domestic market, but it also stimulates him to diversify his crops and grow products that he could not otherwise produce, and thus lessen his dependence upon exports to foreign markets. The great expansion of the production abroad under the conditions I have mentioned renders foreign competition in our export markets increasingly serious. It seems but natural, therefore, that the American farmer, having been greatly handicapped in his foreign market by such competition from the younger expanding countries, should ask that foreign access to our domestic market should be regulated by taking into account the difference in the cost of production.

Did President Hoover contemplate a tariff on dairy products which would not nearly equalize the difference in the cost of production in the United States, Canada, New Zealand, and Denmark, our great competitors? When he recommended to the farmers that they diversify their industries and would receive protection in so doing, did he contemplate that the Ways and Means Committee would present a bill which did not raise the duty on butter the great basic branch of the dairy industry that absorbs over 46 per cent of the milk produced? Which did not increase the duty on casein, a by-product of milk, although 8 cents per pound duty was asked, and did he contemplate that the committee would lower the duty on Swiss cheese one-half cent per pound?

We are producing one-half the Swiss cheese that we consume in the United States. This brand of cheese is meeting with fierce competition from abroad. People seem to think that imported Swiss cheese is better than domestic, although the experts in our United States Department of Agriculture claim that our Swiss cheese tests even higher than the imported. The Tariff Commission, upon an exhaustive hearing, increased the duty 50 per cent and would have increased it more, if it had been in their power. Swiss cheese had a duty of 5 cents per pound. This was increased to 7½ cents per pound by the Tariff Commission; it is now lowered by the committee to 7 cents per pound. To equalize the difference in the cost of producing this cheese in the United States and Europe there should be at least a duty of 12 cents per pound or an ad valorem rate of not less than 40 per cent. The importation of this cheese is principally from Switzerland, Italy, France, and Greece. The United States is now importing 19,066,000 pounds of Swiss cheese. We are producing 18,141,000 pounds of Swiss cheese. The last three years which we have statistics for, we have dropped from a production of 23,457,000 pounds to 18,141,000 pounds. While importations of Swiss cheese have increased, these figures show conclusively that imported Swiss cheese is gradually undermining and driving out of the market our domestic production of Swiss cheese.

The United States Department of Agriculture make the assertion which can not be contradicted that our American-made Swiss cheese is fully as high in standard as the imported.

L. A. Rogers, Acting Chief of the Bureau of Dairy Industry, January 29, 1928, states as follows:

> The best of the domestic Swiss cheese is equal in quality to the imported and even superior to some of it, especially that coming from countries other than Switzerland.

This bureau has developed methods of making Swiss cheese by the use of pure cultures and other improved technic which has been adopted in full by a limited number of factories in Ohio, New York and in part by most of the Wisconsin factories. When this method is followed in full, cheese is produced which is equal in every way to the best of the imported. Further, Mr. Rogers states:

> The prices of the domestic cheese is controlled by the imported and if the tariff were increased so that this price was increased, the production of domestic Swiss cheese would be stimulated and there is every reason to believe that the domestic product would in time replace the imported both in quantity and quality.

If part of our milk which now goes into other dairy products would go into Swiss cheese it would prevent an over-production in these dairy products. On this one variety of cheese if the milk it takes to make 19,066,000 pounds of cheese annually would go into the production of cheese it would greatly help the whole dairy situation. Take American or Cheddar cheese, the price in the United States is 4½ cents lower than a year ago and 3¼ cents under five years' average for this date.

January 1, 1929, there was in storage in the United States 68,297,000 pounds of cheese; 20,532,000 pounds more than a year ago.

This is the largest amount of cheese ever held in storage in this country, and is viewed with dismay by every cheese producer, because the indications are that prices will decline still further before the heavy existing surplus can be disposed of. This, of course, will discourage expansion of the cheese industry and decrease the possibility of greater diversification in agriculture.

The dairy industry of the country asks that the duty on cheese of the American or Cheddar type be increased to 8 cents per pound, but not less than 40 per cent ad valorem. That Swiss or the Emmenthler type cheese be increased to 12 cents per pound, not less than 40 per cent ad valorem. That on Italian cheese and all other types, including all process cheese, which require more labor to produce than ordinary cheese, 15 cents per pound, but not less than 40 per cent ad valorem. That on all cheese substitutes, compounds, and by whatever process prepared, 15 cents per pound and not less than 40 per cent ad valorem.

The Fordney Tariff Act of 1922 placed a duty of 5 cents per pound on all cheese. It did not differentiate between cheese and was not scientific and was inadequate. On July 8, 1927, the Tariff Commission, after hearings, raised the duty on Swiss cheese to 7½ cents, as high a rate as they could raise it under the law. The proposed tariff bill which we are now considering lowers it one-half cent per pound. The international cheese trade has increased very rapidly the last few years, European countries increasing their production very fast. The amounts of cheese produced by foreign countries, which is being placed on the markets, amounts to over 700,000,000 pounds annually. Such a tremendous volume of any product in international trade is a potential source of importation into the United States, and speculators who desire to lower the prices in the United States can use this with telling effect.

CASEIN

A by-product from milk and made from souring skimmed milk should have a duty of 8 cents per pound. It is estimated that 10,000,000 pounds of skimmed milk is thrown away annually; this might be manufactured into casein if this product had adequate protection. To-day the Argentine dairymen furnish from 50 to 60 per cent of the casein used in the United States.

Almost all of the South American Republics are going into dairying. Their young men are attending the agricultural colleges in the United States, and in a very short time more of these South American countries will be strong competitors of the United States. They have cheap lands and cheap labor, and most of them cheap water transportation to the Atlantic seaboard.

PROTECTION FOR FARMER

Agricultural products of all kinds should have adequate protection to enable the farmers to sell their products in our splendid home market at a fair profit. Every farmer in America pays out at least 50 per cent of the tax he pays on his land and personal property for the support of the schools. Another large part of his tax is for good, hard-surfaced roads. His standard of living is a great deal higher than that of the rural population of any country of the world.

We should recognize the change in conditions since the World War. In 1922, on account of the education and adoption of our modern farm methods, conditions changed, so that, instead of exporting to foreign countries $500,000,000 more of farm products per year than we are importing, the balance of trade in agricultural products is many millions of dollars against us. The United States Department of Agriculture states that in 1927 we imported from foreign countries $1,880,104,000 worth of agricultural products.

POTATOES

The production of potatoes is an important industry in 42 States. The Southern States purchase their seeds from the Northern States and raise the early potatoes. These early potatoes come in competition with potatoes raised in Bermuda, Cuba, and Mexico, where potatoes are produced with cheaper land, cheaper labor, and water transportation, which is, of course, very cheap transportation. The later potatoes produced in the Northern and Western States after the southern potatoes are consumed come in competition with potatoes raised in Canada and European countries. There is always a very large surplus of potatoes produced abroad. Germany and Ireland and, in fact, most of these countries produce much larger quantities of potatoes than they can use. This surplus can be sent to the Atlantic seaboard by water transportation often as ballast for a very low rate of transportation.

The tariff which we have had of 50 cents per hundred pounds, the equivalent ad valorem of less than 30 per cent, is absolutely inadequate. From 1922 to 1927, importations of potatoes have trebled, while the importations of 1926 to 1927 represent an increase of 281 per cent over the two preceding years.

Every farmer who raises a fairly large acreage of potatoes does so with the expectation that there will not be a surplus of potatoes in the United States. A little over half the time there is a surplus which may be so great that the potato farmer does not receive a price nearly equal to the cost of production. The other years when there is not a surplus he receives a sufficient price to make it fairly remunerative if the market is not spoiled by foreign-grown potatoes. The potato farmer is asking for a tariff of 50 cents a bushel on potatoes, which would insure him a fair price in the years when we did not have a large surplus in the United States. It requires a great deal of labor and hard work to raise potatoes. The cost of raising potatoes and bringing them to market has increased very much in the last few years. Potato prices started to rise the latter part of April, 1929, but between April 30 and May 3 over 7,000,000 pounds of Canadian potatoes were dumped into New York and other Atlantic seaboard cities, which glutted the markets and made the prices drop. If we had had an adequate tariff this would have been prevented.

STARCH

The district which I have the honor to represent is the largest potato district in Wisconsin and, outside of the State of Maine, it produces more potatoes than any other district in the United States.

A few years ago 8 or 10 starch factories were built to grind our surplus potatoes and the small potatoes and make potato starch out of them. These starch factories had a capacity for grinding from two or three thousand bushels of potatoes per day. A duty of 2½ cents per pound was placed on potato starch. On account of not having sufficient protection, every one of these starch factories has shut down and have not been operated for 10 years. Starch from other countries produced by cheap labor has been imported into the United States, and we have been unable to compete. We are asking for a tariff of 4½ cents per pound on potato starch.

Germany raises over a billion bushels of potatoes a year. She has numerous starch factories which manufacture potato starch. She also has the advantage of cheap water transportation. The freight rate on a long ton of potato starch from Hamburg to New York is $5.50, while the freight from Minneapolis to Boston, which is less than one-third of the distance from Hamburg to New York, is $18.25 a ton.

The Tariff Commission in 1921 reported that the potato-starch industry is declining from severe competition from imported potato starch. If we had had a reasonable duty upon potato starch, we could have used considerable of the surplus of potatoes in making potato starch and the potato industry greatly benefited.

This tariff bill will go down in history as the highest tariff bill of any tariff bill ever written. The high duties placed on practically all manufactured products by the Fordney tariff bill have been reenacted, with two or three small exceptions. The 50 per cent ad valorem tariff on clothing remains the same. This duty on clothing, according to the Assistant Secretary of the Treasury, amounts to $23.60 upon a $40 suit of clothes. That there can be no dispute about this matter, I am herewith publishing the letter from the Treasury Department:

TREASURY DEPARTMENT,
January 19, 1926.

Hon. EDWARD E. BROWNE,
House of Representatives, United States.

MY DEAR MR. BROWNE: I am in receipt of your letter of the 14th instant further in regard to the amount of duty which would be collected upon a suit of clothes made of woolen cloth purchased in Scotland, the value of the suit being $40.

The department, in its letter to you of the 9th instant, advised you that the suit would be dutiable under paragraph 1115 of the tariff act, the rate depending upon the value per pound of the apparel, and if valued at over $4 per pound the duty would be 45 cents per pound and 50 per cent ad valorem.

Now, that would not convey a great deal of information to the average person. But he goes on and says:

If the suit weighs 8 pounds, the specific duty would be 45 cents (per pound), multiplied by 8 pounds, which equals $3.60, plus 50 per cent ad valorem on the value of the suit, which makes the ad valorem duty $20, or a total of $23.60 would be the duty on the suit if weighing 8 pounds.

Very truly yours,

L. C. ANDREWS, *Assistant Secretary.*

I am also giving a schedule of the articles consumed by the farmers upon which there is a very high tariff. I am marking these exhibits and making them part of my remarks.

The committee certainly deals very generously with manufacturers of clothing and practically everything the farmer uses. Why not be at least fair with the farmers, who are only asking that their products be protected with a duty sufficient to equalize the cost of production at home and abroad?

The farmer does not make the prices of the products he raises. He is the ultimate consumer. Not being able to make the price upon his products, he can not shift his high tax burdens, his high freight rates, the high tariff rates on what he consumes. Every farmer pays a tax on his farm and on his personal property amounting from two to four times as much as he did 15 years ago. He pays over 100 per cent more for his tools and implements and machinery used on a farm than he did 15 years ago. Farm machinery is on the free list, but we all know there is monopoly on this business and that excessive prices are exacted from the farmer.

A grain binder 15 years ago cost $150, now it costs him $225; a hand corn sheller used to cost $8; he now pays $17.50, more than double the former price. A wagon box used to cost $16, it now costs $36; a sulky plow which he used to buy for $40 now costs him $75.

Following is a table showing the prices of agricultural implements in 1914 and 1929:

Implements	1914	1929
Hand corn sheller	$8.00	$17.50
Walking cultivator	18.00	38.00
Riding cultivator	25.00	62.00
1-row lister	36.00	89.50
Sulky plow	40.00	75.00
3-section harrow	18.00	41.00
Corn planter	50.00	83.50
Mowing machine	45.00	95.00
Self-dump hayrake	28.00	55.00
Wagon box	16.00	36.00
Farm wagon	85.00	150.00
Grain drill	85.00	165.00
2-row stalk cutter	45.00	110.00
Grain binder	150.00	225.00
2-row corn disks	38.00	95.00
Walking plow, 14-inch	14.00	28.00
Harness, per set	46.00	75.00

Practically everything the farmer buys has increased in price at a like ratio, while he is selling his products on a pre-war basis. In other words, the farm dollar is worth less than 70 cents to-day compared with 10 years ago.

The present tariff bill does not lower the tariff on any of the following articles which the farmer purchases, in fact, in a number of cases it increases it. Why does not the committee deal with agriculture like it does with other industries?

Rates of duty under Fordney-McCumber Tariff Act (1922) and Underwood Tariff Act (1913) on articles in which the farmer is particularly interested

Paragraph	Article	1922	1913
68	Paint, pigments, colors, and stains.	25 per cent	15 per cent.
74	Red-lead pigments	2¾ cents per pound.	25 per cent.
	White lead	2½ cents per pound.	Do.
77	Varnishes—less than 5 per cent alcohol.	$2.20 per gallon and 25 per cent.	$1.32 per gallon. and 15 per cent.
	Varnishes—5 per cent or more of alcohol.	25 per cent	10 per cent.
83	Salt in bags, etc	11 cents per 100 pounds.	Free.
	Salt in bulk	7 cents per 100 pounds.	Do.
220	Window glass, cylinder, crown sheet, glass, polished, less than 384 square inches.	4 cents per square foot.	3 cents per square foot.
222	Plate glass, cast, polished, not exceeding 384 square inches.	12½ cents per square foot.	6 cents per square foot.
317	Galvanized wire fencing	½ cent per pound	Free.
	Wire used for baling hay	do	Do.
331	Cut nails and spikes exceeding 2 inches in length.	5/10 cent per pound	Do.
	Cut nails and spikes not exceeding 2 inches in length.	15 per cent	Do.
	Horseshoe nails	1½ cents per pound.	Do.
	Wire nails not less than 1 inch in length.	5/10 cent per pound	Do.
	Wire nails less than 1 inch in length.	¾ cent per pound	Do.
340	Circular crosscut and hand saws	20 per cent	12 per cent.
345	Saddlery hardware—not plated with gold or silver.	50 per cent	20 per cent.
	Harness hardware—not plated with gold or silver.	35 per cent	Do.
354	Penknives, pruning knives, etc., valued at not more than 40 cents per dozen.	1 cent each and 50 per cent.	35 per cent.
	Penknives, pruning knives, etc., valued at more than 40 cents per dozen, and not more than 50 cents per dozen.	5 cents each and 50 per cent.	Do.
	Penknives, pruning knives, etc., valued at more than 50 cents per dozen, and not more than $1.25 per dozen.	11 cents each and 55 per cent.	Do.
	Penknives, pruning knives, etc., valued at more than $1.25 per dozen, and not more than $3 per dozen.	18 cents each and 55 per cent.	55 per cent.
	Penknives, pruning knives, etc., valued at more than $3 per dozen and not more than $6 per dozen.	25 cents each and 50 per cent.	Do.
	Penknives, pruning knives, etc., valued at more than $6 per dozen.	35 cents each and 55 per cent.	Do.
355	Hay knives, sugar-beet knives, etc., with handles of hard rubber, etc.	8 cents each and 45 per cent.	30 per cent.
357	Animal clippers, valued at more than $1.75 per dozen.	20 cents each and 45 per cent.	20 per cent.
	Shears, pruning and sheep, valued at more than $1.75 per dozen.	do	Free.
361	Pliers, pincers, etc	60 per cent	30 per cent.
362	Files, rasps, etc., 7 inches and over in length.	77½ cents per dozen.	25 per cent.
365	Shotguns, double-barreled, valued at more than $25 each.	$10 each and 45 per cent.	35 per cent.
372	Cream separators, valued at more than $50 each.	25 per cent	Free.
	Lawn mowers	30 per cent	20 per cent.
	Machine tools	do	15 per cent.
373	Scythes, etc	do	Free.
	Shovels, spades, etc	do	20 per cent.
388	Dynamite and other high explosives for blasting.	1¼ cents per pound.	Free.
761	Grass seeds, alfalfa	4 cents per pound	Do.
	Clover, red	do	Do.
	Clover, white	3 cents per pound	Do.
	Millet	1 cent per pound	Do.
	Timothy	2 cents per pound	Do.
762	Garden and field seeds: Beet (except sugar beet)	4 cents per pound	3 cents per pound.
	Flower	6 cents per pound	Free.
	Onion	15 cents per pound	5 cents per pound.
913	Belting for machinery	30 per cent	15 per cent.
1005	Rope, hemp	2½ cents per pound.	1 cent per pound.
	Rope, manila	¾ cent per pound	½ cent per pound.
1018	Bags or sacks not bleached, etc	1 cent per pound and 10 per cent.	10 per cent.
1019	Bagging for cotton, gunny cloth, etc.	1/16 cent per square yard.	Free.
1418	Blasting caps	$2.25 per thousand.	$1 per thousand.

Duties on articles in which the farmer's wife is particularly interested

Paragraph	Article	1922	1913
211	Earthenware and crockery, plain	45 per cent	35 per cent.
	Earthenware and crockery, painted or decorated.	50 per cent	40 per cent.
212	China, porcelain, etc., plain	60 per cent	50 per cent.
	China, porcelain, etc., painted or decorated.	70 per cent	55 per cent.
218	Table and kitchen glassware, blown.	55 per cent	45 per cent.
	Table and kitchen glassware, pressed.	50 per cent	30 per cent.
336	Corset and dress steels	35 per cent	15 per cent.
339	Table, household, and kitchen utensils, enamelware.	5 cents per pound and 30 per cent.	25 per cent.
	Table, household, and kitchen utensils, aluminum.	11 cents per pound and 55 per cent.	Do.
	Copper, brass, etc	40 per cent	20 per cent.
343	Crochet needles	$1.15 per thousand and 40 per cent.	Do.
	Knitting needles	45 per cent	Do.
347	Hooks and eyes	4½ cents per pound and 25 per cent.	15 per cent.
348	Snap fasteners	55 per cent	Do.
349	Buttons, metal, embossed	45 per cent	Do.
350	Hairpins, safety pins	35 per cent	20 per cent.
355	Table knives, kitchen knives, etc., with handles of mother-of-pearl shell or ivory.	16 cents each and 45 per cent.	30 per cent.
	Table knives, kitchen knives, etc., with handles of hard rubber, bone, etc.	8 cents each and 45 per cent.	Do.
357	Scissors valued at more than $1.75 per dozen.	20 cents each and 45 per cent.	Do.
372	Sewing machines valued at not more than $75 each.	15 per cent	Free.
	Sewing machines valued at more than $75 each.	30 per cent	Do.
410	House furniture	33⅓ per cent	15 per cent.
779	Spices, mixed	25 per cent	20 per cent.
	Nutmegs, unground	2 cents per pound	1 cent per pound.
	Pepper, black or white, unground	do	Do.
902	Cotton, sewing thread	½ cent per 100 yards.	15 per cent.
	Crochet, darning, embroidery, knitting cottons.	do	Do.
903	Cotton cloth (impossible to compare cost of this because of change in method of fixing duty).		
	Jacquard woven cloth, napped	45 per cent	30 per cent.
911	Table damask	30 per cent	25 per cent.
915	Gloves, cotton, single fold	50 per cent	35 per cent.
916	Stockings and socks, not more than 70 per cents per dozen.	do	30 per cent.
	Stockings and socks, more than 70 cents per dozen and not more than $1.20 per dozen.	do	40 per cent.
	Stockings and socks, more than $1.20 per dozen.	do	50 per cent.
917	Underwear, etc., cotton	45 per cent	30 per cent.
1020	Linoleum	35 per cent	Do.
1023	Matting	8 cents per square yard.	5 cents per square yard.
1107	Yarn, wool, valued at not more than 30 cents per pound.	24 cents per pound and 30 per cent.	18 per cent.
	Yarn, wool, valued at more than 30 cents per pound but not more than $1 per pound.	36 cents per pound and 35 per cent.	Do.
	Yarn, wool, valued at more than $1 per pound.	36 cents per pound and 40 per cent.	18 cents per pound.
1108	Woven fabrics, wool, weight not more than 4 ounces per square yard, valued at not more than 80 cents per pound.	37 cents per pound and 50 per cent.	25 to 30 per cent.
	Woven fabrics, wool, valued at more than 80 cents per pound.	45 cents per pound and 50 per cent.	30 per cent.
	Woven fabrics, wool, with cotton warp.	36 cents per pound and 50 per cent.	35 per cent.
1109	Woven fabrics, wool, weighing more than 4 ounces per square yard, valued at not more than 60 cents per pound.	24 cents per pound and 40 per cent.	Do.
	Woven fabrics, wool, valued at more than 60 cents per pound but not more than 80 cents per pound.	37 cents per pound and 50 per cent.	Do.
	Woven fabrics, wool, valued at more than 80 cents per pound.	45 cents per pound and 50 per cent.	Do.
1111	Blankets, wool, valued at not more than 50 cents per pound.	18 cents per pound and 30 per cent.	25 per cent.
	Blankets, wool, valued at more than 50 cents but not more than $1 per pound.	27 cents per pound and 32½ per cent.	Do.
	Blankets, wool, valued at more than $1 but not more than $1.50 per pound.	30 cents per pound and 35 per cent.	Do.
	Blankets, wool, valued at more than $1.50 per pound.	37 cents per pound and 40 per cent.	Do.
1114	Knit underwear, wool, valued at not more than $1.75 per pound.	36 cents per pound and 30 per cent.	35 per cent.
	Knit underwear, wool, valued at more than $1.75 per pound.	45 cents per pound and 50 per cent.	Do.
1117	Carpets and rugs:		
	Brussels	40 per cent	25 per cent.
	Wilton	do	30 per cent.

Duties on articles in which the farmer's wife is particularly interested—Continued

Paragraph	Article	1922	1913
1204	Sewing silk-twist floss, etc., ungummed.	$1.50 per pound and not less than 40 per cent.	15 per cent.
1205	Woven fabrics, silk	55 per cent	45 per cent.
1406	Hats, bonnets, etc., straw not blocked or trimmed.	35 per cent	25 per cent.
	Hats, bonnets, etc., straw blocked or trimmed.	50 per cent	40 per cent.
1417	Matches	8 cents per gross	3 cents per gross.
1430	Laces, veils, trimmings, etc	90 per cent	60 per cent.
1433	Gloves, leather, women and children's not over 12 inches in length.	$4 per dozen	$2 per dozen.
1439	Combs, horn, etc	50 per cent	25 per cent.
1456	Umbrellas, parasols, etc	40 per cent	35 per cent.

Mr. HASTINGS. Mr. Chairman, how does the time stand?

The CHAIRMAN. The gentleman from Oregon has used 33 more minutes than has the gentleman from Texas.

Mr. HAWLEY. I had an arrangement with the gentleman from Texas [Mr. GARNER] that I might run an hour ahead. Mr. Chairman, I now yield 15 minutes to the gentleman from Massachusetts [Mr. DALLINGER].

Mr. DALLINGER. Mr. Chairman, ladies, and gentlemen of the House, during my college course, so far as the study of economics was concerned, I lived in a free-trade atmosphere. Fortunately for me, however, with my study of economics I made an intensive study of American history, and the longer I studied the history of my country the stronger protectionist I became.

One of the first acts enacted by the First Congress, under the leadership of James Madison—one of the great men that our Democratic friends are so fond of quoting as one of the founders and leaders of their party—was an act levying duties on imports for "the purpose of raising revenue and for the protection and encouragement of American manufactures." In view of some of the appeals for a return to "Jeffersonian democracy" which have been made on the other side of the Chamber, I wish that I had the time to quote from the writings of Jefferson, Madison, Monroe, and Jackson in favor of a protective tariff, which for more than three-quarters of a century has been so bitterly opposed by the Democratic Party.

In 1816, after the disastrous experience of the War of 1812, it was the South and West that united in the Congress to pass what Professor Taussig calls the first adequate protective tariff.

Henry Clay, of Kentucky, and John C. Calhoun, of South Carolina, whose name was mentioned by the gentleman from Mississippi to-day, joined hands in advocating the American system of protection. It was not until the South found that it could not successfully carry on manufacturing industries with slave labor that the attitude of the South changed.

In 1816, on the other hand, New England was opposed to a protective tariff because her people were engaged in commerce. In spite, however, of the protest of New England and the rest of the Atlantic seaboard, the protective tariff act of 1816 was enacted. Then New England, compelled to adapt itself to the changed circumstances, took advantage of its natural water power and developed a great manufacturing industry. The South, on the other hand, finding it could not develop manufacturing industry of its own with slave labor and having practically only one crop, cotton, became a free-trade section, which situation lasted up to the Civil War, and in the Confederate constitution there was inserted a clause prohibiting the Congress of the Confederacy from ever enacting a protective tariff law.

One reason why the South, in spite of the ability of its generals and the bravery of its soldiers, was doomed to defeat was the fact that when the Civil War began it had no manufacturing industry. The South was dependent almost entirely on Europe and the North for its manufactured products, and all the Federal Government in the long run had to do was to create and maintain an effective blockade of the southern coast line and the South was bound to lose.

A generation ago I remember reading with pleasure an oration delivered by that great Georgian newspaper man and publicist, Henry W. Grady, on The New South. There had begun to develop a manufacturing industry in the Southern States, and Mr. Grady said that there was a new South, "not in protest against the old but because of new conditions, new ideas, and aspirations." But my friends, that new South, until within a few years, has never had any political influence.

As late as 1913 the Southern Protective Tariff Association appealed to Mr. Underwood, of Alabama, the Democratic leader of the House at the time the Underwood bill was being prepared, for protection for the new manufacturing industry of the South, but Mr. Underwood did not pay any attention to the appeal.

It looks now, however, as if the morning light were beginning to break through the clouds of thick darkness, and although a few of my Democratic colleagues have been making the same kind of speeches against the bill that they have made against every protective tariff bill, I believe and know that many of those on the other side have begun to feel differently about it.

Mr. Chairman, to my mind there is no middle course on this question of a tariff. I have great respect for my friend, Mr. HUDDLESTON, of Alabama, and for other men who feel as he does—who are free traders and who stand up like men and say that they are in favor of free trade. But we either ought to have free trade (or a tariff for revenue only, if we need the revenue, placed upon those articles that will yield the greatest revenue) or else we ought to have a protective tariff and treat all industries, agricultural as well as manufacturing, on an equal basis. [Applause.]

While I wish to pay my tribute to the hard work that the members of the Committee on Ways and Means have done on this bill, I regret to say that the committee, in a few cases, has not been consistent. The committee has very properly laid down certain requirements, to be met by any industry asking for a duty or for an increase of duty. First, those in favor of such a duty must show that the cost of production of the commodity abroad is lower than it is at home, and that, therefore, the American industry can not successfully compete with a similar product made abroad under a lower standard of living. In the next place it must be shown that there is an appreciable importation of the foreign product; and in the third place that the importation of the foreign product is on the increase.

Now the manufacturers of leather, not only in New England but in New York, Ohio, and Wisconsin, and the manufacturers of women's shoes proved conclusively to the Committee on Ways and Means that the cost of production of their commodities is very much lower abroad than at home; that there is an appreciable importation of the commodities in question; and that these imports are on the rapid increase. Yet in spite of the fact that all the requirements were met, the Committee on Ways and Means left both of these important manufactured products so vital to my State upon the free list. I am hopeful, however, that this grave injustice will be remedied by a committee amendment offered by the committee itself when the bill is read in the House under the 5-minute rule.

I wish now to say a word about milk and cream. What are the facts? There was no evidence whatever before the Committee on Ways and Means that the cost of production at present of milk and cream in Canada, which is the only foreign country from which imports come, plus the present duty, is less than the cost of production in this country; or, in other words, that the lower cost of production in Canada is not more than met by the present duty of 20 cents a gallon on cream and 2½ cents a gallon on milk. The figures upon which the Committee on Ways and Means acted and upon which the President in his recent proclamation acted, were made by the Tariff Commission as the result of an investigation made by that commission before the Lenroot-Taber Act went into effective operation. It will be remembered that that act calls for a rigid inspection of milk and cream coming from abroad, on the ground that it is not fair to have the competition from a foreign country of milk and cream produced under conditions not so sanitary or well protected so far as the public health is concerned as those existing in this counrty.

It was a fair and a proper measure and I was glad to vote for it. But the fact is that since that act went into effective operation the cost of production of milk and cream in Canada has been greatly increased, and to-day the American producer of milk and cream, with the present duty, has a leeway of 3 or 4 cents a gallon. At any rate, he is fully and adequately protected, and has vastly more protection in proportion than the producer of any manufactured product that I know of, under the Fordney-McCumber Act, as modified by the President's proclamation.

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

Mr. DALLINGER. I can not yield now, as I wish to complete my statement. I defy anyone to produce any evidence that milk and cream to-day are produced more cheaply in Canada than here. The only figures upon which the claim for a higher duty is based are the figures in the report of the Tariff Commission made before the Lenroot-Taber Act went into effective operation. Now, what is the fact in regard to importation? We who come from industrial sections of the country are told that we must show that there is an appreciable importation of the commodity in order to justify the imposition of a duty or the increase of an existing duty. If no appreciable importation can be shown, we are asked: "What do you want a tariff duty for?" Now, what is the fact in regard to milk and cream? The total importation of milk and cream is less than one-half of 1 per cent of the total production of milk and cream in the United States—certainly not an appreciable amount. Finally, the importations of milk and cream instead of increasing, as in the case of women's shoes and leather are rapidly diminishing.

Mr. COCHRAN of Missouri. Mr. Chairman, will the gentleman yield?

Mr. DALLINGER. In just a moment. I want to read you the figures. In the nine months during which the Lenroot-Taber Act has been effective, from June 1, 1928, to March 1, 1929, the decrease of imports of milk and cream have been as follows:

The importation of milk diminished from 5,897,816 gallons for the same period of nine months previous to the effective operation of the Lenroot-Taber Act, to 4,121,231 gallons; and in the case of cream the diminution was from 4,507,436 gallons to 2,529,825 gallons.

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

Mr. DALLINGER. I am in favor of giving every industry, agricultural or manufacturing, the protection which it needs, but I say that all should be treated alike.

Mr. Chairman, I stand here pleading in behalf of the great consuming population of my State, particularly the women and children, to whom milk and cream are among the prime necessities of life, and ask that they should not be subjected to a prohibitive increase of 100 per cent and 140 per cent, respectively, in the tariff duties on milk and cream when the producers of milk and cream in this country have not met any of the three requirements which the Committee on Ways and Means have laid down.

I contend that the Republican Members as well as the Democratic Members who are in favor of a protective tariff should stand together for the American system of protection under which the country has grown great and prosperous, with equal justice to all and with special privileges to none. [Applause.]

I append the following letters as part of my remarks:

1. LETTER OF HARRY M. WHEELER, PRESIDENT OF THE A. G. WALTON SHOE CO.

MAY 17, 1929.

Hon. FREDERICK W. DALLINGER,
Member of Congress, Washington, D. C.

DEAR FRED: I realize you are supplied daily with data of all kinds on the tariff question, but I had a personal experience this past week that has a direct bull's-eye bearing on the issue.

Last week we met by appointment a representative of Bata (Inc.), which is, as you doubtless know, the huge Czechoslovakian concern now sending so many shoes into the United States.

This man claims to have previously been a member of the Bata (Inc.) concern and is to-day their New York sales representative, and his volume of business is running into millions.

In seeking an appointment with us he claimed that he was looking for lines of shoes from American manufacturers to send back to Europe to sell in those countries showing a preference for American merchandise. The conference proceeded with great zeal on both sides until we came to compare our prices with those on Czechoslovakian shoes of similar grade.

As a base shoe we used a misses' plain patent-leather 1-strap pump—practically the simplest shoe that can be made. When we told him our price he said, "I sold over 400,000 pairs of that shoe in Germany last year at 95 cents a pair." Now, our factory cost (no profit) on this particular shoe was around $1.30 net. A similar discrepancy between Czechoslovakian prices and our own was shown on all the other numbers compared, whether girls' or boys' shoes.

If you are not familiar with our own history, it might be well to say that we have been exclusive makers of boys' and girls' shoes for over 30 years, and with a productive capacity of approximately 35,000 pairs per day. We are one of the leading shoe manufacturers of the United States and probably the largest manufacturer specializing in boys' and girls' shoes. For this reason we feel that our own costs may well be accepted as a standard for comparison.

Please get these figures into your mind, therefore: That on a simple misses' shoe the representative of the foreign company, Bata (Inc.), now most seriously threatening American shoemaking, quoted us a selling price of 35 cents a pair below our own manufacturing costs.

I am presenting to you this report not in a spirit of hysteria but merely to impress on you that shoemaking in Massachusetts is at an end if Congress is to permit such ruinous competition as this.

Very truly yours,

HARRY M. WHEELER, *President.*

2. LETTER OF CORNELIUS A. PARKER, ESQ., RELATING TO THE MILK AND CREAM SITUATION IN MASSACHUSETTS

PARKER & WHITE, COUNSELORS AT LAW,
1½ Beacon Street, Boston, Mass., May 1½, 1929.

Hon. FREDERICK W. DALLINGER,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN DALLINGER: In the comments on the tariff bill which have appeared in the press, I notice that no one of our Congressmen seems to have made a public statement on the milk and cream schedules. This concerns the consumer, of course.

I spent some time yesterday in looking over the last Yearbook of the Department of Agriculture. I note the following figures taken from the Yearbook of Agriculture for 1927, page 1168–1169, for the year 1925:

State	Population	Population engaged in agriculture	Approximate percentage
Maine	785,000	191,062	25
New Hampshire	451,000	77,450	16
Vermont	352,428	114,188	33
Massachusetts	4,130,000	149,238	3½
Rhode Island	675,000	18,663	2½
Connecticut	1,555,000	107,154	6
Total	7,948,428	650,755	
New York	11,102,000	767,500	6

Of course, only a portion of those engaged in agriculture are engaged in dairying.

Four million people in Massachusetts must bear the added cost of milk, brought about by the exclusion of Canadian milk and cream at times when there is a shortage. I can not conceive that this will amount to less than 1 cent a quart on about 200,000,000 quarts brought into Boston each year. I have not at hand the figures for Springfield and Holyoke, Worcester, New Bedford, Fall River, Taunton, Lynn, Salem, Lowell, Haverhill, Lawrence, and Newburyport, but in these districts it is safe to place a total increase at $4,000,000.

It is more difficult to figure the increase cost of cream. It takes about as much milk to produce the cream as the total milk import and I have no question that this would add another $4,000,000 to the Massachusetts burden. You and I both know that this would benefit the dairyman in Massachusetts very little.

If the dairyman claims that he can not make a living and needs this added amount, I wish to refer to page 268 of the same volume, records of a cow-testing association, covering a very careful study and showing that by increase in production of butterfat the profits rise materially.

Cows producing 100 pounds butterfat give average income over the cost of feed of $14.

Cows producing 200 pounds butterfat give average income over the costs of feed of $54.

Cows producing 300 pounds butterfat give average income over the costs of feed of $96.

Cows producing 400 pounds butterfat give average income over the costs of feed of $138.

Cows producing 500 pounds butterfat give average income over the costs of feed of $178.

The necessity for higher production of cows has been long recognized, but little progress has been made, with the result that on page 263 of the same document the statement is made that about one-third of the dairy cows of the country are being kept at a loss, one-third at no profit and one-third at a profit.

Why should not the farmer increase production, making it possible to hold the price of milk down, rather than to continue his inefficient production and raise the cost to the consumer?

If anything can be done to get this matter on to the floor, it seems to me only fair in the interest of the consumer that it should be done.

Thanking you for the interest which you have shown in this matter, I remain

Very truly yours,

CORNELIUS A. PARKER.

Mr. HAWLEY. Mr. Chairman, I yield to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, the protection of our domestic dairy industry from foreign competition is of the utmost importance to one of our largest farm activities. Even if my own congressional district and my own State did not hold a preeminent position in the production of dairy products, nevertheless I should urge a tariff sufficiently high on dairy products to insure adequate protection to the industry. It is true, I believe, that New York leads all the States in the production of milk for direct consumption, the dairy products of our State being about one-third of the total income from the farms.

The latest figures which I have been able to obtain (January 1, 1928, show a total of 26,123,000 dairy cows in the United States. At the least calculation this represents an investment in dairy cows alone of $1,250,000,000, which figure, of course, is at farm value. The total value of the dairy products has been estimated at $2,500,000,000 or more.

I feel that had it not been for the Fordney-McCumber tariff bill the great farm industry would have been seriously imperiled, if not practically ruined following the war. Even in the face of the increase in tariff rates President Coolidge had to come to the rescue under the flexible tariff provision of the Fordney-McCumber Tariff Act to prevent foreign competition from capturing our butter market. This increase came none too soon for the well-being of the industry.

Each of the following States has a vital interest in protecting this basic and highly essential dairy industry from ruinous foreign competition:

State:	Number of dairy cows (1928)
New York	1,540,000
Wisconsin	2,367,000
Minnesota	1,843,000
Iowa	1,554,000
Illinois	1,143,000
Michigan	1,011,000
Ohio	1,082,000
Texas	1,020,000

Several other States are very close to the million mark:

Pennsylvania	991,000
Indiana	823,000
Missouri	999,000
Kansas	816,000
Nebraska	741,000
California	739,000

There are certain sound economic reasons why the dairy industry should be encouraged and protected by the Government as a national policy. More human food can be produced in the form of milk, butter, cheese, and cream from a given amount of fodder than could be obtained by feeding it for other purposes. It is a branch of farming that conserves the fertility of the soil and increases its productivity. Labor is more steadily employed throughout the year. The farm income is more uniform, less seasonal than in other branches of agriculture. This tends to stabilize and equalize the purchasing power of the farmers. The dairy products are more concentrated and therefore more easily transported to market.

The dairy industry with its expensive equipment of barns, siloes, feed-cutting machines, sanitary stables, milking machines, cold storage, pasteurizing equipment is a highly specialized industry. Through the efforts of the Agriculture Department, the State experiment stations, medical commissions, the intelligent leadership among dairymen themselves, very high-grade dairy products are now produced throughout the United States. It has taken years to develop the industry to its present high standard. In most parts of the country dairy cattle are tested, the milk inspected, and every precaution taken to protect the consumer. All of the mechanical equipment, professional service, additional labor, and in some instances the paid supervision necessary to enable the dairy industry to produce the highest standard product should be protected, and amply protected, from foreign competition. It is just as important to the consumer to have the dairy industry protected as it is to the industry itself. As a nation we can not afford to become dependent upon foreign countries for the highly essential, almost indispensable, products of the dairy.

How does our prosperity in the East affect the grain-producing sections of the West? New York State produces annually 22,542,000 bushels of corn. If all of this were used to feed the 3,115,000 head of livestock in our State, it would amount to less than 7 bushels of corn per year for each head of stock. There would still be 14,941,000 chickens to be fed.

How much feed do the farmers of New York State purchase annually? They spend from $62,000,000 to $82,000,000 to feed the livestock and poultry of the State.

The nine States, New York, New Jersey, Pennsylvania, Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut produce annually 88,632,000 bushels of corn. The number of livestock in these nine Eastern States totals 8,220,000 head. All the corn raised in these States annually would provide about 10½ bushels for each head of stock per year. This, of course, would not take care of the poultry in these States which totals 273,172,000, which if fed the 88,632,000 bushels of corn raised in these nine Eastern States would be less than 10 quarts per year for each chicken without considering the needs of the livestock at all.

How much do our farmers in the Eastern States pay out in cash annually for feed grown elsewhere? It runs from $186,987,000 to $218,902,000.

Based on 1927 prices for corn the amount paid out for feed in one year by the farmers in the States mentioned would more than purchase the corn produced in the great State of Illinois that year. It would purchase the entire corn crop of Nebraska. The total amount spent in one year by our farmers for feed grown outside the States to which I have referred would purchase over 277,000,000 bushels of your corn at the prevailing market price in 1927, more corn than the great State of Iowa produced that year.

Without a protected market in the East for our dairy products, we can not purchase your feed. You need our cash market and we need your grain.

The magnitude of the dairy industry in the United States and its importance as a source of our basic food supply can be best visualized by the following table, prepared by the dairy division of the Department of Agriculture. Here are the dairy statistics:

Cows on farms and ranges (1927)	21,824,000
Cows in towns and cities (1927)	4,589,000
Total cows in United States (1927)	26,413,000
Total milk produced in United States (1925)—pounds	116,505,395,000
Butter made on farms (1925)—do	590,000,000
Butter made in factories (1925)—do	1,361,526,000
Total butter made (1925)—do	1,951,526,000
Cheese made on farms (1919)—do	5,670,000
Cheese made in factories (1925)—do	447,514,000
Total cheese made (per year)—do	453,184,000

* * * * * * *

The Dairy Division estimates:

Number of cows required to supply the various dairy products:	
Milk for consumption as milk	10,500,000
Butter (at 177 pounds per cow per year)	10,000,000
Cheese (at 371 pounds, per cow, per year), ice cream, condensed milk, milk for dairy calves	3,929,000
Total	24,429,000

The number of cows other than those on farms is estimated at about 4,589,000.

Even when considered from a more or less local point of view the dairy industry looms large. Take for instance my own congressional district.

The total value of the dairy products in Chautauqua County amounts to over $6,000,000 per year. In Cattaraugus County the annual value of its dairy products is almost $7,000,000. The value of the dairy products in Allegany County per year is over $4,000,000. The total value for the forty-third congressional district, which comprises these three counties, therefore, is about $17,000,000 annually.

The value of the dairy cattle in these three counties, according to the United States census, is $17,962,745, or nearly $18,000,000.

If we were to add to this, the value of the land, the farm buildings, machinery and farm implements and equipment required to operate the dairy business, it would overshadow any other single industry in our three counties.

I mention these figures to show that the dairy business in our locality is of importance to the prosperity and well-being of not only those who are engaged in it but to every community which is tributary to so large and important an industry.

This being true, legislation, National or State, that may be helpful to or harmful to so large a business is of the utmost importance to every citizen. The banker, the merchant, and the employee in the store or factory each has a personal and business interest in the prosperity of the dairy industry. Legislation harmful to the dairy industry will react unfavorably on those who live in the city. The purchasing power of so large an industry as this has a marked and far-reaching effect on the prosperity of all of us. The tariff can make or break the dairy business, for the same reason that it can make or break our industries. When the farmer has no money with which to buy what labor produces in our factories unemployment follows. When foreign competition closes our factories, then the laboring man can not purchase what the farmer has to sell. Therefore, the city business man and employee, on the one hand, and the farmer on the other, are each interested in the tariff, for it makes for the prosperity of both.

The Democrtaic tariff under the Wilson administration put fresh milk and cream on the free list, a duty of 2½ cents per pound on butter, and a low rate on cheese. The Republican tariff law of 1920 placed duties of 2½ cents per gallon on fresh milk, 20 cents per gallon on cream, and 8 cents per pound on butter. And as I have stated, when it was found later that the butter duty was too low, President Coolidge increased the duty to 12 cents per pound.

The present tariff bill, H. R. 2667, pragraphs 706, 707, 708, 709, and 710, proposes the following increases in the rates on dairy products:

PAR. 707. Whole milk, fresh or sour, 5 cents per gallon; cream, fresh or sour, 48 cents per gallon; skimmed milk, fresh or sour, and buttermilk, 1¾ cents per gallon: *Provided*, That fresh or sour milk containing more than 7 per cent of butterfat shall be dutiable as cream, and fresh or sour cream containing more than 45 per cent of butterfat shall be dutiable as butter, and skimmed milk containing more than 1 per cent of butterfat shall be dutiable as whole milk.

PAR. 708. (a) Milk, condensed or evaporated: In airtight containers, unsweetened, 1⅓ cents per pound, sweetened, 2¼ cents per pound; all other, 2 cents per pound.

(b) Dried whole milk, 4¾ cents per pound; dried cream, 10½ cents per pound; dried skimmed milk and dried buttermilk, 1½ cents per pound.

(c) Malted milk, and compounds or mixtures of or substitutes for milk or cream, 30 per cent ad valorem.

PAR. 709. Butter, 12 cents per pound; oleomargarine and other butter substitutes, 12 cents per pound.

PAR. 710. Cheese and substitutes therefor, 7 cents per pound, but not less than 35 per cent ad valorem.

To those of us who believe that higher rates on dairy products are necessary, the announcement President Hoover made on May 14, 1929, accepting the majority recommendation of the Tariff Commission for increases on milk and cream is most timely and gratifying. This action by the President will afford immediate relief to dairy interests while the tariff bill of 1929 is under consideration. The increase on milk is from 2½ cents to 3¾ cents a gallon; on cream from 20 cents to 30 cents per gallon. The President has increased the rate on milk and cream 50 per cent, which is all that the President could do under the flexible tariff provision of the Fordney-McCumber bill of 1922. [Applause.]

Mr. HAWLEY. Mr. Chairman, is the gentleman from Texas [Mr. GARNER] ready to proceed?

Mr. GARNER. At this time I had intended to yield to the gentleman from Indiana [Mr. GREENWOOD], but he has been called out. I yield 30 minutes to the gentleman from Missouri [Mr. NELSON].

The CHAIRMAN. The gentleman from Missouri is recognized for 30 minutes.

Mr. NELSON of Missouri. Mr. Chairman, ladies, and gentlemen, in common, I believe, with practically every Member of the House I have spent many hours in the study of the present tariff measure. I have read from cover to cover the bill, really a great book of 366 pages, and have spent hours trying to arrive at a clear understanding of many schedules and sections. Were the situation not so serious nor the matter in the bill of such far-reaching import, I would suggest as a proper title for the volume, "The Joke Book." It is filled with jokers, many of them cleverly concealed. No wonder that the average man or woman, who is afforded no opportunity to study such a bill, finds difficulty in understanding the tariff. For many days now we have listened to discussions. Practically all parts of the bill have been touched upon, yet the subject seems inexhaustible.

Having in mind conditions in Missouri, a typical agricultural State, centrally located, it is my thought to touch principally upon the agricultural schedules. However, there are a few other matters which I shall briefly discuss, as they come directly home to me. In this, I confess that in common with most others I am selfish. We think first of our own States, our own districts, and our own cities, towns, or neighborhoods.

The proposed tariff of 30.4 cents on a barrel of cement may mean an added cost of several million dollars to Missouri, where a great road-building program is under way. In order to secure figures from official sources, I wired the Missouri State Highway Department.

First, though, I might explain, that Missouri a few years ago authorized a $60,000,000 bond issue for the construction of highways, and as a result the State now has many miles of the best roads in America, with many more miles of secondary and from-farm-to-market roads. Last year an additional bond issue of $75,000,000 was authorized. I am advised by T. H. Cutler, chief engineer of the State highway commission, that approximately 4,700,000 barrels of cement were used under the original construction program, while 5,400,000 barrels, exclusive of possible changes from low to higher type pavement, will be required under the $75,000,000 expenditure. To add 30.4 cents a barrel to the cost of 5,400,000 barrels will mean $1,641,600 more. Or if these roads are made 20 feet wide and of higher type payment, the increased cost will be $1,914,700.

There is no doubt, in my mind, how the people of Missouri will stand on the proposed tariff on cement, once they understand the situation. It might be added that prior to this year about 3,000 barrels of cement were used in the construction of each mile of road paving, but in the future, with 20-foot pavements, 3,600 barrels of cement will be used to each mile. Excluding grading, cement represents one-fourth the total cost of pavement. Big as are the figures quoted, they do not represent the total amount of cement used in road construction in Missouri, as hundreds of culverts and bridges are each year built on roads not included in the mileage referred to.

For years the farmer was told that the "mud tax" was the heaviest he had to pay. Now, when he is trying to lift himself out of the mud, it is proposed to put an added tax on him in order to protect one of the biggest industries in the United States. The United States produces more cement than any other country in the world. In 1927 our output was 43 per cent of the world production. From 1914 to 1928, when the output for the latter year amounted to 175,928,000 barrels, there was an increase of 100 per cent.

Cement, it might be added, is more largely used on the farm than ever before, so that any increase as the result of the tariff will come to the farmer not only in added cost of roads but more directly in farm improvements. And this is the session of Congress which was called presumably to aid the farmer!

I come next to carillons. In my home city, Columbia, Mo., there has been built on the campus of the University of Missouri a memorial tower in honor of students who gave their lives in the World War. This tower, one of the most beautiful in the Central West, was erected at a cost of about half a million dollars, contributed by students, faculty, and friends of the university. Since the completion of the tower it has been the hope that some friend, possibly a Washington woman, a former Missourian, of large means and liberality, might be found who would provide a carillon, which is needed to complete the original plan. Always, though, a prohibitive tariff on carillons, the best of which are manufactured abroad, has stood in the way. Although such a set of musical bells would be for an educational institution and a part of a fitting memorial to the university dead of the World War, no exception in the tariff tax is made. In the present bill this condition should have been entirely corrected, yet there remains a tariff of 20 per cent.

Among other protests which have reached me regarding features of the bill is one from the Boone County Medical Society, which very properly finds fault with the increased tariff on surgical and dental instruments, which are advanced to 60 and 70 per cent ad valorem. In my home town are two modern, thoroughly equipped hospitals, the Boone County Hospital and the University of Missouri Hospital, both splendidly serving the public, as are St. Joseph's Hospital, at Boonville; St. Mary's Hospital, at Jefferson City; and others. The advance in tariff on surgical instruments is a blow at every such hospital and adds to the cost of every patient. The bill also means that in the orthopedic ward of the university hospital, to which I have referred and where scores of poor crippled children, principally from farm homes, have been cared for, in part by State appropriations and in part by gifts of a generous public, fewer can now receive treatment.

Then, too, there are the patients who are never received in hospitals but who undergo operations in their own homes. These, too, must help pay the added tariff tax. The items referred to do not represent all the increased cost which it is proposed to place upon hospitals, much more coming in incidentally, notably in the construction, furnishing, and equipping of buildings. A careful reading of the bill will show many tariff taxes to be borne by hospitals and patients. In the tax on table, household, and kitchen ware we find hospital utensils especially mentioned. Fine mesh screen wire is another example. In the name of humanity, let us have a heart.

While the tariff on barytes ore, crude or manufactured, and representing a considerable mining industry in Missouri and other States, remains at only $4 per ton, a very much higher schedule is provided for the product before it enters the trade, the tariff on precipitated barium sulphate being raised to 1¼ cents per pound. Apparently, in this instance, as in many others, the thought has been to secure the raw product at a low price, in this case forgetting the men who work in the mines or deliver the crude product to the markets.

While millions of dollars are being spent to aid the children of America and to provide educational facilities, in various places in this bill we find proposed tariff taxes directly affecting the play, education, and training of youth. Paragraph 67, with its increased tariff on water colors and other paints used in the kindergarten and elsewhere, is an example.

Toys seem to have been especially singled out for a high tax. In paragraph 1544, devoted to phonographs and other musical instruments, we find new matter to the effect "there shall not be classified under this paragraph: (1) any article chiefly used in the amusement of children, or (2) any part of such article." Again, in paragraph 1514, dolls and doll clothing, if composed in any part of certain material, are listed at 90 per cent ad valorem, and so on, with the additional safeguard "that none of the foregoing shall be subject to a less amount of duty than would be payable without regard to this paragraph."

As with the house in which the family lives, now additional tariff taxed from the cement foundation to the shingle roof, so none, either the baby or the grandfather—the latter with his cane further tariff taxed—escapes, and in the end there comes in this bill the increased tariff on marble or granite for tombstones when life is ended.

Let us now turn to Schedule 7, agricultural products and provisions. It was this and this only that the average farmer had in mind when he read that a tariff bill would be framed to help agriculture, and here we should have stopped.

Many rates have been raised. Let us see what they are and what results we may expect.

First, the tariff on beef and veal, fresh, chilled, or frozen, is increased from 3 to 6 cents per pound. This sounds good, but the benefits may not be big. Why? Because in one year the United States produced 7,693,000,000 pounds of beef and veal, while importing less than 50,000,000 pounds. Keep these figures in mind; remember that no additional tariff protection was granted against importations of live cattle, almost half a million head of which came in from Canada and Mexico last year. Not only do these live cattle, grazed on cheap pasture, come in at the old rate but millions of pounds of hides enter absolutely free to compete with those from American farms. Few farmers sell dressed beef but many sell live cattle and hides.

The tariff on sheep, lambs, and goats is advanced from $2 to $3 per head. On mutton and goat meat, fresh, chilled, or frozen, the advance is from 2½ to 5 cents per pound; lamb, fresh, chilled, or frozen, from 4 to 7 cents per pound. Combined, mutton and lamb imports amount to about four-tenths of 1 per cent of domestic slaughter. While a liberal increase has been granted on goats, sheep, and lambs, this will have no effect on prices of livestock of this kind, as sold by the farmer, as imports amount to less than two-tenths of 1 per cent of the domestic slaughter. A tariff of $10 a head would not mean higher prices, nor would $1 a head result in lower prices.

The tariff on swine—in Missouri we say "hogs"—is increased from 1½ cents to 2 cents per pound. This can have absolutely no effect on the price of hogs, as the United States produces one-fourth of all the hogs in the world, marketing about 50,000,000 annually, while bringing in fewer than 200,000 head and at the same time exporting almost half that number. To increase the tariff on live hogs is to do no more than to make a political gesture.

In the same paragraph the tariff on pork, fresh, chilled, or frozen, is increased from three-fourths of a cent to 2½ cents per pound. On some other pork products from 2 to 3¼ cents, lard from 1 to 3 cents, and lard compounds from 4 to 5 cents per pound. Because the United States produces a large surplus of pork and lard, much of which must be exported, the added tariff will not mean higher prices.

In 1927 the production of fresh pork in the United States was 8,533,000,000 pounds, while imports, principally from Canada, amounted to less than 8,000,000 pounds. In a single year the United States produced slightly less than 3,300,000,000 pounds of smoked and cured pork products, while importing only about 5,000,000 pounds.

On lard the tariff increase is meaningless, for in 1927, while producing 2,356,000,000 pounds of lard, we imported only 171,372 pounds of lard, or less than one-tenth of 1 per cent of domestic production. In contrast with these our exports in 1928 were 783,000,000 pounds of lard and 5,000,000 pounds of lard compounds.

A higher tariff on lard means nothing. Better, a tariff on foreign fats and oils coming in by the millions of pounds.

Mr. HALSEY. Will the gentleman yield?

Mr. NELSON of Missouri. With pleasure.

Mr. HALSEY. Does the gentleman favor a tariff on those competitive imports which interfere with our farm products?

Mr. NELSON of Missouri. I most certainly do, where they are produced in Missouri, your State and mine, provided we write into the tariff bill the debenture plan or anything else that will make that tariff effective. I am tired of a tariff that is written just to fool the farmer. [Applause.]

As to the meats, fresh, prepared, and preserved, including pickled and canned beef, sausage, and canned meats, the United States produced in one year 1,838,000,000 pounds, while imports were about 32,000,000 pounds, or but half our exports.

In paragraph 707, whole milk, fresh or sour, is advanced from 2½ to 5 cents per gallon. Cream, from 20 to 48 cents per gallon, with some other corresponding changes, which may result in increasing prices to producers along the northern border of the United States and adjacent to Canada, but not throughout the country generally. In the meantime, the President, using the flexible provisions of the existing law, has increased the milk duty from 2½ to 3¾ cents a gallon, and the rate on cream from 20 to 30 cents a gallon. The same day the tariff on flaxseed was advanced from 40 to 56 cents a bushel, which will bring about higher prices for linseed oil, a fact which can readily be seen by looking through window glass, already liberally tariff protected, but now, by Executive order, liberally increased.

Imports of milk and cream, sour cream, and powdered milk for 1928 were worth about $6,500,000, while the value of the dairy products of the United States is about $3,000,000,000. Would-be dairymen, who keep these figures in mind, will not rush into the business expecting to grow rich because of tariff increases.

Under paragraph 708 (division b) we find: Dried whole milk, 4¾ cents per pound; dried cream, 10¼ cents per pound; dried skimmed milk and dried buttermilk, 1¼ cents per pound. Here, if anywhere, the dairy industry should receive some direct benefit, yet our production for the year 1927 of 1,855,000,000 pounds, so far exceeds imports of about 10,000,000 pounds, total of cream, powdered, canned, or sterilized milk, condensed and evaporated milk, whole milk, powdered skimmed milk, powdered malted-milk compounds, and all else, that it is practically negligible. Especially is this true when we consider it in connection with last year's exports from the United States of more than 38,000,000 pounds of condensed, 76,000,000 pounds of evaporated, and 4,000,000 pounds of powdered milk and all other such products.

In paragraph 709 the butter tariff is not advanced above the 12 cents fixed by proclamation of President Coolidge. The United States's production of butter for 1927 was 2,097,000,000 pounds, with imports of 8,000,000 and exports of nearly 4,000,000 pounds.

Before passing from the discussion of milk and milk products I would call attention to the fact that the pleas of those who sought a higher tariff on casein, a valuable product of skimmed milk, were unsuccessful. Casein, largely imported from the Argentine, is used in the manufacture or coating of certain papers.

It is also interesting to note butter producers were denied asked-for protection against the vast importations of oils and fats entering into the manufacture of butter substitutes. Of the millions of pounds of coconut oil imported, about 60 per cent is used in soap and about 33 per cent in edible products. About 700,000,000 pounds of inedible fats and oils are imported to supply the deficiency of soap fats and oils.

The tariff on live poultry is increased from 3 to 6 cents per pound, with baby chicks of poultry 4 cents each. Just how little effect the doubling of the tariff on live birds will have may be understood when we consider that with an estimated production of 230,000,000 birds the imports average only little more than three-tenths of 1 per cent of the United States kill, and even this is largely offset by exports of live birds.

The tariff on dressed or undressed, fresh, chilled, or frozen chickens, ducks, geese, and guineas is increased from 6 to 8 cents a pound, with 10 cents per pound on turkeys and other birds. With production amounting to 575,000,000 in 1927, the imports last year were only a little more than 6,000,000 pounds.

Next we notice eggs, with the tariff of 10 cents per dozen, 2 cents more than in the Fordney-McCumber bill. The tariff on processed eggs or egg products is correspondingly increased. In 1927 the United States produced 2,162,000,000 dozen eggs and 129,000,000 pounds of frozen eggs. Imports for 1928 included 286,631 dozen eggs in shell and 5,349,000 pounds of prepared or frozen eggs. Egg yolks, frozen or preserved, 2,208,000; albumen, frozen, 2,006,000 pounds; dried whole eggs, 852,000 pounds; dried egg yolks, 4,371,000 pounds; dried albumen, 2,752,000 pounds; and possibly a few other egg products.

While the total of egg importations is small as compared with the vast egg production in the United States, it is possible that it is sufficient to influence egg prices in our country. If this is true, and if the desire is to increase egg prices, which have been going down for several years, then this tariff should be very much greater. In fact, I should greatly enlarge upon the paragraph devoted to this subject, incorporating in it various suggestions and provisions made applicable to manufactured articles, and about as follows:

Eggs shall be dutiable at 10 cents per dozen, when measuring not more than 6 inches in circumference, measured the longest way around: *Provided*, That in addition to the foregoing there shall be paid each of the following cumulative duties: One-tenth of 1 cent for each quarter of an inch, or fraction thereof, in circumference of each egg measured at its greatest circumference; and on each brown egg there shall be levied one-tenth of 1 cent in addition, and on each white egg one-tenth of 1 cent in addition, and on each egg whether of brown or white mixture, one-tenth of 1 cent in addition: *Provided further*, That all egg products or processed eggs shall bear rate equal to the highest rate representing the total of all the rates herein set forth. Any egg measuring more than 7 inches in circumference shall be subject to an additional duty of 1 cent, while eggs from pure-bred flocks shall be dutiable at 2 cents per dozen additional, and if for hatching purposes there shall be levied a further duty of 1 cent per dozen. In addition, eggs if in cases not more than 47 days, shall be considered as for hatching purposes. All eggs, in all "cases, containers, or housings," shall have "cut, engraved, or die sunk," stamped, marked, or printed thereon, the full name of the shipper and the country from which they come. For the purpose of this paragraph the terms "eggs" and "eggs" shall include substitutes for. Furthermore "an article required by this paragraph to be marked shall be denied entry unless marked in exact conformity with the requirements." [Laughter.]

In making the suggestion I have as to wording in the protective paragraph for eggs, I claim no originality whatever. They come to me from a casual reading of paragraph 1533, devoted to gloves, and paragraphs 367 and 368, referring to watches and clocks. In fact, the wording, humorous or ridiculous as it may seem, has, in part, been repeated. No doubt the same suggestions could be found in many other paragraphs contained in the bill, which, according to the New York Times of yesterday, means that the public will be taxed 15 per cent more for goods on the dutiable list, while some multiplied rates are represented as constituting raises of from 110 to 472 per cent.

Mr. HALSEY. Will the gentleman yield for a question?

Mr. NELSON of Missouri. I yield.

Mr. HALSEY. The gentleman and myself are from the same State and from neighboring districts. I would like to ask the gentleman, without the debenture plan, does the gentleman think that none of these duties upon these various agricultural products will in anywise benefit the farmer in his district and in mine?

Mr. NELSON of Missouri. Not on those of which we produce an exportable surplus, such as hogs and wheat and corn, the staple crops in your district and mine.

I have carefully studied this bill as it may affect the average Missouri farmer. Missouri is a great livestock State, yet the bill offers but little to the feeder or breeder of livestock. Missouri produces in abundance both wheat and corn, as well as cotton and other staple crops, so we turn now to these items.

On corn the tariff is increased from 15 to 25 cents per bushel. This increase will have no influence on the price of corn. Why? The answer is that, while the United States corn crop of 1928 was in round numbers 2,800,000,000 bushels, the imports, principally of flint corn used in poultry and pigeon feed, amounted to half a million bushels or about one-tenth of the corn crop of a single Missouri county.

After corn the most important crop in Missouri is wheat. The tariff of 42 cents a bushel remains unchanged. To raise or lower it would make no difference in the price of wheat grown on Missouri farms, as shown by the testimony of various witnesses who appeared before the House Committee on Agriculture, and which testimony I referred to when discussing the farm bill.

The 42-cent tariff on wheat is not effective. It is easy to understand why, when we recall that the United States produces annually on an average in excess of 800,000,000 bushels of wheat and that last year our importations of wheat, except for grinding in bond, amounted to less than one-fourth of a million bushels.

Wheat admitted for grinding in bond totaled about 20,000,000 bushels, the tariff drawback on this being 99 per cent. So the Canadian wheat does not pay the 42-cent tariff. Personally, I should like to see the tariff on wheat raised to a dollar a bushel. This would do one of two things: If the tariff works, it would increase the price of wheat, now the lowest for many years and below the cost of production; or it would more thoroughly demonstrate to the farmer that the wheat tariff is being used merely to fool him.

As to the minor or special crops represented in schedule 7 of this bill, I shall not speak at length. No doubt that where the rates have been increased on pineapples, nuts, and other semitropical crops, the growers will receive higher prices, which the consumer will pay.

Advances have been made in tariffs on certain vegetables grown in Mexico, and competing with winter or early season products of the southern border of our own country. The American grower may receive some benefit by these increased rates. On the other hand, the tariff on potatoes grown throughout the United States, was not increased. We pass from Schedule 7. While not entirely reviewed, attention has been called to the principal items as they appear.

So much, in the main, for what this bill is supposed to do for the farmer. What it proposes to do to him is a much longer story.

In brief, practically every rate as written in the Fordney-McCumber Act has been continued or increased, while a tariff has been placed on cement, shingles, brick, and other materials formerly on the free list. In this behemoth bill "to help the farmer," now far behind with his work owing to a late season, forks, hoes, and rakes are placed in the list of other farm tools taxed 30 per cent. As if all this were not enough there comes to-day the Supreme Court decision in the O'Fallon case and which, it is predicted, may result in much higher freight rates.

Just here I digress to say that should this bill, as written, become a law, the farmer's dollar instead of buying more will actually buy less. The plight of agriculture has been brought on not so much by the prices which the farmer receives for his products as for what he must pay for the things he buys. Every day of his life, in practically everything he does on the farm, whether in the planting season or the harvest time, the farmer feels the burdensome effects of the tariff. Should the largest possible benefits, as suggested in the schedule devoted to agriculture be realized, the farmer would still be a heavy loser by the passage of this bill.

Some of the heavy tariff taxes, and which it is now proposed to increase, are those represented in necessary household expenditures. Sugar is an example. Here the proposed increase in tariff from $1.76 to $2.40 per hundred pounds on Cuban sugar will cost American consumers many millions of dollars. This higher price will be felt most of all on the farm, where home canning and preserving is still carried on.

Spring is the season of heavy egg production, and the thrifty housewife may, as the family goes to town, take a case of eggs, realizing, perhaps, 20 cents a dozen, or $6 for a case of 30 dozen. If eggs are to be exchanged for sugar, and the new tariff is effective, she will have the privilege of exchanging the eggs for a 100-pound bag of sugar, provided she is willing first to give to the sugar interests $2.40 worth of her eggs.

Mr. HALSEY. Will the gentleman yield?

Mr. NELSON of Missouri. I will yield to the gentleman from Missouri.

Mr. HALSEY. Listening to this discussion on the tariff, it has been brought out on the floor of the House that the tariff will not extend the cost of cement beyond the Atlantic seaboard?

Mr. NELSON of Missouri. I am glad the gentleman has raised that point. My experience is that, in the purchase of cement, and every man on the floor must know that it is so, that it makes no difference whether you buy 10 miles distant or a hundred miles distant from the plant, the price is the same. If there is any business in the country that is thoroughly organized to make the same price to every one it is cement. Incidentally, I have wondered sometimes what is the connection between the steel and cement in this country. It seems to be very close.

Mr. CAMPBELL of Iowa. Will the gentleman yield?

Mr. NELSON of Missouri. Certainly.

Mr. CAMPBELL of Iowa. The gentleman from Missouri apparently comes from the same kind of a farming district that I do. I want to ask him if he is in favor of cutting the tariff on butter or milk?

Mr. NELSON of Missouri. I do not know how the gentleman gets such an impression; surely, not from anything I have said. I favor these tariffs. If Congress had done what the farmers expected when we were called to meet in special session, presumably to aid agriculture, if the revision had been confined to the agricultural schedule, we could have finished it and gone home in a month. [Applause.]

Mr. CAMPBELL of Iowa. The gentleman, in his argument, has mentioned the amount of importations. Is it not true that the amount imported into this country, the small amount imported, was due to the fact of the tariff that we have had on those products? Is not that true so far as butter is concerned?

Mr. NELSON of Missouri. I have said that, if there is anything in the tariff, so far as it may benefit the farmer, it is shown in the case of eggs and butter. If the gentleman will show me how it is possible to vote for a higher tariff on agricultural products without cheating the farmer out of his eyes by compelling him to pay more for manufactured articles and practically everything else he has to buy, I shall gladly support such a bill, but I want the tariff on farm products made effective.

Much is heard of the home beautiful and its influence on family life, yet he who would paint his home must, under this bill, pay more for the privilege.

Few household articles escape the tariff tax, which in many cases is here increased. It would seem that a studied effort had been made to keep the public in the dark, as lights and lighting fixtures, even to candles, are further taxed.

In the springtime, whether the farmer is spading ground, pruning trees, or shearing sheep, he must use tariff-taxed tools. In midsumer even the wire used in baling hay is tariff taxed. Not only do the implements with which he works come under the tariff, but for pastimes and pleasures he must also pay.

If when the ground is too wet to work he would enjoy fishing or hunting, he finds fishing tackle and guns tariff taxed, not even the wads for the gun being forgotten. In the evening if he wishes music and likes a fiddle, he plays on a tariff-taxed instrument. Even the catgut strings and horsehair bow are tariff taxed. Nor does the resin needed for the fiddle's perfection when he is playing "Turkey in the Straw" or "The Devil's Dream," escape the tariff.

While long-staple cotton is continued on the free list, thread and cotton cloth come in for higher tariffs. An increase of 3 cents a pound on clean, medium, or fine wool, or about 1 cent a pound on wool as it comes from the sheep, is met and overpowered by the so-called compensatory duties on yarn, clothing, dress goods, blankets, and much else. On the other hand, the tariff on certain wools is reduced 7 cents per pound.

No more unreasonable increase is to be found in the bill than that on watches and clocks. True, the farmer and his family do not need these in getting up early enough and working late enough to put in the usual 8-hour day, eight hours before dinner and eight hours after dinner. Yet watches and clocks are used in the country as in the cities, and everywhere the higher tariff rates in this bill will add much to the cost. So do not blame the local dealer, but put the blame where it belongs.

The list of tariff-taxed articles might be continued and commented upon by the hour, but this is not necessary. Furthermore, with the suggested American valuation plan and the flexible provisions, the tariffs may be increased almost without limit. Suffice to again say that if this measure, as written, and in which schedules double up like contortionists and multiply like microbes, becomes law, the farmer's dollar will shrink in purchasing power to more than meet the smaller-sized paper money now in prospect.

It is true that while rates have been raised under practically every schedule and many articles heretofore on the free list are now placed in the dutiable list, a few things have been transferred to the free list. Here we find buchu leaves, fish sounds (sounds, I believe, are bladders), fish meat unfit for human consumption, and about a dozen other articles, including urea. The latter, I am told, is a highly concentrated form of fertilizer principally used on golf courses. No doubt farmers will be much interested in having urea on the free list. In this connection I recall that the former Secretary of Agriculture Jardine, in writing of what he regarded as a model American farm, referred to the fact that the owner had on it his own golf course. But Mr. Jardine is now chairman of the board of directors of an investment corporation, and the farmer instead of playing golf and trying to get in the hole, continues to work to get out of the hole.

I deeply regret that the bill before us is not better. It in no sense fulfills the promise to the American farmer. Instead of helping him it would greatly add to his burden.

As Representative SNOW said a few days ago:

> This special session of Congress was called by President Hoover for the avowed purpose of affording relief to the farmers of the United States.

Very frankly, too, this Member from Maine, whom we must admire, states that he has been hearing from home. Said he:

> My district is the largest agricultural district in the United States, and is completely up in arms.

Think of it! Maine is up in arms, and "as goes Maine so goes the Nation."

Not all of us, I fear, are as frank as the Member from Maine. Others, I am sure, do not fully appreciate the seriousness of

the farm situation in Missouri and other Corn Belt States at this time, where now, for weeks, rains have delayed corn planting until a full crop is no longer possible. At the same time wheat is being injured by excessive moisture, which has also caused heavy losses of lambs and pigs and other young stock as well as baby chicks.

To this Congress, called ostensibly to help the farmer, there comes a Macedonian cry. If we fail to meet that call we are cowards.

On Mother's Day I was in one of the beautiful cemeteries of our Capital City. There I admired an unusual monument. It is called "Grief." As I looked upon this weeping woman, this work of a master sculptor, the thought came to me that unless something is done the time may speedily come when, sad as it may seem, grief will best symbolize the lives of those who would wrest a living from the soil.

But it must not be so! This is no time for us to be guided by narrow partisanship. The situation is far too serious for that. Whether we be Democrats or Republicans we need to consider first the welfare of the farmer for whom this special session of Congress is said to have been called.

I want to vote for a tariff bill that will help the farmer. This bill will not do it, so I can not support it. Make it what it should be, and I pledge my support. Pass it as it is and it will defeat the party responsible for its passage.

The *facts* are that to pass this bill as it is drawn is no more possible than for a camel to pass through the eye of a needle. To suggest that it does justice to the farmer is to do violence to the facts. Change it you must. Change it so that it will place agriculture on an equality with industry and make the farmer's dollar as big as the dollar of everybody else, and your party will get the credit. I am willing for that. I am anxious for anything which will do justice to agriculture and restore happiness and prosperity to the farmer and his family. [Applause.]

Mr. ROMJUE. Mr. Chairman and Members of the House, an intelligent discussion of any tariff bill which has any scope or latitude involves a highly technical presentation.

It is a fair presumption, I think, to assume that the 15 Republican and 10 Democratic members of the Ways and Means Committee possess more than an average of information on the subject matter involved in this pending bill.

There have been learned speeches made on this bill by Members on both sides of the subject as well as on both sides of the aisle separating the two dominant political parties.

The members of the Ways and Means Committee who conducted hearings for several weeks with a view of getting facts and information upon which to base this proposed legislation, now find the membership of this House much divided. There is not only a general disagreement between the Democrats and Republicans on this legislation, but a very decided disagreement between Republicans who represent strongly farming sections and those Republicans who represent the larger industrial centers such as flourish in New England. Therefore it seems to me that each Member of this House should first confront himself with the inquiry as to the reason this special session of Congress is here.

For what purpose have the American people been given to believe it has been called to meet? and

Second. Will the President of the United States and this Congress keep faith with the people? and

Third. Does this proposed legislation fulfill the promise made by the Republican Party in the last campaign to the people of the United States?

Of course everyone knows who possesses the proverbial "grain of sense" that this special session of Congress was called in obedience to Mr. Hoover's pre-election promise to do something for the farmer.

The picture presented was that of help for the farmer. Had it not been for the farmer's distressed condition and the pre-election promise, this special session of Congress would not now be sitting.

There was no assurance given to the public and no public promise made that the protective tariff law would be revised upward at the wish of industrial centers. No; not at all. The dominant note was help for the farmer.

As to the second proposition, I for one, gentlemen, believe we should keep faith and make the promise good so far as it lies in our power to do so.

Concerning the third proposition, "Does the proposed legislation fulfill the promise made to the people of the United States?" In the form the bill is in as presented to the House it will not fulfill the promise made to the American people, and if enacted into law in its present form it will not be keeping faith with the farmer, and the Republican Party in power must answer for the failure should this bill go through as now written.

We now have a Republican majority in this House of at least a hundred Members and a working Republican majority in the Senate and a Republican President, and the farmers of this country have a right to expect fair treatment from any political party in power, whatever political party it may be.

No man ever becomes so wise but that he may learn something more, and to those Members of the House who are inclined to pass this bill in its present form I want to quote what some of the farmers think about their situation and the tariff.

The Republican farmers of Iowa met in Des Moines on December 21 and 22, 1925, and after due deliberation passed a resolution in which they said:

> We do not concede that the existing Fordney-McCumber Act is of great benefit to agriculture as a whole. On the contrary, the staggering burdens imposed upon the consumers of the country through the act fall as heavily upon the farmer as upon any other class. On the one hand the farmer pays his full share of the heavy tariff tribute upon practically everything he buys, while on the other hand the price of his great surplus commodities is fixed in the world market. If the existing tariff is such a boon to agriculture, then how can the fact be explained that, although the tariff has been in operation for five years, agriculture is at this hour staggering on the brink of complete collapse?

I am not quoting a partisan statement, but quoting you what your own Republican farmers think of the present tariff law.

On May 20, 1925, the State Legislature of Illinois unanimously passed Joint Resolution No. 37 in which they use this language:

> Whereas there is practically at all times a production of wheat, corn, hogs, and cattle, and their products greater than our home or domestic demand for same, and as a result there is practically at all times a very considerable export from the United States of such products, and the prices of such products to the home or American producer are therefore the world price less the cost of transportation, and as a result a tariff upon such products at no time benefits or helps their producers.

These resolutions, one from the Republican farmers en masse in Iowa, and the other from the Republican Legislature of the State of Illinois, should receive some consideration at least by the Representatives of those sections of the country when the legislation now before us is finally acted upon, and there can be no mistake as to their views and wishes on the point involved in this legislation.

I am sure Members of this House who come from agricultural sections have heard more than once that the tariff ought to come off of many of the things the farmer has to buy and use on the farm.

Since this special session has been convened presumably to help the farmer, it is interesting to see what this bill takes all the tariff off of and places on the free list for the farmer's benefit. Here are some articles from which the tariff has been entirely removed presumably to aid the farmer:

Buche leaves; licorice root; argols; tartar and wine lees; calcium arsenate; chip and chip roping, not specially provided for; citrons and citron peel; curling stones; eulachon oil; women's unembroidered gloves and mittens of cotton or vegetable fiber; copper iodide; Paris green; santonin and salts of santonin; and fish sounds.

When the farmer looks over this list and sees articles from which the tariff has been removed for his benefit, perhaps he will take on renewed vigor, and see the vision of his mortgage disappearing from his farm—perhaps.

Some one has said, "Make the tariff effective for the farmer." I think there are those here who will recall having heard this phrase before. This bill proposes to take off of the free list and put on the dutiable or tariff list the following articles in order to make the tariff effective for the farmer:

The list includes chromic and nitric acid; kieserite; lemon juice, lime juice, and sour orange juice; palm kernel oil, fit for food; sesame oil and spermaceti wax; crude feldspar, cement, and common brick; cedar, maple, and birch lumber, and shingles of wood; horse-radish roots; chickpeas or garbanzos; curry and curry powder; cowpeas; chestnuts and marrons; canned clams; zinc dross; shotgun barrels, in single tubes, forged or rough bored; and violin bow hair.

The farmer who meets his taxes and interest on his mortgage with his production of chestnuts, garbanzos, and canned clams may view this with satisfaction, but we may well be in doubt as to how the farmer who thrives by the production of violin bow hair may accept it.

As I said before, we are in session here to aid the farmer—that is why we have been called together—for that purpose and for no other, according to Mr. Hoover and other Republicans' expressed desire, before and at the time we were assembled.

Up until the last campaign it was asserted at all times and on all occasions that there "should not be any tinkering with

the tariff" anywhere along the line. That "it was the best tariff law ever written." That the country was "waxing in prosperity" and it would not do to tinker with the tariff as it might disturb and unsettle business.

But after the farmers had been assured by Mr. Hoover that some relief would be given the farmer at a special session of Congress which he would call, then the high-tariff vultures saw their chance coming, and they have not failed to make their wants known. And their wants have generally been granted in this bill, while the farmer has been or will be made worse off than he was before if this bill passes and becomes a law.

What this Congress ought to do, and what Mr. Hoover ought to recommend as the first thing to be done, is to take the tariff off of the articles the farmer has to buy and use on the farm; but, instead of doing that, for example, it takes hoes, forks, rakes, and other articles off of the free list and puts them under a tariff—all of these things and many others the farmer uses and has to use on his farm. But this is a sample of the relief the farmer is to get by this bill.

I quote you from the St. Louis Post Dispatch of March 20, 1929:

PROFESSOR FISHER AND THE TARIFF

In the heat of a presidential campaign farmers did not seem to be impressed by the argument that to increase tariffs upon agricultural products was hardly so practicable a means of farm relief as to decrease tariffs upon manufactured articles that the farmer buys.

Perhaps it will be more effective to have Prof. Irving Fisher, the eminent economist, say the same thing now. "It would," he says, "hurt the farmers to overload the tariff bill during deliberations aimed at giving them a more equal chance with industrialists. It would defeat the object of the special session if duties were imposed that would permit the placing of higher prices on the manufactured goods that farmers have to buy. Were it politically feasible, one of the best measures for farm relief would be a reduction of the tariff on such articles."

This is rendered impossible by the situation. The industrialist has a much greater claim upon Mr. Hoover than the farmer has. The margin upon which Mr. Hoover can therefore operate in his plan of helping the farmer by means of the tariff is narrow indeed.

I quote from the CONGRESSIONAL RECORD, August 11, 1922, a distinguished Republican United States Senator who was in the Senate at that time, Senator Knute Nelson, of Minnesota, as follows:

I come from an agricultural State. It seems to me that the Senator from North Dakota [Mr. McCumber], in his zeal to put such an immense tariff on these agricultural products—higher than we have ever had before, higher than there was any necessity for—has done so simply to oil the protection machine for the woolen schedule and some other schedules in the bill.

* * * * * * *

This bill in its entirety is a more radical and more extreme measure so far as protection is concerned than even the Payne-Aldrich law. I had hoped, Mr. President, that protection would not run mad as it has done. I never in all my life saw such a swarm of men as were around the Finance Committee while they had this bill before them, and most of them got their work in well.

If this great and distinguished Senator, who during his lifetime rendered a great service to his State and country, could have been with us in January and February of this year, and have seen the swarm of men pouring in before the Ways and Means Committee, representing nearly every manufacturing concern and interest in the United States, clamoring for greater and higher protective-tariff rates on their products, I am sure after he had read this bill he would have found his expression, "and most of them got their work in well," as applicable as when he uttered it.

In the discussion of this proposed legislation I am not going to take up the rates on lumber or bricks, because that is a matter which has been discussed by many speakers. I think many of you who have studied the bill will agree with me that the sum total of this legislation when it is finally passed will be to add a great burden to the shoulders of the masses of the people, greater than they bear under the present act. I think it is generally conceded by this time, after years of debating the farmers' problems, that we can enact no tariff law that will help the farmer out with his surplus products. Surplus farm crops must be disposed of on the world's markets. I was glad to see my distinguished friend from Texas [Mr. SUMNERS] this afternoon discuss with his disapproval the article written by Mr. Mark Sullivan a few days ago. I had cut that article out of the newspaper and had kept it in my pocket for reference. It is a very valuable article to remember, and lays down a very dangerous and unfair policy. I think we should pay attention to the articles of Mr. Sullivan for more than one reason. He is and expert handball player, who I understand plays almost daily with the President, and in addition to that, he is a well-known world writer, and what he says, doubtless, reflects Mr. Hoover's views as to the administration's purpose as to agriculture. As the gentleman from Texas [Mr. SUMNERS] said, we are entering a new era by these two bills, and if the program of this double-barreled legislation goes through, as it seems likely it will, there will be many men in this House who, in my judgment, will live to see the day when they regret casting their votes for the bill in its present form.

There was recently passed the alleged farm relief bill. In my opinion the great question is to dispose of the surplus products of the farmer. The article written by Mr. Sullivan lays down the policy and says that this tariff bill, coupled up with the alleged farm relief bill, which has been passed, is going to establish for this country a program of nonsurplus production among the farmers.

Then he goes on to say in his article that that does not mean that we must not go on and produce a surplus of manufactured articles, but the policy contemplates encouragement of manufactures and increasing them so that we may go into the world market with manufactured articles, but that in the future, after this farm relief bill and the tariff bill become law, it is expected that they will act as a preventive of any farm surplus in this country. That is an amazing statement, and if we launch on that theory in this Government, some who are here now will live to see the day when perhaps this Nation will again be in the toils of war, when we are in dire distress and when we may be caught by a shortage of food supplies, because no legislation, however wise, can be so far reaching as to be an absolutely dominating factor in production and consumption, because the elements of nature must enter into it. [Applause.]

I want to say this: That if it is the purpose of this present tariff bill and of the administration's so-called farm relief bill to prevent the farmers of this country from producing any more farm products than are actually consumed in America while at the same time it is proposed to encourage and help manufacturers create a surplus, as the writer of the article says it is Mr. Hoover's policy so to do, there will be a time when the farmers of this country will let it be known in no uncertain way that no such system or policy will be permitted to be fastened upon them with their consent.

This proposed tariff bill raises the tariff on most products that are manufactured by a very high percentage, so that the bill in its present form carries even a higher tariff for the manufacturers than the old law or Fordney-McCumber law. And giving the farmer tariff on sugar and a tariff on brick and a tariff on shingles, and putting a tariff on his hoes, pitchforks, rakes, and ropes, is going to injure instead of help him, because it will make all these things, as well as other things he has to buy, cost him more. And the tariff on onions, spinach, tomatoes, and on lemons and orange juice and such matters will not at all be of help to him.

It looks like the Republican Party now feels that they can promise the farmer everything and give him nothing, and still satisfy the farmer. In the mad scramble on the part of factories of New England to get more tariff for themselves they have not even spared the graveyard, for they have placed a 50 per cent tariff on tombstones, when as a matter of fact burial expenses are so high now that very few of us can afford to die. The living should not be penalized by an unjust tariff, and certainly the dead and their little estate, if any, should not be tortured by the high and unjust tariff.

Mr. WATSON. Mr. Chairman, I yield 20 minutes to the Delegate from Alaska, Mr. SUTHERLAND.

Mr. SUTHERLAND. Mr. Chairman, I want to occupy my time in the discussion of the fish schedule. The items of that schedule have hardly been mentioned on the floor of the House during this session. I shall call attention to what I believe to be inconsistencies in the proposed fish schedule. The fish tariff at present and the proposed tariff are not high. There is not one item on which there could be claimed to be excessive tariff. Generally the fishing interests are very well satisfied with the present tariff, although there are several items on which they ask a change. The fish tariff does not compare for a moment in amount with the tariff on other food articles that might be considered similar. I shall quote you from the New York World publication the prices on meat and fish in retail stores, the so-called cash and carry price in New York. I presume that 90 per cent of the people of the United States know more about the retail prices of food commodities than they do of the wholesale prices, which are almost invariably quoted in connection with the tariff schedule. To-day the quotation on top round steak by this cash and carry system in New York is

from 43 to 45 cents a pound, and on rib-roast, best quality, from 38 to 40 cents a pound. The quotation on leg yearling lamb, best quality, is from 38 to 39 cents a pound, and at the same time the quotation on halibut steak is 35 to 40 cents and on salmon steak from 65 to 70 cents.

The meat commodities that I have quoted carry a proposed duty of 6 and 7 cents per pound in this bill.

Now those two fish commodities, which are the standard commodities and also the highest-priced varieties of fish, carry a duty at the present time and under the proposed tariff of 2 cents a pound, with which producers are very well satisfied. No complaint is made on that score, but I want to come to one or two items on which they have asked for a change.

I want to quote you the tariff rates on the supplies that enter into the fisheries, those on the north Pacific as well as in the Atlantic fisheries. They are the same. I want to compare those with the Canadian rates on the same commodities, assuming that Canada is one of our competitors in the production of fish. Our tariff provides, in the case of flax, hemp, ramie, cord, or twine—and that is the great item of expense in carrying on the fisheries—a duty of not less than 25 per cent and not more than 35 per cent; but if the ramie or flax is made into nets and seines, there is an additional duty of 10 per cent, making the average duty of 40 per cent on the great material that is used in the fisheries. In Canada all those items are free of duty.

Hemp rope, not exceeding 1½ inches in circumference, used for net headlines, is free in Canada. In our country it has a duty of 2½ cents per pound. Anchors have a duty of 25 per cent in our country, and they are on the free list in Canada. Wire rope bears a duty of 35 per cent in this country, and in Canada 25 per cent. Fishhooks carry a duty of 45 per cent in the United States. In Canada they are on the free list.

Strangely enough, although we have that duty of 45 per cent on commercial fishhooks, there is not an American-manufactured fishhook used in the north Pacific fisheries. Every hook used in the north Pacific fisheries is manufactured in Europe. They run to a valuation of $149,642 a year, or did in 1928.

Glass balls, which enter into the fisheries, carry a 60 per cent duty in the United States and a duty of 32½ cents in Canada. Aluminum balls are on the free list in Canada. I am unable to figure exactly which item in our tariff the aluminum balls come under, and therefore I can not give the American duty. Anchor chains carry a 2-cent per pound duty in our country and are on the free list in Canada. Paints in our country have a duty of 25 per cent, and in Canada there is a duty of 30 per cent. Oiled clothes carry a duty of 35 per cent in each country. Butcher knives carry a duty of 8 cents per pound and 45 per cent ad valorem in this country, and 30 per cent ad valorem in Canada. Barrels run the same, 15 per cent, in each country.

United States and Canadian tariff rates on fishing supplies

Item	United States	Canada
Flax, hemp, or ramie cord or twine	Not less than 25 per cent nor more than 35 per cent.	Free.
Nets or seines of flax, hemp, or ramie	10 per cent additional	Do.
Hemp rope not exceeding 1¼ inches in circumference.	2½ cents per pound	Do.
Anchors	25 per cent	Do.
Wire rope	35 per cent	25 per cent.
Fishhooks	45 per cent	Free.
Glass balls	60 per cent	32½ per cent.
Aluminum balls		Free.
Chains	2 cents per pound	Do.
Paints	25 per cent	30 per cent.
Oiled clothes	35 per cent	35 per cent.
Butcher knives	8 cents per pound, 45 per cent ad valorem.	30 per cent.
Barrels	15 per cent	15 per cent.

Now I call your attention to the large number of fishing supply items that are on the free list in a competitive country and carry a very high tariff in the United States. But Canada places a duty on every fish and fish product coming into that country, and in some instances it is a higher duty than we have on the same product in the United States. Now, in the case of the production of fish oil our proposed tariff would be a duty of 5 cents on Menhaden oil, while all similar oils in Canada carry a 22½-cent duty. In the case of Menhaden, the second by-product, fish meal is on the free list; whereas in years past it carried a 20 per cent ad valorem duty. The purpose of placing it on the free list is to make it a cheap commodity for the farmer. That may be justified. That product is used by no one in the United States except the farmers; but the main product, the Menhaden oil, or fish oil, has a duty of 5 cents a gallon. In placing their second product on the free list why would it not be fair to put a compensatory increased duty on the oil?

The producers of Scotch-cured herring ask for a duty of 3 cents a pound, an increase of 2 cents a pound over the present duty. Scotch-cured herring is not used by the farmer. That is not the variety of herring which they consume at all. Yet in the brief that was submitted to the committee by the importers they do not refer to the so-called mild-cured herring. That never goes to the farm, but is used by the people in the large cities who can afford to pay for a luxury, and that variety of herring is a luxury. So the fishing industry asks for that increase.

Now, I come to the item in which I am most interested—canned salmon. Over in Canada they have a duty of 30 per cent ad valorem on canned salmon. In this country we have a duty of 25 per cent, 5 per cent less than they have. Alaska produces about 6,000,000 48-pound cases per year. The rest of the United States and Canada produce an additional 2,000,000 cases. The canning industries have built up their own market in the United States. A few years ago a large part of the production went into the world market, being shipped into the United Kingdom and distributed from there. To-day a far less amount is exported. Canada produces about 2,000,000 cases a year, and they largely supply the market in Great Britain.

In the last two years Russia has gone into the canning of salmon on an increasing scale, and Siberia has a salmon supply said to be equal to that of Alaska. In 1927 Siberia produced 948,835 cases, 48 pounds each, of salmon, and last year they produced 1,701,000 cases, an increase of about 100 per cent. It is by reason of that Siberian production that the salmon packers of the West appeared before the committee and asked for a 40 per cent ad valorem duty instead of the present 25 per cent duty.

There is no question about the lower cost of production in Siberia, because Korean labor is employed in the fisheries, both in catching the fish and packing them, and they can produce their salmon in cans for about half the cost of producing here in the United States. So the salmon packers of the Pacific look with alarm on this increasing output in an undeveloped fishery region up in Siberia, and that is why they are asking for that increase in duty. They built up their market. They introduced canned salmon to the people of the United States by extensive advertising, by distributing it and exhibiting it all through the cities of the United States, and to-day they are confronted with the possibility of this Siberian product depriving them of the market they have built up through the years and at a great deal of expense to their organization.

So the fish-producing people have asked for a slight increase in duty on these several items and I think the Congress ought to give them that consideration. I maintain that when we are in competition with a country that furnishes its fishermen with virtually all of their supplies on the free list while our supplies carry a very heavy tariff, that the producers of these products ought to have serious consideration by Congress, to whom they have appealed. [Applause.]

Mr. WATSON. Mr. Chairman, I yield 10 minutes to the gentleman from Hawaii [Mr. HOUSTON].

Mr. HOUSTON of Hawaii. Mr. Chairman and members of the committee, so much has been said on this floor concerning the sugar tariff, much of which has been in the nature of propaganda, that I wish to take this opportunity of saying a few words in defense of that much maligned schedule.

The arguments of the opponents of the sugar tariff are two, one to the effect that maintenance of the present rate will probably reduce the cost to the consumer, and, secondly, that there is an unwillingness on the part of American workers to go into the fields. As to the first argument, that it will reduce the cost to the consumer, we have seen in the past two illustrations of what has happened and what will happen as regards sugar. In 1920 the cost of sugar was skyrocketed up to between 20 and 30 cents a pound, and I have and will introduce documentary evidence to the effect that 1,000,000 pounds of sugar were being held in Cuba against an advance to 30 cents per pound. Now, as to the unwillingness of American workers to go down on their hands and knees and work in the dirt. There are many activities that are much less honorable than that of tilling the soil and raising an honest sweat, and it is not necessary to do more than mention such activities as bootlegging, or racketeering, or the maintenance of speak-easies, and other so-called occupations which are nowhere near as honorable as that of tilling the soil, be the latter ever so humble.

I yield to no one in interest and sympathy both for the Cuban and Filipino people. I fought for the one and have served in the other country, and through a long association in the Navy

with Filipinos have learned to admire their many qualities of thrift, industry, neatness, sobriety, application, and courage.

The tariff, as is well understood, was meant to develop home industry and the question as to whether step-children should and do receive special treatment; but that this treatment should in effect give them privileges over and above those accorded our own people is not believed to have been the intent either of Congress or of the country.

I also feel that the question should be approached from a scientific point of view. And in that connection I would like to invite attention to the fact that notwithstanding protestation, a great deal that has been said on this floor on this subject has been propaganda. Statistics have been quoted in such a way as to impress the hearers or readers with the ideas of the speaker.

I quote herewith a table showing the average price of sugar at New York as obtained from the Tariff Commission.

Average price of sugar, New York

	Raw	Duty paid	Refined
1913	2.150	3.506	4.278
1914	2.745	3.814	4.683
1915	3.626	4.642	5.559
1916	4.767	5.786	6.862
1917	5.208	6.228	7.663
1918	5.014	6.447	7.834
1919	6.354	7.724	9.003
1920	11.337	12.362	[1] 11.390
1921	3.459	4.763	6.207
1922	2.977	4.632	5.904
1923	5.240	7.020	8.441
1924	4.186	5.964	7.471
1925	2.562	4.334	5.483
1926	2.568	4.337	5.473
1927	2.959	4.730	5.828
1928	2.459	4.229	5.550
1929 [2]	1.976	3.746	4.900

[1] Aug. 12 to Dec. 31. [2] For first 3 months only.

The table shows that for the first three months in 1929 raws averaged 1.976.

The next table is one which is taken from the report of the United States Tariff Commission entitled "Sugar," as issued by the Government Printing Office in 1926, and hereafter, when the reference is to "Sugar," it will be to that publication. This table shows, according to the report, the Cuban cost of production.

RAW-SUGAR COSTS (F. O. B. MILL COST WITHOUT COMPETITIVE ADVANTAGES OR DISADVANTAGES)

(In cents per pound)

Year:	Actual costs, Cuba
1917	2.6346
1918	3.8760
1919	4.3906
1920	8.0446
1921	4.7190
1922	2.9328
1923	3.8801
Average	4.3540

COMPARISON OF WEIGHTED COSTS F. O. B. MILL, INCLUDING INTEREST ON INVESTMENT

[Cost of production in cents per pound]

CUBA

Crop years:	
1921–22	2.4966
1922–23	3.8801

It will be noted from this table that in 1923, according to all of the members of that commission, the actual cost of production was 3.8801 cents. Hence, it will immediately be apparent that the actual price of raws is well below, at the present time, the cost of production.

There are three particular phases of the discussion held on this schedule to which I wish to invite attention.

FIRST. EXPANSION OF THE SO-CALLED INSULAR PRODUCTION

By quoting partial statistics it has been made to appear that the so-called insular production of sugar is expanding at such a rate as to endanger the continental production. (See table, p. 1224 and p. 1227, CONGRESSIONAL RECORD.) Both of these tables would make it appear that the sugar tonnage in the islands was increasing at a dangerous rate. The figures only go back to the years 1922–23, and make comparisons with 1928 to 1929. My particular interest is in Hawaii. The tabulation then is followed by the statement, "That free sugar imports from Hawaii and Porto Rico during the last six years have increased from 75 to 80 per cent, and that with their tropical climate, rich sugar cane, ratoon crops that reseed themselves, and with cheaper labor, they can and will drive out our own sugar industry."

As a matter of fact, without questioning the accuracy of either the words and figures, which latter do not agree with the Summary of Tariff Information, 1929, on the Tariff Act of 1922, we can go back 20 years, to 1908, and show a larger tonnage production in Hawaii than was credited to the year 1922–23. In the Tariff Commission publication of Sugar, 1926, the Hawaiian production for 1907–8 is given as 521,123 tons and in 1908–9 as 535,156 tons. Using these figures we get an increase for the 20-year period of about 60 instead of 75 per cent for six years. But if the acreage is taken into consideration as a measure of increase, we find from Statistical Abstracts of the United States, 1928 (H. Doc. 226, 70th Cong., 1st sess., p. 669, table 632), that between the period 1916–1920 to the present, there has actually been a reduction of "acres in cane." From the above analysis of the situation it should be apparent, as it is in fact, first, that there can be no further expansion of acreage in cane in Hawaii, and that, secondly, the gain in tonnage is due to more scientific farming, including better cultivation, irrigation, fertilizer use, using better cane varieties, and, recently, to very favorable weather conditions. In the above facts the Territory takes great pride, and all real farmers should give us proper credit and admiration. To do the above costs the industry cooperative association in the neighborhood of $800,000 a year for the maintenance of an experiment station which is not federally supported.

SECOND. EARNINGS OF SUGAR COMPANIES

On pages 1232 and 1233 of the CONGRESSIONAL RECORD appears a statistical table of Comparison of Common Stocks of Sugar Companies. Referring alone to the Hawaiian stock mentioned, it would appear that there was a large appreciation in value. This merits some explanation which was not given. Again, I do not question either the figures, or the accuracy of the work.

The following observations are pertinent to the tabulation. Sugar stocks, because of their reliance upon the world market price, are speculative—we wish the price and therefore the stock might be stabilized. The date on which the assumed purchases were made, January 31, 1921, was six months after the terrific break in the sugar market, and before the industry as a whole had been able to recover. Be it remembered that the average yearly raw price for sugar was in 1920, 11.337 cents per pound, that it broke for 1921 to an average of 3.459 cents per pound. It was that raw price which in 1920 boosted sugar to between 20 and 30 cents retail. It is said that this skyrocketing was due to the Cuban pool withholding 1,000,000 tons of sugar for a price around 30 cents.

See annual report of the American Sugar Refining Co., 1922. On pages 38, 39, press reports of June 20, 1920, there is quoted the following:

Habana-Cuban cane growers, sugar-mill owners, and brokers, claiming to control the sale of 2,180,000 sacks of unsold sugar, were on record to-day as definitely pledged not to offer any more sugar for sale until price reached 24 cents (Associated Press). Entire amount unsold estimated at 560,000 tons.

August 4. Mill Owners and Planters' Association of Cuba, according to statements made by its secretary, will hold back 1,200,000 bags of sugar for 30 cents per pound.

Naturally this price attracted sugar from all over the world. Nine hundred thousand tons of outside sugar—that is, from countries which never imported sugar into the United States—came in, and with the release of the impounded Cuban sugar there was a complete debacle in the sugar market. The Crocket pool (Hawaiian refiners) were caught when this bubble burst, just like other marketing agencies. It would be easy to show that had the same theoretical $3,000 been invested in the same stocks in July of 1920, say, that instead of an appreciation by April 19, 1929, there would have been an actual loss. As to the dividends paid, they amount to 10.35 per cent per year. Such figure is not exorbitant when compared with dividends paid by industrial concerns. Why should not some agricultural enterprises be allowed to make comparable profits without being found fault with? It is to more nearly equalize the conditions as between agriculture and industry that this session has been called. The three plantations that were selected can be considered amongst the best companies in Hawaii.

Their management has been so conservative that, anticipating bad days, dividend surplus was invested in such a way as to return a profit on the operations. For instance: Ewa Plantation, whose stock is $5,000,000, has investments of the following value, $5,438,452, so that the dividends paid reflect the earnings on such investments added to the profits or losses on sugar production.

In this connection I quote an article from the Honolulu Advertiser, April 23, 1929, comparing the method in use in Hawaii with the method proposed in the present farm relief bill.

[From the Honolulu Advertiser, April 23, 1929]

LOCAL STOCK MARKET

The farm relief bill now under discussion will set up a Government board or commission with broad powers to put into effect for all major farm crops practically the identical system now in vogue in the Hawaiian sugar industry, with this difference, that the manufacturing and marketing agencies will be financed by the Government.

About 85 per cent of the Hawaiian sugar crop is handled in exactly the same manner. The plantation members of the Crockett pool own the common stock of the refinery, but the refinery had to build up its own working capital by issuing bonds. The refinery sells the crop for the producers, advancing 75 per cent of the market value on receipt of the raw sugar and the balance at the end of the season. This feature is included in the farm relief bill through an arrangement which provides that the farmer may borrow that proportion of the value of his product on delivery at warehouses and receive the balance when it is sold, less 4 per cent interest and his pro rata of the carrying charges.

Substitute for the term "farm board" the executive body known here as the "trustees" of the Sugar Factors Co. and the refinery and there is an exact parallel. Also, the function of the agencies here is practically identical with that of the "stabilization corporations" provided for in the bill.

To handle the cotton crop, say, possibly 2,000,000 farmers replace the 32 plantations which own the Crockett refinery and the rest of the system here, but the problem of helping 2,000,000 farmers is so complex that it can be handled only through Government agencies. They can not furnish the capital corresponding to the common stock of the refining corporation because they haven't got it.

Reading the debates now in progress at Washington, one is impressed with the complete approval given a production and marketing system so nearly identical with that which has been developed here. Irrespective of party affiliations, Members of Congress concede that the proposed system of distributing farm crops seems satisfactory, if it will work. In a much smaller way it has been working in these islands for about 20 years, which ought to prove that what Hawaii has done with sugar can be done for cotton, corn, and wheat. The proposed Federal legislation puts the seal of approval on our agency system, although because of the very large number of farmers these agencies will have to be governmental.

THIRD. EXPLANATION AS TO PRESIDENT'S ACTION ON REPORT OF THE TARIFF COMMISSION ON SUGAR

Comment has been made that the report of the Tariff Commission on the difference of the cost of production of sugar between Cuba and the United States was disregarded by the President. The story as told by those who wish to paint the picture as dark as possible is, as in all propaganda, only one side of the story. It carefully disregards the President's statement for his position in the market. No one can rightfully accuse President Coolidge of having been partial, or to have acted in any way contrary to the spirit of the statute. In deference to the office rather than in defense of the man, who need none, I quote herewith the whole of that statement:

[From the Report of the United States Tariff Commission to the President of the United States, 1926]

A STATEMENT BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

CUSTOMS DUTIES ON SUGAR

The sugar investigation was initiated in 1923 when the average New York wholesale price of granulated sugar (refined) was 8.4 cents per pound as compared to the pre-war 5-year average (1909–1913) of 4.9 cents per pound. The abnormally high price of sugar in 1923 furnished reasonable grounds for complaint and suggested remedial action through reduction of the tariff on raw sugar.

The Tariff Commission in a divided report of 3 to 2, the sixth member of the commission not sitting in the inquiry, recommended in a report dated July 31, 1924, a reduction in the sugar tariff. The wholesale price of refined sugar was quoted in New York August 4, 1924, at 6.37 cents per pound, or more than 2 cents below the 1923 average price.

The enormous world crop of the 1923–24 season pointed to declining prices. This tendency was confirmed by a huge increase in world production during the current crop year.

Wholesale New York price for granulated sugar, May 7, 1925, was 5.48 cents per pound as compared to May 8, 1924, 7.3 cents per pound, and an average for the year 1923 of 8.4 cents per pound.

Similarly the current price, New York, of raw sugar—4.27 cents per pound—compares with 5.78 cents per pound one year ago and the 5-year postwar average (1919–1923) of 7.38 cents per pound.

The current price of 2½ cents per pound, duty unpaid, on raw sugar is below the average of pre-war prices. Only in the slump years of excessive production, such as 1921 and 1913, have the prices of raw sugar sunk to such low levels. As compared to pre-war commodity prices, sugar is relatively one of the cheapest articles on the American market. Refined sugar approximately back to pre-war prices stands out in contrast with the general food price index which is estimated at approximately 50 per cent above pre-war.

The American farmer receives advice on every hand to diversify his crops. He proceeds to do so by going in for sugar-beet culture, protected from the competitive impact of cheap Cuban labor by a tariff duty of 1.764 cents per pound on Cuban raws. The American farmer is thus in process of building up a great home agricultural industry which at once improves the farmer's soil, enables him to diversify crops, and tends to release the American people from dependence upon the foreigner for a major item in the national food supply. The farmer is entitled to share along with the manufacturer direct benefits under our national policy of protecting domestic industry.

Money must be found to meet the appropriations voted by Representatives of the American people. It is estimated that the sugar import duty yielded the National Treasury last year (1924) $135,099,106 out of a total revenue from all imports of merchandise of $545,231,859. To make the proposed reduction would cost the Treasury about $40,000,000 each year.

In the past decade (1915–1924) the sugar duty has yielded revenues averaging slightly over 25 per cent of the total revenues for all imported merchandise.

Great Britain, a negligible producer of sugar, derived 28 per cent of the total customs revenues of 1923 from the import tax on sugar. The British sugar duty has ranged from as high as 4.835 cents per pound in 1918 to the present duty of 2.33 cents per pound.

I have given exhaustive consideration to the reports submitted by the majority and minority members of the Tariff Commission as the result of their investigation into the difference between the cost of production of domestic and imported sugar. I have secured additional information upon some points from the commission and other departments. The majority members consider these differences in the costs of production as compared to Cuban amount to 1.2032 cents per pound, while the minority members consider they exceed the present duty of 1.7616 cents per pound as applicable to Cuba. These divergent conclusions are the result of different interpretations of the same basic data, approached with equal conscientiousness on both sides.

The ultimate duty of determining this matter rests upon me. The fact that the members of the Tariff Commission, after honest and painstaking investigation, have been unable to agree, and in fact differ widely in their conclusions, is itself enough to show the difficulties of decision and the doubts in which it is involved.

It is obvious from the reports that there is a wide variety of conclusions which can be obtained, peculiar in this industry, by alternative methods of interpretation of the same basic data. This appears to me to be fundamentally due to the wide fluctuations in the costs of production in different years and in different parts of the industry for which averages have been taken. These variations have been as much as 200 per cent, and in itself seems to indicate that a longer period of more stable conditions is desirable before conclusions. For instance, in arriving at a conclusion from the data in hand it is possible to base interpretations either upon the 6-year period which embraces in its first four years a time of great distortion of costs due to inflation and deflation, or it is possible to base conclusions upon either two or three most recent years. It is also possible to arrive at different conclusions based on whether we compare costs of different regions during the time of production or during the time of marketing of the products. It is also possible to vary conclusions by the different methods of interpretation involved in advantages and disadvantages in competition. Furthermore, as the beet-sugar industry is the one for which we must have utmost solicitude, it is possible to vary conclusions by the adoption of that industry as the standard or by the inclusion of all other forms of domestic and insular production, and to still further vary them by adoption of the costs of the beet industry in particular States.

The majority of the commission assumes such combinations of these factors as to produce an average difference of cost between our domestic production and Cuban production of 1.2302 cents per pound. If, on the other hand, we exclude the first four years of the period averaged, we would on different interpretations of the other factors involved, arrive at estimates varying up as high as 1.9812, the present duty on Cuban sugar, being as said, 1.7616 cents per pound. Even on the 6-year average a difference of opinion as to the other factors involved creates variables in estimates from 1.2307 to 1.6702. After full consideration of all the facts shown in the reports of the members of the Tariff Commission I do not find that differences in cost of production are sufficiently established under present conditions to warrant any change from the present duty.

There are economic features of broad national importance, having the greatest bearing upon the welfare of our farmers and our consumers of sugar which are worthy of careful consideration before any steps are taken to disturb present conditions. Our agricultural production to-day is badly ill balanced. We produce great surpluses of wheat and some other commodities, for which over a term of years we find a market abroad only with difficulty and loss, and at the same time we produce an insufficiency, and are thus forced to import some other

agricultural commodities, of which sugar is by far the most important, and in which we can have no control, and our consumers of sugar are likewise affected in both supplies and price by fortuitous circumstances of foreign production.

It is important that as a Nation we should be independent as far as we may of overseas imports of food. Further, it is most important that our farmers, by diversification of their production, shall have an opportunity to adjust their crops as far as possible to our domestic rather than foreign markets, if we would attain higher degrees of stability in our agriculture. I am informed by the Department of Agriculture that the land in our country which could be planted with sugar beets if protection to the industry is continued, is capable of producing quantities of sugar far in excess of our domestic requirements. While we can not expect to arrive at complete direct or indirect displacement of our excessive wheat acreage by an increase in sugar-beet planting, yet in so far as this may be brought about it is undoubtedly in the interest of American agriculture and, therefore, of our people as a whole. Furthermore, such diversification with sugar beets has great technical values in agriculture for its gains to fertility and other advantages. Already beet production is expanding in such wheat-growing States as North Dakota.

These general views were supported by the representatives of agricultural organizations who met in conference at my request during the past winter. In calculation of cost of production in the sugar-beet industry, the Tariff Commission has of necessity adopted average costs. An average at once implies that certain portions of the industry must be producing at higher than average costs. Due to this fact a reduction of duty as recommended by the majority of the commission would appear from the figures furnished by the commission to leave 20 to 40 per cent of our present beet acreage without the full measure of protection that the difference in costs of production would require. This would result in a retrogressive rather than a progressive step toward diversification in those higher cost areas and they embrace the whole industry in certain States. It means inevitable further increase of such agricultural produce in which we have already a surplus.

I am also impressed with the fact that there is a general tendency for consolidation of control in price and distribution in many commodities upon which we are dependent for import. I do not say that such foreign combinations in restraint of trade exist in sugar at the present time, but the whole tendency of the development of foreign sugar production is in the direction of larger holdings. In the long run there lies in this, therefore, certain dangers to the consumer which can only be safeguarded by an assurance of competitive domestic supplies. Our annual consumption of sugar has increased by about 1,000,000 tons in the last decade, until it has reached 103 pounds per person yearly. The interest of the consumer will, in the long run, be served only by the ample supply of the product. This can only be assured by the maintenance of our beet-sugar industry. It must be borne in mind that the retail price of sugar to the consumer during the past six years has varied, due to the changes in the volume of supply and demand, from 6½ cents to 26 cents per pound. The proposed reduction of duty amounts to one-half cent per pound, and did the consumer benefit by all of it temporarily (and from the forces in motion even this is unlikely) he would, in the long run, be more likely to suffer from much larger rise in prices due to the shortening of supplies.

It appears to me that these views are well supported by our actual experience since this subject came under discussion. One year ago the wholesale price of refined sugar was about 7½ cents per pound. To-day it is about 5½ cents per pound, being a decrease of over 25 per cent, and the price of to-day is scarcely over pre-war, whereas all other foodstuffs are 50 per cent higher than pre-war. I do not believe that we can maintain such reasonable prices if we destroy our domestic industry.

Giving due weight to the above considerations, affirmative action has been postponed upon the sugar report submitted some months ago by the United States Tariff Commission. If through decreased production or other conditions the world market should be relieved of the weight of sugar now pressing upon it, and the consumer should again be compelled to pay the abnormally high price complained of in 1923, the change in conditions might warrant a reconsideration of the present decision to postpone action upon the recommendation offered in the majority report of the United States Tariff Commission.

An analysis of this whole investigation, which lasted from November, 1922, when application was made by the United States Sugar Association—the Cuban-American combination of refiners and Cuban producers—for a reduction of the tariff on sugar only just passed in September of the same year.

The study which the commission gave to this question extended over nearly two years. In its inception one of the commissioners, Mr. Glassie, was disqualified from taking part, by congressional action, because it appeared that his wife and brothers-in-law were interested in a Louisiana mill, and he probably was the one knowing most about the business. That reduced the commission from the statutory six to five members. Three finally rendered one report and two another. The so-called majority report held that the schedule on sugar could be reduced. The other reported that the indications were that the differences in cost * * * are slightly in excess of the rates of duty provided." (See p. 136, "Sugar.")

Very briefly, the differences of opinion arose from two widely basic facts used by the two factions in the commission. Sugar in Cuba is still grown to a large extent by "colonos" or farmer growers, who sell their cane to the "centrals" or mills. Eighty-five per cent of the Cuban sugar is so grown. (See p. 74, "Sugar.") The so-called majority report, instead of obtaining the agricultural costs of growing cane by the colonos in Cuba "treated the price paid for the raw material—that is, cane—by the sugar factories as cost." (See p. 74, "Sugar.") Such cost must undoubtedly include profit to the colono, and hence is not a true cost of production.

Such costs constitute from 30 to 65 per cent of the cost of sugar. * * * (See p. 121, "Sugar.")

Again we find:

Except for the administration cane produced by the mills themselves, very few agricultural costs were obtained in the course of this investigation. (See p. 121, "Sugar.")

It was held by the minority report, so called, that—

The incompleteness of data in possession of the commission in relation to the agricultural costs of producing cane and beets makes it difficult, if not impossible, to determine accurately the differences in the costs of producing sugar in the United States and in the principal competing country. (See p. 105, "Sugar.")

The other basic fact upon which there was a wide difference of opinion as between the commissioners was due to the use of data relating to years prior to the passage of the 1922 tariff act. The so-called majority report used the data for the years 1917–1922, a 6-year period. (See p. 91, "Sugar.") This period, as is well known, was a period of abnormal conditions with respect to costs and production. It included the World War and the subsequent years of readjustment.

Furthermore, the data for 1917 to 1922 were available to the Congress at the time of writing the 1922 act. The flexible provision which was being invoked was conferred "for the purpose of adjusting duties in cases where conditions of maladjustment in costs have arisen since the enactment of the tariff law, but was not conferred for the purpose of reviewing the act of Congress. * * * (See p. 116, Sugar.) Again, on the same page, we find the following from the report of the Committee on Finance accompanying the bill:

The report stated that the amendment authorized the President to modify tariff rates "so that the rates may at all times conform to existing conditions."

The minority report considered only the current year and years subsequent to the act. They came to the conclusion that for the years 1921–22 and 1922–23 there was a difference in cost of production between Cuba and the United States of 1.8168 cents per pound. (See p. 125, Sugar.) However, they added:

The incompleteness of the commission's data in respect to agricultural costs renders the cost data in the possession of the commission inadequate to determine what increase, if any, is necessary to equalize the differences in the costs of producing sugar. * * * (See p. 136, Sugar.)

The above facts, taken together with the President's statement, show conclusively that a decrease of duty could not have been sustained.

I quote also from a more detailed study of certain phases of the above facts, prepared by the Hawaiian Sugar Planters Association, as follows:

(Memorandum prepared by R. D. Meade, vice president Hawaiian Sugar Planters' Association)

REPORTS OF TARIFF COMMISSION CONCERNING SUGAR

On May 14 (CONGRESSIONAL RECORD, p. 1298) Congressman FREAR stated: "President Harding asked the Tariff Commission for a report on a just sugar duty for Cuba."

President Harding did nothing of the kind. In the spring of 1923 the price of sugar advanced rather rapidly, and on the 27th of March, 1923, President Harding telegraphed as follows: "Have the Tariff Commission make an immediate inquiry into the relation of the sugar tariff to the current prices of that commodity."

The President did not ask the Tariff Commission for a report or recommendation concerning the duty.

The reply of the Tariff Commission to the President's request after investigation was in part as follows:

"The increase in sugar prices, which began toward the end of January, 1923, carrying the price of raw sugar f. o. b. Cuba from 3.165 cents on January 24 to 4 cents on February 9, 5.10 cents on February 20,

5.60 cents on March 4, and 5.85 cents on April 10; and the price of granulated sugar from 6.47 cents on January 31 to 7.15 cents on February 9, 8.58 cents on February 3, 9.11 cents on March 14, and 9.21 cents on April 12, was due to causes not connected with the American tariff. On the rapidly rising sugar market in the United States which was witnessed after January 27 of this year, price factors other than the tariff have been controlling."

Almost immediately following the enactment of the Fordney-McCumber Tariff Act, which contained the so-called flexible tariff provisions, the United States Sugar Association, an organization of Cuban producers and Atlantic coast refiners, petitioned the United States Tariff Commission for a decrease of the duty on sugar. The petition was a slab-sided and woefully drawn document, and it is a significant fact that during the long-drawn-out hearings upon said petition the Tariff Commission at all times refused to allow the domestic sugar producers of the United States to put that document in evidence.

Following the hearings a report was made to the President by five members of the commission. Three of these members recommended that the full duty rate on sugars testing 96° by the polariscope be reduced to 1.54 cents per pound, making the Cuban duty 1.23 cents per pound.

* * * * * * *

Two members of the Tariff Commission reported to the President that "the incompleteness of the commission's data in respect to agricultural costs renders the cost data in the possession of the commission inadequate to determine what increase, if any, is necessary to equalize the differences in the cost of producing sugar in the United States and in the principal competing country." These two members also reported that, taking such information as the commission had, there was no justification for a decrease of the duty, but, as a matter of fact, the duty was not great enough to equalize the differences in the cost of production of Cuban and domestic sugar.

When the Tariff Commission, upon the petition of the Cuban producers and Atlantic coast refiners, proceeded under section 315 of the Fordney-McCumber Act to investigate the differences in the cost of production of Cuban and domestic sugar, they failed, except in the instance of Hawaii, to secure the agricultural costs connected with the production of sugar. The cost of producing sugar-cane and sugar beets is fully 50 per cent of the total cost of the production of sugar. The report and recommendations of the three commissioners was based on data which ignored the agricultural costs in the production of sugar.

During the investigation of the Tariff Commission by a select committee of the Senate in 1927, there was put in evidence a statement from one of the accountants and investigators sent to Cuba. This statement contained, among other significant remarks, the following:

"The Cuban producers displayed no willingness to cooperate with us in our work and for the most part gave the impression that we were unwelcome. At a meeting of the Sociedad de Hacendados y Colonos, which Doctor Bernhardt and the other commission men attended, speeches were made to the effect that while it could do no harm for the producers in the high-cost areas to submit figures, it would be unwise for the low-cost producers to present their data. Since the speeches were delivered in Spanish, Doctor Bernhardt did not understand, but was none the less generous in his applause. I was somewhat concerned, however, as I speak the language, and the low-cost areas referred to were in my section. The attitude of the association toward the investigation was shown clearly enough when Mr. Rousseau, president of the association in Oriente Province, repeatedly refused to even grant me an interview and would not submit data for his mill, Union.

"Several Cuban mill owners declared to me that they didn't care what the tariff rate might be. Jose Bosch, owner of the Central Esperanze, in refusing to give his costs, said that he didn't see why the Cuban should worry over our tariff, adding that he produced at such a low cost that he had made an excellent profit in 1921–22 when sugar sold at its lowest point.

"Whenever a Cuban mill owner in my territory did submit costs, those costs were almost invariably produced in typewritten form, and in most cases I was not allowed access to the books to check the accuracy of the typed reports."

"We should have investigated agricultural costs. The theory that cane should be regarded as raw material, and taken at its cost delivered to the factory, is unsound. The cost of producing raw sugar starts when the cane seedling is put in the ground, and from that point on there is one continuous operation which can not be halted at any time until after the sugar has been ground. The farmer can not buy his raw material on a good market and hold it for later manufacture. The cane must be ground as soon as it is cut. Moreover, we know that the 'cost of cane' is over 50 per cent of the cost of raw sugar, and that is too large an item to disregard in an industry of this kind." (See p. 1173. Senate investigation Tariff Commission, 1927. Rept. 1325, 70th Cong., 1st sess.)

Dr. Philip G. Wright, a distinguished economist, with theoretical free-trade views, and formerly with the Tariff Commission, in his book entitled "Sugar in relation to the tariff," made the following statements:

"The method pursued by the commission in obtaining the cost of producing sugar is open to the objection that except in cases where the factory produces its own cane or beets no account is taken of the actual costs in the agricultural stage of the industry. In place of these agricultural costs it substitutes as the cost of cane or beets the amount paid by the factory to the independent grower. As this payment depends on the selling price of sugar when the cane or beets are delivered, it may be much above or below the actual cost of production."

* * * * * * *

"It would therefore seem a logical conclusion that in comparing costs under the flexible provision of the tariff the commission should have treated the industry as a unit and ascertained the actual costs in its agricultural as well as in its manufacturing stage."

What the Tariff Commission took as the cost of cane in Cuba was the price paid by the central or factory for the cane rather than the actual cost of growing the cane. There is very little cane raised in Cuba by the factories or centrals, and their supply comes almost entirely from the Cuban farmers or colonos. The factory pays the colono for his cane on the basis of the f. o. b. price of raw sugar at Cuban ports, and this f. o. b. price at Cuban ports is a reflection of the New York price of Cuban sugar in bond, less the freight.

On the average, for the entire island of Cuba, the settlements with the colono are made on the following basis: Each 100 pounds of cane contains on the average 11 pounds of sugar, and for this the colono is paid, on the average, 5½ pounds of sugar, or its equivalent in cash, as fixed by the Cuban f. o. b. price. To illustrate these statements: If the f. o. b. price of Cuban raw sugar at the time of the delivery of cane is 2 cents per pound, the colono would be paid five and a half times 2 cents, or 11 cents for 100 pounds of cane, and for this price the Cuban factory would obtain 11 pounds of sugar at a cost of 1 cent per pound.

If the f. o. b. price of Cuban raw sugar is 3 cents, the colono obtains 16½ cents for his 100 pounds of cane, and the factory cost for the sugar in that cane would be 1½ cents a pound.

To take some concrete examples: The Food Administration fixed a price for the 1918 Cuban crop of 4.60 cents a pound f. o. b. Cuba, and for the 1919 crop a price of 5.50 cents a pound f. o. b. Cuba, and it was upon those price bases that the Cuban colono was paid for his sugar cane. At 4.60 cents per pound the sugar in the cane cost the factory 2.30 cents a pound of sugar; in 1919, 2.75 cents a pound. In the early part of 1920, when the bulk of the Cuban crop was marketed, and the price of sugar went to unprecedented points, the factory's cost a pound of sugar in the cane purchased was 7.7 cents. For the first four months of the year 1929 the average price at Cuban ports was 1.68 cents a pound of raw sugar, and at this rate the sugar in the cane cost the central only 0.84 of a cent a pound.

During the periods referred to the conditions under which the sugar cane was produced have been the same and the actual cost of production of the cane is the same now as it was in 1923, 1920, 1919, or any of the other years. And yet these widely varying factory costs, representing as they do in some instances enormous profits to the Cuban colonos, were taken by the Tariff Commission as the cost of production and formed the basis of the recommendation for a reduction of the duty.

It will be recalled that while the United States Tariff Commission was investigating the cost of production of vegetable oils in the United States and were proceeding along the same lines as in the investigation of the cost of producing sugar—that is, obtaining only factory costs—the Senate of the United States took a hand and on the 25th of May, 1926, adopted a resolution directing the Tariff Commission to ascertain the cost of producing peanuts, soy beans, and cottonseed, which were the raw products used in the manufacture of the oils.

It is to be noted that during the hearings before the United States Tariff Commission in the sugar case the attention of the commission was called to the omission of agricultural costs in the production of sugar-cane and sugar beets, and Vice Chairman Culbertson, one of those who afterwards recommended a reduction of the duty, very heatedly declared that the domestic producers were estopped from making any such claim for the reason that in the beginning of the proceedings they had not called the attention of the commission to its error.

HAWAIIAN PLANTATION PROFITS

In Congressman FREAR'S address, page 1233 of the RECORD, an effort is made to show the profits which would have accrued to a purchaser of the stock of three Hawaiian plantations—the Ewa Plantation Co., Hawaiian Commercial Sugar Co., and Hawaiian Sugar Co.—on the theory that the stock was purchased January 31, 1921, and sold April 19, 1929.

We do not dispute the Congressman's figures, nor have we any apologies to make for the earnings of these very favorably situated plantations with low production costs, but we would like to call attention to the conditions existing at the assumed time of purchase and to show the unreasonableness of using the conditions existing at that very abnormal period for comparison with more recent years.

The year 1920 was absolutely unique in the annals of the sugar industry. Government control of sugar had been relinquished and trade stocks were exhausted. A tremendous demand for sugar developed and when domestic sugar became exhausted the buying demand was centered on Cuba, with the result that prices for raw sugar were

rapidly bid up, rising in May to 24 cents a pound. Speculation in sugar was rampant, and the Cubans holding the only near sugar, not being satisfied with 24 cents per pound, were holding their sugar for 30 cents. (Associated Press, June 20, 1920.) This rapid upward swing had transformed the United States from one of the cheapest sugar markets to the highest-price market in the world, and the dealers and consumers of the United States were outbidding the rest of the world for sugar. In response, sugar from all parts of the globe began to flow into the American market. Even those countries which were undergoing a shortage shipped sugar to the United States in order to take advantage of the high prices. In 11 months, from the beginning of the year to the end of November, approximately 900,000 short tons of so-called outside sugars—that is, sugar from countries other than the United States and Cuba—entered our country. An abrupt slackening in demand occurred at the very time when outside sugars began to make their appearance in considerable volume. A million tons of sugar hoarded in Cuba were hanging over the market. Prices were slashed unmercifully and losses running into millions of dollars were incurred by all distributors.

The refinery owned by the Hawaiian plantations, including those mentioned by Congressman FREAR was caught in the recession of prices and suffered an extremely high loss which was directly reflected upon the plantations.

By the beginning of the year 1921 the market price of all Hawaiian sugar-plantation stocks fell off, due to the demoralized market conditions, refinery losses, and to the fact that the cost of production based upon the high wage scale during the inflated year of 1920 was greater than the returns for the sugar produced. Ewa Plantation Co. stock dropped from $46.50 per share in 1920 to $18.50 in 1921. Hawaiian Commercial & Sugar Co. stock dropped from $77.50 per share in 1920 to $27.75 in 1921, and Hawaiian Sugar Co. stock from $45.50 per share in 1920 to $20 in 1921.

During that year of 1921 the Ewa Plantation Co. reported a loss of $67.57 per ton of sugar, and had the Congressman delayed his purchasing of the stock of this company he would have been able to acquire the stock at $18.50 per share instead of $32.25, and his profit would have been considerably greater. The Hawaiian Commercial Sugar Co. made a profit of only $5.67 per ton, and in this instance the Congressman paid $17.25 more per share than he would have paid later. The Hawaiian Sugar Co. suffered a loss of $3.61 per ton, and the market price of the stock was $10 per share higher than later in the year.

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HAWAIIAN SUGAR PLANTATION PROFITS

The Hawaiian sugar plantations are undercapitalized. In 1905, 38 plantations producing 703,109 tons showed a total capital stock of $84,271,720. The total assets of those plantations were $162,660,266. The net worth of those plantations was $142,429,989. The total dividends paid were $7,997,440. These dividends represented 9.5 per cent on the total capitalization and 5.4 per cent on the net worth.

In 1926, 40 plantations producing 728,496 tons showed a capitalization of $86,552,720; total assets, $165,293,398; net worth, $145,244,217; dividends paid, $7,907,580. The dividends were at the rate of 9.13 per cent on the capital and 5.4 per cent on the net worth.

In 1927, 38 plantations produced 749,336 tons. Their capitalization was $86,552,720; total assets, $167,201,810; net worth, $150,-233,464; dividends paid, $9,244,690. Said dividends were at the rate of 10.7 per cent on the capital and 6.15 per cent on the net worth.

We have no figures for 1928.

The exceedingly low prices of sugar which have prevailed from the first of the year 1929 will result in the elimination of some, and the curtailment of all, dividends.

HAWAIIAN SUGAR PRODUCTION

During the past 20 years and more, there have been no new sugar factories erected in Hawaii and no companies organized for the production of sugar; actually three mills have been abandoned and dismantled.

During the past 10 years approximately 225,000 acres of land have been devoted to the growing of sugar cane. Sugar cane is, or has been, an 18 to 24 months' crop, and the total area harvested during each year for the past 10 years has varied from 120,000 acres to 131,000 acres. Efforts are being made, with some degree of success in certain favorable localities, to shorten the cropping season, which over a period of years will permit the harvesting of a slightly greater number of acres per year on the average. There have also been developed varieties of cane which have been found to do fairly well on some of the higher nonirrigated lands, heretofore not planted.

Generally speaking, however, all lands in Hawaii suitable for the growing of sugar cane are now under cultivation.

It is true that there has been a substantial increase in the production of sugar in Hawaii. The crop of 1918 of 573,858 tons was harvested from 119,747 acres, or an average production of 4.79 tons of sugar per acre. The crop of 1928 of 897,396 tons of sugar was produced from 130,968 acres, or an average production of 6.85 tons of sugar per acre.

It is the increased production per acre and not any marked increase in acreage which has brought about the increase of production. This increase per acre is due to the propagation and spread of varieties of cane producing heavier tonnages and being more resistant to disease; also to more effective and efficient agricultural methods, the control of insect pests, and very favorable weather conditions.

The work along these lines has been going on for a number of years and the results have only recently been realized. It is quite probable that with the further extension of plantings of the better varieties of cane there will be a further slight increase in the production per acre, and with favorable weather conditions it is not improbable that Hawaii may eventually produce a million tons of sugar.

LABORERS ON HAWAIIAN PLANTATIONS

There are something over 50,000 employees on the pay rolls of the Hawaiian sugar plantations. Of this number less than 10,000 are Japanese and about 34,000 are Filipinos. The remainder are Americans, Hawaiians, Portuguese, Porto Ricans, and other nationalities. Of the total number about 2,700 to 2,800 were on a monthly basis of salaries and wages, and in this number are the Americans, Hawaiians, and others in the skilled and semiskilled positions. The remainder of the employees work as contractors; that is, they enter into contracts with the plantations to do certain classes of work, such as cultivation, irrigation, fertilization, cutting and loading, etc. The average wage of those doing what is called short-term contract work in 1928 was $1.70 per day, and for those working under long-term contracts $2.35 per day. This is exclusive of the bonus of 10 per cent paid to all laborers who work during 23 days of a month; over 75 per cent of all laborers received this bonus.

Work is furnished by the plantations throughout the entire year. The plantations provide, without cost, houses, water, fuel, medical and hospital treatment, and, through the plantation stores, staples at cost.

When these conditions are given due consideration it will be found that, with the exception perhaps of the west coast of the United States, the wages of agricultural laborers employed by the Hawaiian sugar plantations are fully equal to, and in many instances in excess of, the wage paid agricultural laborers on the mainland of the United States.

Hawaiian sugar plantations are proud of the labor conditions thereon. While it is true that the great majority of the laborers are not eligible to citizenship yet they owe allegiance to the flag and are working and living under American standards. Their earnings compare favorably with the earnings of farm laborers on the continent, and they have far more in the way of conveniences, care, and amusement than most of the farmers of the mainland.

On the 30th of June, 1928, there was on deposit in the savings banks of the Territory of Hawaii by Filipinos the sum of $2,830,518, and during the year there was deposited with the Hawaiian Sugar Planters' Association by Filipinos who were returning to the Philippine Islands the sum of $191,377, which the Filipinos wished safeguarded and transmitted to the Philippine Islands for them. The 3,504 returning laborers recorded that they had saved while in Hawaii $780,849, and had sent home to the Philippine Islands $1,172,019.

The plantation home is a neat, well-made structure built for individual families. Each house is surrounded by a small plot of ground which many families improve with flowers and grass or use for vegetable gardens. Modern housing is receiving much study and attention. Running water is supplied to the houses and electric lights are being installed as a modern development where power is available. Houses are firmly built of seasoned lumber, on a standard design which usually includes a small front porch and at least three rooms of ample size. In back of the houses are wash rooms equipped with modern plumbing and with shower or tub baths. These are solidly built with floors of concrete and have complete facilities for preparing hot water and washing clothes.

In Cuba we are told that the wages paid range from $1 to $1.50 per day; that cane cutters average from 90 cents to $1.12 per day, although some are paid only 60 cents per day. The work is all seasonal.

In Cuba the Haitians and Jamaicans have displaced the Cubans in the cane fields. For a period after 1907 Chinese were permitted to enter Cuba, and under the immigration laws in effect then approximately 100,000 Chinese entered the island; but more recently this law was amended so as to practically prohibit Chinese, and dependence for ordinary labor has been on Haiti and Jamaica (both alien to Cuba).

The Haitians and Jamaicans are of the most ignorant type and unaccustomed to anything but the lowest standards of living in their country. During the harvest season—December to May—they are brought over by thousands. They are housed in barracks, sleeping in crude hammocks made of bags.

When the harvest is finished many of this class of labor are returned to Haiti or Jamaica, thus relieving the plantation of expense and of paying or providing for them during the months from May to

December. Some of them remain and are added to the permanent labor population.

A table attached shows five years of Cuban immigration. It will be noted that during the years 1923 to 1927, both inclusive, 99,133 Haitians, Jamaicans, and San Dominicans were brought to Cuba, and that 6,071 laborers from other Antillean and Caribbean countries, Mexico, and Central America, arrived in Cuba, making a total of 105,204 in five years.

Five years of Cuban immigration

	1923	1924	1925	1926	1927	Total
Haitian movement:						
Arrivals classed as immigrants	11,088	21,013	18,750	12,346	14,312	77,509
Arrivals classed as passengers	10,553	20,430	12,198	10,194	5,791	59,166
Total arrivals	21,641	41,443	30,948	22,540	20,103	136,675
Total departures	4,034	6,617	7,060	10,632	10,771	39,114
Net immigration gain	17,607	34,826	23,888	11,908	9,332	97,561
Jamaican movement:						
Arrivals classed as immigrants	5,844	5,086	4,747	2,508	2,348	20,533
Arrivals classed as passengers	7,841	5,514	5,014	2,482	2,511	23,362
Total arrivals	13,685	10,600	9,761	4,990	4,859	43,895
Total departures	4,329	3,843	4,395	3,784	3,927	20,278
Net immigration gain	9,356	6,757	5,366	1,206	932	23,617
San Dominican movement:						
Arrivals classed as immigrants	150	443	121	282	95	1,091
Arrivals classed as passengers	1,191	582	279	489	203	2,744
Total arrivals	1,341	1,025	400	771	298	3,835
Total departures	344	477	377	283	352	1,833
Net immigration gain	997	548	23	488	−54	2,002
Total Haitian, Jamaican, and San Dominican movement:						
Arrivals classed as immigrants	17,082	26,542	23,618	15,136	16,755	99,133
Arrivals classed as passengers	19,585	26,526	17,491	13,165	8,505	85,272
Total arrivals	36,667	53,068	41,109	28,301	25,260	184,405
Total departures	8,707	10,937	11,832	14,699	15,050	61,225
Net immigration gain	27,960	42,131	29,277	13,602	10,210	123,180
Other movement with Antillean, Central American, Mexican, and Caribbean countries:						
Arrivals classed as immigrants	729	2,066	782	1,581	913	16,071
Arrivals classed as passengers	2,328	3,483	2,610	2,328	2,418	13,167
Total arrivals	3,057	5,549	3,392	3,869	3,331	19,198
Total departures	1,307	2,465	1,837	2,086	2,118	9,813
Net immigration gain	1,750	3,084	1,555	1,783	1,213	9,385
Total of Haitian, Jamaican, and other Antillean, Central American, Mexican, and Caribbean movement:						
Arrivals classed as immigrants	17,811	28,608	24,400	16,717	17,668	105,204
Arrivals classed as passengers	21,913	30,009	20,101	15,493	10,923	98,439
Total arrivals	39,724	58,617	44,501	32,170	28,591	203,603
Total departures	10,014	13,402	13,669	16,785	17,168	71,038
Net immigration gain	29,710	45,215	30,832	15,385	11,423	132,565

The CHAIRMAN. The time of the gentleman from Hawaii has expired.

Mr. WATSON. Mr. Chairman, I yield five minutes to the gentleman from South Dakota [Mr. CHRISTOPHERSON].

Mr. CHRISTOPHERSON. Mr. Chairman, when this special session of Congress was called, it was for the special purpose of removing the inequality under which agriculture has labored during the past years. This inequality, as is well known, is by reason of the fact that the price of the products which the farmer has to sell has not increased in the same ratio as the manufactured wares he must buy. That is the inequality of which he complains and which he seeks to have removed.

This can be accomplished only in one of two ways; either by increasing the market price of his commodities or reducing the cost of the articles which the farmer must buy.

It was the general understanding that in this special session of Congress one of the methods of help in this program would be a revision of the tariff law, giving higher rates to farm products now on the dutiable list, and placing other farm products, now on the free list, on the protected list. This, in order to protect the American market to the American farmer.

With these facts apparently so clear it was my hope that the revision of the tariff might be confined to the agricultural schedule, and especially so as the President, in his message, suggested a limited revision. I believed that by an increase of the tariff on products of the farm the gap now existing between agriculture and other industries might, to a certain extent, be bridged. But when the tariff bill was reported I found that, while the committee dealt quite extensively with products of the farm increases were also granted to many of the manufactured wares which, to my mind, are amply protected by the Fordney-McCumber law.

When I look at the schedules which place many of the articles that go into buildings and construction work on the protected list and also note increases on metals, tools, electrical appliances, chemicals, and many other articles that the farmer of necessity must buy, I can not help but believe that, if this bill is passed in its present form, whatever the farmer gains by the proposed schedule relating to agricultural commodities will be more than offset by the increases granted to manufacturers.

I can readily understand the committee had a most difficult task and that great pressure was brought upon it to increase the tariff on the manufactured wares enumerated in the various schedules. Those engaged in manufacturing and industrial pursuits were equally as insistent and perhaps presented logical reasons why they should be given this increase. But when I recall the very handsome dividends paid, especially by the companies engaged in the manufacture of steel and the many articles into which this enters, I can not help but feel that they have met with success and have received not only substantial profits but good returns on their investment; in fact are amply protected now.

I need scarcely remind you that out in my section of the country, while we believe in a tariff and have ever supported that policy, there has in late years developed a strong sentiment for a lowering of the tariff on the manufactured wares. That is only natural by reason of the disparity in the value of the farmer's dollar in the markets. Now then, for us to make further increase in the tariff on such commodities at a session of Congress called especially for the purpose of alleviating the difficulties pertaining to the agricultural industry will not in the least add to the happiness or contentment of the rural sections of our land.

With but few exceptions, industrial organizations have been and are prospering. Leave them where they are and give the products of the farm real trial as concerns tariff protection. While the committee has made substantial increases in the agricultural schedule, it is not sufficient. The rates should be higher and other farm products should be added to the protected list. I shall not take the time to enumerate specifically in that this information has been laid before the committee in detail.

I appreciate that the members of the Committee on Ways and Means have all worked faithfully and many long days to perfect a fair and satisfactory tariff bill—a real task. But I hope that before this bill comes to a vote the committee may see its way clear to help us in securing increases in the agricultural schedule as well as adding thereto such other products of the farm as are now in competition with foreign production. [Applause.]

Take out of the bill the increases given to industrial activities and make this a farmer's tariff in fact, a sincere effort to remove by the tariff, as far as possible, the disparity of which we are now complaining. As the bill stands at present, the increases granted in other schedules, I fear, will fully offset the benefits that will accrue to us from the increase granted on products of the farm.

Mr. WATSON. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. MICHENER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having had under consideration the bill H. R. 2667, had come to no resolution thereon.

DEATH OF COL. HARRY SKINNER, A FORMER MEMBER

Mr. WARREN. Mr. Speaker, I ask unanimous consent to address the House for one minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WARREN. Mr. Speaker, I announce with great regret the death of Col. Harry Skinner at his home in Greenville, N. C., on May 19. He represented the first district of North Carolina in the Congress of the United States for two terms, 1894 to 1898, and was recognized as one of the greatest orators that ever served in this body. He was a former president of

the North Carolina Bar Association and a former United States district attorney, and stood out preeminent in his profession. He was the last member of the Republican Party to represent that district in this body, and though differing with him politically, I held him in high esteem as a man and as a friend, and deeply mourn his passing.

FARM RELIEF

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the dairy situation and to incorporate in my remarks some newspaper statements.

Mr. TILSON. As the gentleman no doubt knows, there are one or two Members of the House who rather strenuously oppose the introduction of newspaper editorials into the RECORD——

Mr. PATMAN. If they were long I would not ask to incorporate them.

Mr. TILSON. If they are just incidental, I shall not raise the point.

Mr. PATMAN. They are just incidental to my own remarks.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Speaker, the cotton farmer is going into the dairy business because cotton farming has become unprofitable by reason of an occasional and temporary surplus which his Government has not assisted him in orderly marketing. The dairy business is protected by the tariff and has been prosperous for many years.

Representatives from dairying sections would be truly representing the interests of their constituents if they would assist the cotton farmers of the South in staying in the cotton business. The cotton-surplus argument is a myth. Over a period of five years there has never been a surplus. The weather, insects, and other unforeseen troubles have always prevented a surplus over that period of time.

LABOR

The States of Wisconsin, Iowa, and Minnesota are the principal dairying States. The average wages for farm hands in the North Central States is $37.12 a month with board, and $3.14 a day without board.

The States of Arkansas, Oklahoma, and Texas are three principal cotton-producing States, producing annually about one-half of all cotton produced in the United States, Texas alone producing about one-third the total cotton produced in the United States. In the South Central States, where these States are located, the average monthly wages of a farm hand is $24.72 with board and $1.75 a day without board. A big difference in labor cost.

LAND PRICES

The average price of farm land in the dairy States is $71.80 an acre. It is $32.11 an acre in the three cotton-producing States. The net cost of producing oats, corn, hay, clover, timothy, millet, sudan grass, and all legume crops is as low and in many cases lower in the three cotton States as in the three dairy States.

DAIRY FARMERS' PROSPERITY

The wholesale price of fresh milk is from 8 cents to 11 cents per quart. The retail price is from 14 cents to 22 cents per quart. This price has prevailed several years.

The average per capita wealth in the dairy-producing States is $3,534.30, while it is only $1,771 in the three cotton-producing States, a difference of 100 per cent in favor of the dairying States.

In the three dairying States 29.1 per cent of the farmers are tenants; in the largest dairy State, Wisconsin, there are only 15.5 per cent of the farmers tenants. In the three cotton States 58.6 per cent of the farmers are tenants.

PROXIMITY TO MARKETS

The cotton-producing States are not too far removed from the eastern markets; they are almost as near eastern markets as the principal dairy-producing States.

The gross receipts of butter in the New York market for the year 1927 amounted to 261,322,000 pounds. Fifty-five per cent of this butter came from Iowa, Minnesota, and Wisconsin, a distance of more than 1,000 miles.

More than 50 per cent of all butter received at Philadelphia market in 1927 was from points in Minnesota, more than 1,000 miles away. More than 60 per cent of all butter received in Boston, Mass., market in 1927 was from points in three States a distance of about 1,200 miles.

In 1927 the dairy farmers of California found it sufficiently profitable to them to ship 243,000 pounds of butter to Philadelphia market, a distance of more than 3,000 miles.

The cotton farmers of the South and West can produce dairy products cheaper and make more profit, and at the same time substantially increase the price of farm labor, than the States that are now enjoying prosperity in the dairy industry.

New uses and increased consumption will probably prevent a surplus of dairy products for many years. Should there be a surplus of such products produced the cotton farmer has another source of income upon which to rely, but the now prosperous dairy States can not grow cotton.

MILK PRODUCERS FEDERATION REALIZES SOUTHERN COMPETITION

The following extracts are taken from a brief recently filed by the National Cooperative Milk Producers' Federation, composed of 43 member associations, before the Ways and Means Committee of the House of Representatives, favoring higher protective duties:

Mid-western and southern farmers are now shipping sweet cream in increasing amounts to eastern markets. Cream shipments from mid-western and southern points to the Boston market increased from 217,880 quarts in 1925, an amount equal to 1 per cent of Boston's receipts for the year, to 3,296,578 quarts in 1928, an amount equal to 13 per cent of Boston's receipts. * * * The volume of cream received at Boston from the West and South has more than doubled each year since 1925. * * * Even larger amounts of cream are shipped from this mid-western and southern section to the Philadelphia market, and considerable quantities to the Metropolitan area of New York.

Because of relatively lower returns farmers in other lines of agriculture are turning in increasing numbers to dairying. The South particularly.

Expansion of production of manufactured dairy products is taking place in the South more rapidly than in any other section of the United States.

Members of Congress should help protect their dairy farmers by helping the cotton farmers. The more profitable it is to produce cotton the less competition the dairy farmer will have. The debenture plan will bring sure and certain relief to the cotton farmers.

Mr. Speaker, the following article is from the Progressive Farmer, published at Dallas, Tex.:

One of our readers who has lived in the South and knows the South but is now a dairyman in New York State, writes us this interesting statement on the conditions for dairying in the North and in the South. This information should be encouraging to those who are making our rapidly growing dairy industry in the southern territory. This letter is as follows:

"Let me congratulate you on the splendid summary of the dairy situation (March 9 issue of The Progressive Farmer). As you know, I have held that the Southern States were the most in need of dairying and the most capable of conducting profitable dairying of any section in our country. The reasons are obvious to you and me.

"I am operating two farms of 125 and 70 acres, respectively, here in the high plateau region of southwestern New York. I have a building equipment in barns, silos, and running water facilities which has cost me over $8,500, and I have to pay interest, taxes, and depreciation at the rate of about $35 per cow per year. In your State I could get away with half of that.

"I can count on natural pasturage for 160 days at the most, and the pasture, which is of good quality for less than 60 days, has to be supplemented with green forage the remainder of the season. I must shelter my stock against five months of severe winter weather.

"Your dairyman can erect buildings of good quality for one-third of the cost, secure pasture for around 300 days, and grow legume crops which, with cottonseed meal, will give him his protein at far less expense than I can hope.

"Of course, I have my compensations. I am running a group of high-grade Holsteins which I have bred up to an average production of more than 12,000 pounds of milk and 365 pounds of fat a year, and my sales from surplus stock and my increase in inventory are big items.

"I am a member of the Dairymen's League and my milk goes part of the time to the Buffalo market, 50 miles north, and part of the time to New York City as cream. Sometimes, surplus months, it goes into milk powder. You see we have many strings to our bow.

"I am actively engaged in farming, so actively that I am now milking six of my fresh cows three times a day myself, and getting 48, 50, 60, 62, 66, and 70 pounds as the average run from the six. Shortly I shall have another bunch fresh that will average around 60 pounds a day for five more cows, and I shall have little time to do anything but milk and superintend the field work on the two places.

"We usually carry 25 to 30 milching cows, and as many more head of young stock, from calves to 2-year-olds, on 180 acres of farm land, with 100 acres arable (14 in wood lot). We buy some fifty tons of concentrates a year, high protein stuff chiefly, and grow our own hay and silage, with surplus hay for sale and seed barley as a cash crop.

"I came up here early in 1920 and have been a dairy farmer ever since.

"Incidentally, the Progressive Farmer is excellently named and is the best farmer's paper which comes to me, a New York dairyman."

These facts from the experience of a dairyman in New York State should be most encouraging and helpful to dairymen in the more-favored climatic territory of the South. We do not make full use of our soil and climatic advantages in growing pastures and feed for dairy cows. With an abundance of pasture, silage, and legume hays, which we have such good advantages for growing, the main items in the cost of producing milk are covered, except in good, high-producing cows such as our good New York dairy friend has in his dairy herd.

Don't fail to lift the average productiveness of the dairy herd along with growing better pasture and more feed. The two go together.

LEAVE OF ABSENCE

Mr. GASQUE. Mr. Speaker, I ask unanimous consent for leave of absence for my colleague the gentleman from South Carolina, Mr. STEVENSON, for 10 days, on account of important business.

The SPEAKER. Without objection, the request will be granted.

There was no objection.

By unanimous consent, leave of absence was granted to Mr. WYANT, for a few days, on account of illness of a relative.

CERTAIN MEASURES PASSED BY THE ALASKA LEGISLATURE

Mr. SUTHERLAND. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting two memorials from the Legislature of Alaska, with my own comment thereon.

The SPEAKER. The gentleman from Alaska asks unanimous consent to extend his remarks in the RECORD in the manner indicated. Is there objection?

There was no objection.

Mr. SUTHERLAND. Mr. Speaker, under leave granted to extend my remarks, I desire to place in the RECORD certain measures passed at the recent session of the Alaska Legislature.

The first document, Senate Memorial No. 1, presents the active opposition of the Governor of Alaska to the people in their attempt to secure that voice in their local government to which they are entitled under their organic act.

During the Seventieth Congress the Governor of Alaska came to Washington and obtained the introduction of a bill in Congress for the purpose of repealing that provision of the organic act that inhibited Federal appointees from administering Territorial affairs. This bill was for the purpose of perpetuating powers exercised by the governor and other Federal officials which were declared by the United States district court to be illegally exercised. In other words, he asked Congress to nullify a court decision which was adverse to his own personal interests, although the decision was favorable to the people of the Territory.

At the time suit was started to enjoin the treasurer from paying these illegal salaries to Federal officials, the governor injected himself into the suit by petition for intervener filed by his privately employed attorney. The court promptly upheld the organic act and, the governor, thus defeated in court action, appealed to Congress and with the aid of the Secretary of the Interior, attempted to force through the House of Representatives a bill which in effect, would set aside the court's decision. Congress promptly confirmed the court's decision and upheld the organic act giving the people of Alaska the right to administer their own local government. The memorial rehearses the details of the case.

This serious controversy that has arisen in Alaska regarding bureaucratic domination of the Territory is not by any means a new phenomenon of civil government in the Territories. The history of the United States Territories shows that there was eternal conflict between an element of citizenship that would preserve and make effective those ideals of free government expressed by Congress in their enabling acts and another element that insisted upon exaltation of the officials appointed by the Federal Government to administer Federal affairs but not Territorial affairs. There was a minority element in Colonial America that did not believe in the theory that governments should derive their just powers from the consent of the governed, as evidenced by the departure from our shores by the so-called Loyalist element. And so to-day we have a small minority in the northern Territory that upholds and exalts bureaucracy in its symbolism of the divine right of kings. This minority element in Alaska, as I presume it did in pre-Revolutionary days in the American Colonies, represents a class of citizens that is usually fearful of the people. This class may always be depended upon to uphold the theories of a Mussolini, even though his theories of government are as remote from the American ideal as are the poles. They are afraid of popular government largely for the reason that their little class can not rule, and in Alaska this little class has the influence to prevent legislators from exercising the rights of autonomy granted in comparatively small degree by Congress.

IN THE SENATE,
IN THE LEGISLATURE OF THE TERRITORY OF ALASKA,
NINTH SESSION.

Senate Memorial 1 (by Senators Anderson, Benjamin, Frame, Steel, and Sundquist)

To the President of the United States, the United States Senate, the House of Representatives, and the Delegate from Alaska:

Your memorialist, the Territorial Senate of the Territory of Alaska, in ninth session assembled, hereby most earnestly and respectfully represents:

1. That by the act of Congress of August 24, 1912, entitled "An act to create a legislative assembly in the Territory of Alaska, to confer legislative powers thereon, and for other purposes," 37 Statutes at Large, page 512, the people of Alaska were organized into a Territory and given power to create an American Territorial form of government therein, based on the principles of the Constitution of the United States, after the type heretofore organized in the Territories of the West, which gave their people a full Territorial form of government and fitted such Territories to later form and adopt State constitutions and be admitted as States into the Union.

That it was the purpose of Congress in passing the organic act of August 24, 1912, aforesaid, to give the people of Alaska an equal opportunity with other American Territories.

2. That notwithstanding the power and authority thus given to the people of Alaska, their Territorial legislature, from session to session has given the power of government and the control of the Territorial affairs into the hands of the governor and other Federal officials, whereby the present Territorial government is not in any sense responsible to the people of Alaska, and has become and now is a Federal bureaucratic government, with the appointed governor, the secretary of the Territory, other Federal officials, and Territorial appointive boards, filled by appointment by these Federal officials, in full charge, while the citizens, electors, and taxpayers of Alaska are practically excluded from any participation in the management of their Territorial affairs.

3. That many patriotic citizens and members of the Territorial legislature have protested, from session to session, against the growth of Federal bureaucratic organization in our Territorial government, whereby slowly but surely the entire power and control has passed, and is now lodged, in the said Federal officials, who contest efforts on the part of our members or citizens to regain any part of it for the public good.

4. That to aid the efforts of citizens, electors, and taxpayers of Alaska, to stop the Federal appointive officials in holding and extending their autocratic and unlawful control over our own Territorial government, certain citizens and taxpayers in Alaska, some two years ago, immediately after the adjournment of the legislature of that session, brought suits in the United States District Court of Alaska, First Division, against the Territorial treasurer, who is also appointed by the Governor of Alaska, to restrain him from paying out Territorial funds to the secretary of the Territory and to other Federal officials and employees, in violation of specific laws of the United States, and such proceedings were had in such suits that the court declared such payments were illegal and void, and that such Federal officials holding said Territorial offices were acting therein in violation of the said United States statutes.

5. That Congress thereafter passed an act entitled "An act to authorize the payment of certain salaries or compensation to Federal officials and employees by the treasurer of the Territory of Alaska," which was approved by the President of the United States on February 18, 1929, whereby the various salaries and compensation so held by the said court to be invalid and void were validated and ordered to be paid; but, well recognizing the evil in said matters, the said act of Congress concluded with a warning to the said Federal officials in Alaska and to the Territorial legislature not to continue said evil and unlawful practices; that reference is hereby made to said act of Congress, and reference is also made to Senate Report No. 1048, Seventieth Congress, first session, by Senator PITTMAN, and the House Report No. 2172, Seventieth Congress, second session, by Mr. DOWELL, being the respective reports of the Senate and House on S. 4257; and you are respectfully referred also to the proceedings in the House of Representatives, found in the CONGRESSIONAL RECORD of February 13, 1929, on the passage by that body of S. 4257, where the evils mentioned are discussed.

6. That seeking to cure the defects in the laws of Alaska whereby the said Federal officials dominate our Territorial government and to provide a lawful method of taking over and performing the Territorial powers and offices so declared to be illegally held and performed by said Federal officials, by the court in the suits mentioned, early in the present session of the Territorial legislature, senate bill No. 35 was introduced in that body; it was regularly referred to the committee, reported, considered, amended, and finally passed by the senate by a majority vote of five senators voting for and three senators voting against its passage. It was passed in strict conformity with the provisions of the organic act of Alaska and duly forwarded to the Territorial house of representatives for consideration. A full, true, and cor-

rect copy of said senate bill No. 35, as it was finally amended and forwarded to the Territorial house of representatives for its action, will be made a part of this memorial by attachment.

7. That said senate bill No. 35 was received by the Territorial house of representatives in regular session and referred to its house committee on Territorial institutions, which said committee duly considered the said bill, and on April 11, 1929, presented the report on the bill to the house; that a full, true, and correct report, as found printed in the journal of the house of April 11, 1929, will be made a part of this memorial by attachment.

8. That the said house report made by its committee on Territorial institutions recommended (and the house subsequently adopted such recommendation) that all those provisions in senate bill No. 35, attempting to create a Territorial board of control be stricken out of said bill, and specially all of sections 21, 22, 23, 24, 25, 26, 27, and 28, which sections created a Territorial board of control in the Territorial government of Alaska, to consist of the governor, the Territorial treasurer, and the Territorial auditor, the two last-named officials to be elected by the people of Alaska; it was provided in said sections 21 to 28 stricken from said senate bill No. 35, that this board of control, with the governor at its head, should take over and perform a wide range of Territorial duties which, without said sections 21 to 28, both inclusive, can not now be legally performed by any Federal or Territorial official or board, for want of any legally constituted board or officials authorized by law to perform them; that said senate bill No. 35 is the only bill pending before the legislature attempting to provide a lawful way to cure the defects now existing in the laws of Alaska which will permit the Territorial banking board, the Territorial board of road commissioners, and other Territorial boards to legally perform the duties heretofore imposed on said boards on account of the well-known and judicially determined disqualification of the secretary of the Territory and other Federal officials to lawfully act as officials on said Territorial boards in violation of section 11 of the organic act of Alaska, all of which is well known to the Governor of Alaska, to the legislature, and the other Federal officials heretofore acting on said Territorial boards.

9. That if the amendments contained in the house committee report on senate bill No. 35, which report has been adopted by the house and is there supported by a majority equal in proportion to the senate opposition, should prevail and the bill be passed in that form, the autocratic and uncontrolled power of the appointive governor would be newly and widely extended over the government of Alaska and its people by the adoption of item 29 in said report, as follows:

"SEC. 21. The commissioner of education, Territorial mine inspector, highway engineer, trustees of the Alaska Agricultural College and School of Mines, commissioner of health, and superintendent of the pioneers' home shall hereafter be appointed by the governor, subject to confirmation by a majority of all the members of the senate and house of representatives of the legislature in joint session assembled, etc."

10. That the Governor of Alaska has been active in opposition to attempts to secure to the people of Alaska that voice in their local government to which they are entitled under the organic act of Alaska; that well knowing that a bill having the general purpose contained in sections 21 to 28, inclusive, of senate bill No. 35, would be introduced in the legislature of 1927, as it had been in previous sessions, he publicly but discreetly warned the attending members of the legislature against it in his message to that body before the bill was introduced. A copy of his message of 1927 with the discreet warning will be made a part of this memorial by attachment. That by methods heretofore mentioned and by the governor's powerful opposition the bill was defeated in the session of 1927; that on the adjournment of that legislature and the commencement of the suits in the district court to restrain the Territorial treasurer from paying out the Territorial funds to the secretary of the Territory in violation of section 11 of the organic act of Alaska, the governor officiously pushed his way into that suit, as Governor of Alaska, in connection with the secretary of the Territory, and employed attorneys and made himself a party to the suit by intervening therein; but notwithstanding his activity the court held the secretary could not hold both a Federal and Territorial office at the same time, and draw salaries from both the United States and the Territory. Your memorialist will attach a full, true, and correct copy of the pleading by which the governor thrust himself into said suit as intervener to this memorial.

11. That just prior to the convening of this ninth session of the Territorial legislature, the Governor of Alaska, well knowing that senate bill No. 35 would be introduced in the legislature by those who believe in the formation of an American form of government in the Territory of Alaska, submitted a copy of senate bill No. 1 of 1927, which bill did not pass the senate, and ignored house bill No. 30 of 1927, which was similar to senate bill No. 35 of this session, and which bill passed the house in 1927, and was refused consideration in the senate by a tie vote, to the Solicitor of the Department of the Interior and requested an opinion which would, to use the last clause in the Solicitor's opinion, "show sufficient reasons for the exercise of the veto power by the governor if such a measure should be passed by the assembly, and, if finally passed over the veto, then for disapproval thereof by Congress under the power reserved by section 20 of the organic act of Alaska"; that that opinion of the solicitor was approved February 13, 1929, by E. C. Finney, First Assistant Secretary. A copy of that opinion we understand has been used to persuade members of the legislature to support the governor's opposition to senate bill No. 35 and to strike out sections 21 to 28, inclusive, thereof which provide for a board of control with the governor at its head and two members to be elected by the people of Alaska; that a copy of the letter of the solicitor dated February 13, 1929, will be attached to this memorial.

12. That by reason of the political activity and powerful opposition of the Governor of Alaska to the passage of senate bill No. 35, his threats to veto the same, and the influence of other Federal officials against it, your memorialist, the Territorial Senate of Alaska, thinks it is impossible at this time to secure any favorable action of the Legislature of Alaska on senate bill No. 35 with sections 21 to 28, both inclusive, or any similar provisions, therein, or any favorable action on any legislation to cure the void laws creating the various Territorial boards, when the offices are filled by Federal officials, in violation of section 11 of the organic act of Alaska.

Wherefore your memorialist prays that Congress will consider the matter and give the people of Alaska relief, by the enactment of a law granting them power to create an American form of Territorial government in Alaska without domination and control by appointed officials.

And your memorialist will ever pray.

Passed by the senate, May 2, 1929.

WILL A. STEEL,
President of the Senate.

Attest:

CASH COLE,
Secretary of the Senate.

In the District Court in and for the Territory of Alaska, First Division, Juneau

James Wickersham, for himself and all other taxpayers similarly situated, plaintiff, *v.* Walstein G. Smith, as Territorial treasurer of the Territory of Alaska, defendant. No. 2735–A. Petition for intervener

Comes now George A. Parks, as Governor of the Territory of Alaska, and represents to the court that as such governor he is interested in the result of this proceeding and in the success of the parties thereto, and in the success of the defendant; that the facts showing his said interest are more particularly set forth in a complaint in intervention, duly sworn to and attached hereto and submitted herewith, and this petition is based upon the facts therein stated.

Wherefore your petitioner prays that he be permitted to intervene and become a party to this proceeding.

HELLENTHAL & HELLENTHAL,
Attorneys for Intervener.

Received 11 a. m., May 11, 1927.

JAMES WICKERSHAM,
Attorney for Plaintiff.

In the District Court in and for the Territory of Alaska, First Division, Juneau.

James Wickersham, for himself and all other taxpayers similarly situated, plaintiff, *v.* Walstein G. Smith, as Territorial treasurer of the Territory of Alaska, defendant. No. 2735–A. Complaint in intervention

George A. Parks, as Governor of the Territory of Alaska, intervener.

Comes now George A. Parks, and leave of court having been first had and obtained, files this his complaint in intervention and alleges:

I. That he now is, and for more than one year last past, has been the duly appointed, qualified, and acting Governor of the Territory of Alaska.

II. That the First Alaska Territorial Legislature and the various Territorial legislatures that convened subsequent thereto, have from time to time imposed upon the governor of the Territory official duties not imposed by the organic act or the laws of the United States, but nevertheless of such a character that the same are not inconsistent with the duties imposed by either the organic act or laws of the United States, and belonging to the class of duties ordinarily imposed upon and exercised by governors; that in order to perform the duties so imposed, it was and is necessary that much additional clerical help should be employed in the governor's office. Many additional duties arise under the Territorial laws devolving upon the secretary to the governor, and the additional clerical work required by reasons of the duties so imposed by the Territorial legislature, necessitates the employment of at least one clerk which can not be had for less than $2,100 per annum, and one stenographer which can not be had for less than $1,800 per annum, and make it necessary that larger quarters be supplied for the use of the governor's office so as to necessitate additional janitor and messenger service, which can not be had for less than $600 per annum; that in order to carry out the provisions of the various Territorial acts above

referred to and perform the duties thereby imposed, it is necessary that the governor should visit from time to time the different portions of the Territory and incur the necessary traveling expenses incident to such visits, and that an appropriation of approximately $2,000 should be made for this purpose. One of the duties imposed on the governor by the Territorial legislature relates to the dissemination of information. Certain booklets and pamphlets have previously been prepared for this purpose, and their distribution requires an appropriation of approximately $2,000; that from time to time officers and representatives of the United States and of foreign countries visit Alaska, and to entertain them in the manner suggested by the legislature an appropriation of $2,000 for the biennium is included in the appropriation bill. The executive mansion requires repairs from time to time to prevent the building from falling into decay, and preserving not only its usefulness, but also its value, and the appropriation of $1,250 for the biennium for that purpose is not more than sufficient to meet the requirements.

III. Your intervener further alleges that the duties imposed upon the governor by the Territorial legislature and not provided for by the organic act or the laws of the United States are of such a character that the laws of the Territorial legislature can not be given full force and effect unless these duties are performed and carried out, and the same can not be performed and carried out without incurring the expenses above referred to as necessary in carrying out such duties, and that if the moneys appropriated by the Territorial legislature are not available, the governor's office will to that extent cease to function, and such laws of the Territorial legislature, depending for their enforcement and effect upon the activities of the governor in that connection, will cease to be effective; that to continue the injunction heretofore issued by the court would not only result in great public inconvenience but would result in destroying the force and effect of many of the laws of the Territory and of preventing Territorial boards which are necessary to administer many laws passed by the legislature from functioning; that among the boards of which the governor is chairman, and which would be thus injuriously affected by the restraining order if kept in force, are the board which looks after the affairs of the pioneers' home, the banking board, board of children's guardians, as well as many others; that the matters and things subjected to the control of these various boards are such that their continuous operation is not only desirable but is an imperative necessity.

IV. That laws appropriating moneys for similar purposes to those indicated in the appropriation bill referred to in the complaint, including the appropriations herein referred to, have been passed by the Territorial legislature from time to time, ever since the first session thereof, and have been submitted to Congress for approval, and that none of such laws have ever been disapproved by Congress.

Wherefore, this intervener prays that the plaintiff's bill of complaint be dismissed; that he take intervention by reason thereof, especially in so far as it relates to the appropriations made for the governor's office, to which reference has heretofore been made; and that this court make an order and decree dissolving the restraining order heretofore issued and directing the treasurer of the Territory to disburse the moneys appropriated for use in connection with the governor's office in the manner provided by law and in regular course and for such other and further relief as to the court may seem just and equitable, and allow this intervener costs and disbursements in this behalf incurred.

HELLENTHAL & HELLENTHAL,
Attorneys for Intervener.

UNITED STATES OF AMERICA,
Territory of Alaska, ss:

George A. Parks, being first duly sworn, on oath deposes and says that he is the intervener above named; that he has read the foregoing complaint in intervention, and that the same is true as he verily believes.

GEORGE A. PARKS.

Subscribed and sworn to before me this 11th day of May, 1927.

[SEAL.] SIMON HELLENTHAL,
Notary Public in and for the Territory of Alaska.

My commission expires January 14, 1930.

UNITED STATES DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SOLICITOR,
Washington, February 13, 1929.

The honorable the SECRETARY OF THE INTERIOR.

DEAR MR. SECRETARY: The Governor of the Territory of Alaska submitted a copy of a bill which has been heretofore under consideration by the legislature of the Territory and which, he anticipates, may be again introduced. The bill contemplates extensive changes in the organization of the local government and proposes to transfer many of the existing duties of the governor and the secretary of the Territory to other officers to be elected or appointed by other than the sole authority of the governor, and they are to be subject to impeachment by the legislature. My opinion has been requested as to whether the proposed legislation would be in contravention of the laws of Congress appertaining to Alaska.

The bill in question is for an act entitled "An act to reorganize the executive department of Alaska, creating the offices of comptroller, treasurer, attorney general, and board of control, and defining their functions and to declare an emergency."

It is provided that the comptroller shall be elected at the general election for a term of four years, but the first comptroller is to be chosen by the members of the legislature in joint session, "either during session of the legislature or within five days after adjournment of a session."

The governor is given no power of appointment even to fill a vacancy in that office except that when such vacancy occurs when the legislature is not in session, the governor and the remaining two members of the board of control shall, by a majority of the three, appoint a person to fill the vacancy, and such appointee shall serve until the person chosen by the legislature or elected by popular vote is qualified.

Very extensive powers are conferred upon the comptroller by the terms of the bill. He is to audit all claims against the Territory and draw warrants for payment of claims found to be just and true. He is to be registrar of vital statistics and discharge all duties now devolving upon the secretary of the Territory in respect thereto, under certain specified Territorial enactments, and the secretary is required to transfer the records of his office as such registrar to the office of the comptroller. The comptroller is also to be required to perform the duties now devolving upon the secretary of the Territory under laws of the legislature relative to elections and all records appertaining thereto are transferred to the comptroller. Various other duties now devolving upon the secretary of the Territory or the governor under enactments of the legislature or laws of Congress are transferred to the comptroller, including the appointment of notaries public. The comptroller is to be empowered to appoint members of the board of children's guardians, pharmacy board, board of medical examiners, commissioner and assistant commissioners of health, board of dental examiners, and perform all functions now required of the governor respecting these activities, and all of the said boards are required to report to the comptroller instead of the governor. A general clause reads as follows:

"All duties or functions conferred upon either the governor or the secretary of the Territory by any statute enacted by the legislature, and which have not been otherwise disposed of or provided for by this act, shall be discharged by the Comptroller: *Provided, however,* That if any such duties or functions shall be incompatible with the duties or functions herein specifically enumerated as conferred upon the Comptroller, they shall be performed by the Attorney General."

The bill also provides for the appointment or election of a treasurer in the manner provided for the election of comptroller, and any vacancy occurring in the office is to be filled in the same manner. He is to receive and disburse upon warrants drawn by the comptroller funds belonging to the Territory, including money due the Territory on account of sales of timber in national forests, the latter to be expended as provided by Federal laws for the benefit of the public schools and roads.

The bill also provides for election or appointment of an attorney general of the Territory in the same manner as provided for election of comptroller. He is declared to be the official adviser of the governor, the secretary, the comptroller, the treasurer, and the other officers of the Territory. He is authorized to perform "and such duties as may be required by law as usually pertain to the office of attorney general of a Territory, and such authority shall extend to all proceedings, both in the courts of Alaska and the appellate courts, and, whenever in any case above mentioned the United States is allowed the right to review by writ of error, appeal, or certiorari the attorney general of the Territory may perfect the proceedings on such writ, appeal, or certiorari in event of the refusal of the United States attorney so to do." He is also assigned the duty of prescribing forms of official ballots, register of voters, certificates, etc., relating to election, and is required to perform all of the duties now imposed upon the secretary of the Territory relating to the printing and distribution of laws enacted by the legislature and the records of the secretary pertaining to the matter are transferred to the attorney general. The attorney general is also authorized to bring suit in the name of the Territory to determine the validity of any statute, proclamation, or regulation, or for such purpose he may institute or defend actions or suits for private individuals or corporations, and, at the expense of the Territory, whenever the importance of the questions involved to the inhabitants shall warrant it.

A board of control is also established, consisting of the comptroller, treasurer, and attorney general of the Territory. This board is to take over the duties of Territorial board of road commissioners, the banking board, and is to constitute the Territorial board of education and discharge all of the functions imposed upon the governor under any of the Territorial acts relative to schools and education not otherwise provided for. The said board is also invested with authority to appoint the Territorial mine inspector, the trustees of Alaska Agricultural College and School of Mines, the members of the Territorial board of

accountancy, and the inspector of livestock. It is also to constitute the Territorial fish commission and the Territorial historical library and museum commission. Also supplies for the various offices of the Territory are to be purchased through the board.

The comptroller, the treasurer, and attorney general are subject to removal from office on impeachment by the legislature for malfeasance, misfeasance in office, or for intoxication, or may be removed by the district court for such offense or any crime involving moral turpitude.

It will be noted that article 4 establishing the board of control does not include the governor as a member. Article 1 provides that the governor and the remaining two members of the board of control may fill a vacancy in the office of anyone of the three members of the board. He merely has one vote in a body of three in the choice of a person to fill such vacancy temporarily when the legislature is not in session.

It thus appears that this bill proposes to strip the governor and the secretary of the Territory of virtually all authority in respect to duties theretofore conferred upon them by acts of the legislature. Doubtless much of this is permissible. In respect to matters properly within the jurisdiction of the local legislature no valid objection may be urged to such measures as it may in its judgment deem wise to enact. But some of the provisions of this bill strike at the very root of Territorial government as established by Congress. Indeed, it would amount to a virtual emancipation from Federal control. In some respects it is in contravention of the statutes of the United States conferring limited powers upon the Territorial legislature.

In considering this subject it will be necessary to make reference to various provisions of Federal laws for purpose of comparison with certain features of the bill. Under the Federal Constitution Congress has full and complete power to enact laws for local government of Territories. It may legislate directly or transfer the power to the local legislature formulated in such manner and invested with such limited powers as Congress may see fit to grant.

By the act of May 17, 1884 (23 Stat. 24), Alaska was constituted a civil and judicial district and authority was provided for the appointment of a governor and a district judge. In respect to the powers of the governor, it was provided: "He shall perform generally in and over said district such acts as pertain to the office of governor of a Territory so far as the same may be made or become applicable thereto."

By the act of June 6, 1900 (31 Stat. 321), entitled "An act making further provision for a civil government of Alaska, and for other purposes," it was provided in section 2 thereof that the governor should exercise authority as above stated in the quotation from the act of May 17, 1884. It added certain other specified duties of the governor, and expressly conferred upon him the authority to appoint notaries public for the district.

By the act of January 27, 1905 (33 Stat. 616), the governor was made ex-officio superintendent of public instruction and, as such, was given supervision and direction of the public schools in said district.

By the act of August 24, 1912 (37 Stat. 512), Congress provided for the organization of a Territorial form of government for Alaska and created a legislative assembly with limited powers of legislation. Section 3 of the act expressly provided: "That all the laws of the United States heretofore passed establishing the executive and judicial departments in Alaska shall continue in full force until amended or repealed by act of Congress." It further provided that all laws then in force in Alaska, except as otherwise provided therein, should continue in full force and effect until amended or repealed by Congress or by the legislature. But it was further expressly provided that the authority therein granted to the legislature to amend or repeal the laws then in force in Alaska should not extend to certain specified subjects, not here necessary to mention, nor to the act of January 27, 1905 (33 Stat. 616), and acts amendatory thereof. Section 9 also contained a long list of specific limitations upon the legislative powers of the assembly, none of which appears to be violated by the bill in question. Subject to the limitation specified in the said organic act, the legislative power of the assembly was extended to "all rightful subjects of legislation not inconsistent with the Constitution and laws of the United States."

I have heretofore mentioned that provision of the organic act which reserved to Congress the authority to repeal laws of the United States theretofore passed establishing the executive and judicial departments in Alaska. That precise provision was considered by the Supreme Court in the case of United States *v.* Wigger (235 U. S. 276), wherein the court said:

"It seems to us that by the language employed Congress intended to draw a clear distinction between those laws by which the executive and judicial departments had been established in the Territory and those minor regulations that had to do with practice and procedure. Those enactments by which Congress had provided for the appointment of executive and judicial officers for the Territory and had marked out the powers, authority, and jurisdiction of each, and provided safeguards for their maintenance, are properly within the category of laws "establishing" those departments. These laws, and not those merely regulating the procedure, were by the act of 1912 continued in force until amended or repealed by act of Congress."

It will, therefore, become necessary to closely consider the extent of the powers conferred by Congress upon the executive and judicial officers in order to determine whether this proposed law is in contravention thereof. It will be noted that the laws of Congress above cited relating specifically to Alaska are very general as regards the powers of the governor. It is expressly provided, however, that he may appoint notaries public, and it is reasonable to conclude that this is an exclusive power vested solely in the governor and not to be shared by any other officer. The proposed act designed to authorize the comptroller to appoint notaries public appears to be clearly in conflict with that provision of the act of Congress, and not within the power of the legislature as indicated in the decision above quoted. But it is further believed that the powers of the governor in respect to the appointment of officers are not limited to those expressly named in any act relating to Alaska. By the act of June 6, 1900, supra, he is authorized to perform generally in and over said district such acts as pertain to the office of governor of a Territory, so far as the same may be made or become applicable thereto. It has been held in some cases and for some purposes that Alaska, even before the act of August 24, 1912, had the status of a Territory, but its status as such was placed entirely beyond dispute by that act. Having become a Territory, the laws of Congress applicable to all Territories became at once effective and in full force in Alaska except as provided otherwise by express language or by necessary implication.

Section 1857 and 1858, United States Revised Statutes (secs. 1458–1459, Title 48 U. S. C.), read as follows:

"SEC. 1857. All township, district, and county officers, except justices of the peace and general officers of the militia, shall be appointed or elected in such manner as may be provided by the governor and legislative assembly of each Territory; and all other officers not herein otherwise provided for the governor shall nominate, and by and with the advice and consent of the legislative council of each Territory shall appoint; but, in the first instance, where a new Territory is hereafter created by Congress, the governor alone may appoint all the officers referred to in this and the preceding section and assign them to their respective townships, districts, and counties; and the officers so appointed shall hold their offices until the end of the first session of the legislative assembly.

"SEC. 1858. In any of the Territories, whenever a vacancy happens from resignation or death, during the recess of the legislative council, in any office which, under the organic act of any Territory, is to be filled by appointment of the governor, by and with the advice and consent of the council, the governor shall fill such vacancy by granting a commission, which shall expire at the end of the next session of the legislative council."

Much light on this subject is found in the well-considered case of Clayton *v.* Utah Territory (132 U. S. 632), which involved the question of validity of two enactments of the Territorial Legislature of Utah, one of which provided for the appointment of certain officers by joint vote of the Legislative Assembly of Utah Territory, and a later one providing for the election of such officers. The organic act creating the Territory of Utah was prior to the date of the United States Revised Statutes. It contained provision substantially the same as afterwards embodied in section 1857, Revised Statutes. The court noted the division of power in respect to the appointment of local officers, such as county, district, and township officers, the appointment of which was properly the subject for legislation by the Territorial assembly on the one hand and the other class of officers, not local, subject to appointment by the governor, by and with the advice and consent of the legislative council or senate. It was observed that this scheme of limited local self-government for the Territory was one to which Congress attached much importance, as shown by the fact that it was subsequently adopted in the organic acts establishing various Territories, "and it is reproduced as applicable to all of the Territories by section 1857 of the Revised Statutes."

The court held in that case that the said legislative enactments were valid in so far as they established the offices, but invalid in so far as they undertook to take away from the governor the appointing power. See also to the same general effect 18 Ops. A. G. 193; 1 Utah 81; 2 Idaho 180; 8 Utah 294.

The office of treasurer of the Territory was created by chapter 77 of the legislative acts of 1913, which provided that the office should be filled through appointment by the governor.

The office of attorney general was created by chapter 77 of the legislative acts of 1915, which provided that the office should be filled by election of the qualified voters, but in case of a vacancy the governor could fill it by appointment until the next general election. The assembly was also given the power of impeachment. It is to be presumed that the said act of the legislature was reported to Congress, as provided by the organic act, and it does not appear that Congress has taken any action thereon. Under circumstances somewhat analogous it has been held in some cases that the consent of Congress should be assumed, where the question was whether the subject was a rightful subject of legislation by the Territorial legislature. But it is believed that the correct and clear rule, especially as applied to the instant matter, was stated by the court in the case

of Clayton v. Utah Territory, supra, where the question was very fully considered. The court said:

"The case of Snow v. The United States, 18 Wall. 317, is supposed to conflict with these views. In that case, the office of attorney general was created by an act of the legislature of Utah, whose duty it should be to attend to all legal business on the part of the Territory before courts where the Territory was a party, and prosecute individuals accused of crime in the judicial district in which he kept his office, in cases arising under the laws of the Territory, and such other duties as pertained to his office. This was supposed to be in conflict with the provision of the organic act, which authorized the appointment of an attorney for the Territory by the President. The court, however, held that the duties of the office created by the Territorial legislature were not identical with those of the attorney for the Territory created under the organic act, and that it differed especially in that his functions only extended to the prosecution of individuals accused of crime in the judicial district in which he kept his office, in cases arising under the laws of the Territory, and that for other districts a district attorney should be elected in like manner and with like duties. And the court with some hesitation based its decision on this ground, and on the fact that the act had been in operation without contest for many years.

"It is true that in a case of doubtful construction the long acquiescence of Congress and the General Government may be resorted to as some evidence of the proper construction, or of the validity, of a law. This principle is more applicable to questions relating to the construction of a statute than to matters which go to the power of the legislature to enact it. At all events, it can hardly be admitted as a general proposition that under the power of Congress reserved in the organic acts of the Territories to annul the acts of their legislatures the absence of any action by Congress is to be construed to be a recognition of the power of the legislature to pass laws in conflict with the act of Congress under which they were created.

"The question of the appointing power, which is the matter in controversy here was not before the court in that case. We do not think that the acquiescence of the people, or of the Legislature of Utah, or of any of its officers, in the mode for appointing the auditor of public accounts, is sufficient to do away with the clear requirements of the organic act on that subject."

It, therefore, appears that the said bill if enacted would be invalid as regards those provisions for the appointment and election of comptroller, treasurer, and attorney general, and also in respect to the proposed appointing power conferred upon the comptroller where the officers are not for a local subdivision of the Territory.

As to those various duties heretofore conferred upon the governor or the secretary of the Territory by legislative acts, they may be removed in like manner; but any powers conferred upon those officers by Congress are beyond the legislative power of the assembly.

There are probably other objectionable features in the measure. Its general tenor and effect is contrary to the fundamental principles of the limited power conferred upon the Territorial assembly. For instance, it is not believed that the assembly has the power to impeach and remove from office any officer whose appointment is vested in the governor. And some of the authority to be conferred upon the attorney general would seem to be inconsistent with the exercise of executive power by the governor. It is proposed that the attorney general may bring suit to test the validity of any law, proclamation, or regulation, either to restrain or impel the enforcement thereof, which seems to contemplate that he may bring the governor or other officers into court to compel or restrain the enforcement of any law, and that he may attack any proclamation or regulation issued by the governor. This presents an opportunity for unwholesome strife in the executive department and is in effect a transfer of paramount authority lodged in the governor in the performance of executive duties. As the executive head the governor is supposed to speak the final word for that department in respect to administrative matters under his control, subject to the supervisory power of the Secretary of the Interior.

While there are probably other objectionable features in the proposed bill, it is believed that the above observations show sufficient reasons for the exercise of the veto power by the governor if such a measure should be passed by the assembly, and, if finally passed over the veto, then for disapproval thereof by Congress under the power reserved by section 20 of the act of August 24, 1912, supra.

Respectfully,

E. O. PATTERSON, *Solicitor.*

Approved February 13, 1929.

E. C. FINNEY,
First Assistant Secretary.

DEPARTMENT OF INTERIOR,
Washington, February 21, 1929.

Copy for the information of Hon. DAN A. SUTHERLAND, Delegate from Alaska, Washington, D. C.

JOHN H. EDWARDS, *Assistant Secretary.*

I have already inserted the views of those in Alaska who believe in as complete self government for the Territory as the organic act permits, as expressed in Senate Memorial No. 1.

I now insert the expression of the views of those who obstruct the advancement of the Territory toward independent self government and who laud the governor, despite the fact that he autocratically tried to impair the liberties granted to the people of Alaska by Congress and to perpetuate bureaucratic domination over Territorial affairs.

The loyalistic views of government are expressed in House Memorial No. 2:

IN THE HOUSE,
LEGISLATURE OF THE TERRITORY OF ALASKA,
NINTH SESSION.

House Resolution 2 (by Messrs. Foster and Lomen)

Be it resolved by the House of Representatives of the Alaska Territorial Legislature in ninth regular session assembled, That we commend, without reservation, the Hon. George A. Parks, Governor of Alaska, as a true and loyal Alaskan, an honorable and upright man, and an excellent administrator, of whom Alaskans may well be proud. We commend Governor Parks for the marked ability with which he has performed the duties of his office; we commend him for his fairness and impartiality; we commend him for the labor he has taken to acquaint himself with the needs of the various regions of Alaska, and for the thoughtful consideration he has given to the many problems which confront him; we commend him for his scrupulous care in confining his activities to the proper performance of his own duties, and in never invading the field of action reserved for the Alaska Territorial Legislature by the provisions of the organic act of Alaska; we commend him for his good temper and sanity when he has been (and that lately) vilified and traduced by men who in their eagerness to obtain political jobs at the public expense have passed far beyond the bounds of truth and of decency; we commend him because he is a gentleman. Be it further

Resolved, That a copy of this resolution be sent to the President, a copy to the United States Senate, a copy to the United States House of Representatives, and 10 copies to the Hon. DAN A. SUTHERLAND, Delegate to Congress from Alaska, for distribution among the heads of the departments of the Government.

Passed by the house of representatives, May 2, 1929.

R. C. ROTHENBURG,
Speaker of the House.

Attest:

LAWRENCE KERR,
Clerk of the House.

EXTENSION OF REMARKS—THE TARIFF BILL

Mr. KADING. Mr. Speaker and Members of the House, I desire to contribute a few remarks to this debate in connection with this tariff bill now under consideration.

This bill on paper consists of 434 pages, each page being 7½ inches wide and 11 inches long and together constituting a book about 1 inch thick. The bill contains hundreds and hundreds of paragraphs and sections dealing with thousands of separate items and articles affected.

First, let me say that I believe the members of the Ways and Means Committee are entitled to a great deal of credit and praise for their diligent labors and careful attention given to the lengthy hearings held leading up to the drafting and reporting of this bill. The committee was in session almost daily and many times in the evening during the months of January, February, March, and part of April; only when we look at the stack of printed volumes of testimony taken at such hearings and think of the study that was required of the committee and its subcommittees in the preparation of the bill, do we get some idea of the great amount of labor performed by this committee.

The members of the committee are just and human enough to admit, I believe, that it is only natural and reasonable to expect that in the performance of this work errors may have been made and that they are willing and anxious to have us aid them in suggesting any changes for improvement in connection with this work.

I believe several changes should be made in the bill that affect the farmers in particular, before the bill is finally passed, and will say further that I can not support the bill in detail in its present form, nor can I support any move to consider the bill under the 5-minute rule unless provision is first made to amend the bill in several respects.

MAKE THE PLEDGE GOOD

Before going into details as to what such modifications or changes should be, I will say that I hope we may labor together honestly and conscientiously with the object in view of carrying out the ideas expressed in the President's call for this special session of Congress, which was in substance to redeem two pledges given in the last election—"farm relief" and "limited changes in the tariff"—and as stated in his message to Congress.

The President's idea of the tariff bill was, according to my understanding, that such schedules as would benefit principally the farmers, should be considered; because in his message he said that "the general result has been that our agricultural industry has not kept pace in prosperity or standards of living with other lines of industry"; and he further said—"with some exceptions our manufacturing industries have been prosperous."

OUR DUTY

In order that we make good the pledge of the party and the President intrusted with powers by the people, and in order to do justice to the agricultural situation, it will be necessary to satisfy the farmer that the benefits that he will receive from the farm relief and tariff legislation will exceed the burdens that will be placed upon him. Let us therefore place a substantial duty upon everything that the farmer produces where his produce comes in competition with foreign imports and let us especially help him by raising the duty substantially on such of what he may produce as white seed clover, casein, hemp, and other diversified crops and thus increase his income and encourage him to plant and seed some of his acreage to new and different crops and reduce the acreage in crops in which he is now producing a surplus.

Let me briefly refer to a few of these items.

WHITE CLOVER SEED

The tariff law of 1922 placed a duty of 4 cents per pound on alsike clover seed; 4 cents per pound on red clover seed; and 3 cents per pound on white clover seed.

The proposed bill places an additional 1 cent per pound on alsike, 2 cents per pound on red, and 2 cents per pound on white clover seed; making it in the proposed bill 5 cents per pound on alsike, 6 cents per pound on red, and 5 cents per pound on white clover seeds.

It is my contention that the duty on the red clover seed and alsike clover seed should be raised to 8 cents per pound and that on white clover seed should be raised to 10 cents per pound for the following reasons:

The suggested duties are necessary in order that our farmers may successfully compete with foreign countries sending such seeds here; and because European alsike and red clover seeds winterkill very easily in our Northern States, and under the present law imported red and alsike clover seed is easily recognized, because the law requires a certain percentage of each lot to be stained some bright color, such color depending upon the country of origin. This in itself somewhat prevents fraudulent dealings in these two varieties and because our alsike and red clover seed is less apt to winterkill, competition on the part of such imported and foreign red and alsike clover seed is not so keen, and an 8-cent duty per pound will be sufficient, while on white clover seed it should be 10 cents per pound, because white clover is an annual plant and white clover seed is used principally for seeding parks, lawns, and golf courses and must be reseeded every spring, and therefore the trade is just as willing to buy the imported white clover seed as our domestic seed, and since the imported white clover seed is produced cheaper than our farmers can produce it, a protective tariff of 10 cents per pound should be placed thereon so as to meet such competition and encourage our farmers to devote a part of their farms where white clover may be grown, for the purpose of producing white clover seed, increase their incomes, and take a step in the line of diversified farming, reducing their acreage of wheat, corn, potatoes, or other crops wherein there is almost always an overproduction.

If clover seed raising is made profitable by a proper duty, there is no reason why the farmers of the United States should not grow enough clover seeds for the needs of the trade in this country; besides clover is a good quality of feed and the soil is improved by the seeding of fields to clover.

HEMP

Paragraph 1001 of the 1922 law carried a duty of $2 per ton on flax straw; 1 cent per pound on flax not heckled; flax heckled, including "dressed line," 2 cents per pound; flax tow, flax noils, twisted or not twisted, three-fourths of a cent per pound; heckled hemp, 2 cents per pound.

The bill under consideration provides for an increase of $1 per ton on flax; ½ cent per pound on flax not heckled; and 1 cent per pound on flax heckled including "dressed line"; ¼ cent per pound on flax tow and flax noil twisted or not twisted; ½ cent per pound on hemp and hemp tow; and 1 cent per pound on heckled hemp.

I believe that to properly protect the hemp industry, the duty should be increased on hemp to an additional 1½ cents per pound, making it 3 cents per pound, and an additional 2 cents per pound on heckled hemp, making it 5 cents per pound.

WHAT HEMP IS USED FOR

The hemp industry is of recent origin. Hemp is used mainly in commercial cordage and threads. Some of it goes to the navy yard at Boston, where it is made into certain small rope; thread for sewing shoes and leather is also made from it, the fiber being very strong. Oakum for caulking pipes, wrapping twine, etc., is made of it.

During the war those engaged in producing hemp prospered; since the war, on account of the keen competition from Italy, Hungary, Rumania, Russia, and China, the hemp people in this country have not been able to prosper. It is another infant industry and should be encouraged by a proper duty. If so encouraged the industry will flourish and be a great help to the farmers. It will be a further step to diversify farming, cutting down the number of acres that are usually devoted to crops such as the farmer now produces that usually result in overproduction, or in a surplus that is hard to dispose of to advantage. The growing of hemp helps the farmer further, in that it is a massive plant with many leaves, shades the ground and has a tendency to smother and eradicate weeds, including such noxious weeds as the Canada thistle and quack grass.

Hemp is produced mostly in Wisconsin, and until recently was produced quite extensively in Illinois, Iowa, Indiana, Ohio, Michigan, and California. All the hemp needed in the United States can readily be grown here. The soil and climatic conditions in many sections of the United States are ideal for the production of fiber hemp.

Besides the States named, Kentucky and Minnesota also have soil and climatic conditions which are known to be very suitable for hemp production. If the cultivation of hemp is properly encouraged by a proper tariff, another step to help the farmers will have been taken.

CASEIN

Casein is a product of the dairy industry and made from skim milk by many of our larger creameries. The process is quite simple and consists of pressing the water out of the curd of sour skim milk, broken up, dried, and ground.

Casein is a chemical used principally in the manufacture of coated paper. Some is used in making fountain-pen barrels, imitation ivory, glues, and sprays. From production figures taken from the Bureau of Agricultural economics it is shown that the industry has expanded in the Mid West section. As compared with 1922, the 1927 product of casein in Wisconsin had increased sixfold; in Minnesota, five and one-half fold; in New York, three and one-half fold; in Vermont, threefold; and in California, one and three-fourths fold.

It is in Wisconsin and Minnesota that the best prospects exist for increase in production of casein. In many of the Mid West sections of the United States farmers deliver whole milk to creameries. The cream is separated from the milk and manufactured into butter or shipped to market. With the present rate of duty on casein these creameries can not compete with Argentina, that sends large quantities of casein to this country. The result is that former imports of casein have increased, and casein prices have declined at the rate of about 3 cents per pound during the past year.

It is claimed that Argentina is producing a better quality of casein than we have produced or that we can produce. This position, in my opinion, is untenable. If this industry is properly encouraged by a proper duty so that our creameries and casein manufacturers can afford to install proper equipment (which is rather simple, requiring only a cheese vat, a presser, a dryer, and a grinder) and receive better prices for their product, there is no question but what we will excel Argentina in the production of casein.

The present duty on casein is 2½ cents per pound. The producers of casein in this country asked that the duty be raised to 8 cents per pound. The paper manufacturers opposed the same, and asked that the duty be not increased. This bill does not increase the duty but leaves it at 2½ cents per pound.

PROTECT THE INFANT CASEIN INDUSTRY

American ingenuity has always succeeded in excelling. We have excelled in almost every line of manufacturing of goods, tools, and machinery with the aid of a proper protective tariff. I have great faith in American ingenuity in all lines, and am convinced that if any foreign country succeeded in producing a needle so fine that it could hardly be seen with the naked eye, our mechanics and skilled workmen would be able to make a small drill and bore a hole through the needle from end to end.

Let us place a proper duty on casein. Let us encourage and protect this infant industry, and I am sure it will succeed and we will excel in the production of a quality of casein that

will be superior to any other anywhere made, thus again helping the farmer by increasing his income.

The aluminum industry and other industries developed from a small beginning to large successful institutions with the aid of a protective tariff. Casein will do the same. The duty on casein should be 8 cents per pound.

CATTLE

The duty under the old tariff law is 1½ cents per pound on all cattle weighing less than 1,050 pounds each. The committee has not seen fit to raise this duty in the present bill. I can not understand why. The committee in the present bill has raised the duty on beef from 3 cents per pound to 6 cents per pound. The farmer sells the cattle and the packer sells the beef. I can not understand why cattle should be permitted to be shipped from Mexico to the United States in competition with our farmers and cattle raisers without an increased duty, and the packer be permitted to have the benefit of an additional 3 cents per pound on beef after slaughtering these cattle; if the duty on beef is to be raised from 3 cents to 6 cents per pound, then the duty on live cattle should be increased, in my opinion, at least 1½ cents per pound, making such duty 3 cents per pound.

I believe, further, that in the interest of the farmer the duty on beef and veal should be increased to 8 cents per pound instead of 6 cents per pound as proposed in the bill, and that the duty on canned meats should be raised from 6 cents per pound to 8 cents per pound to offset or equalize the importation of canned meats.

POTATOES, CHEESE, BUTTER, EGGS, AND OTHER FARM PRODUCTS

An increase of duty over and above that which the bill under consideration provides, should be had on butter, cheese, potatoes, eggs, potato starch, whole milk (fresh or sour), cream (fresh or sour), dried skim milk, dried whole eggs, dried egg yolk, dried egg albumen, honey, flaxseed, onions, rutabagas, sage and sago flour, hides and leather, and other farm produce enumerated by the Wisconsin delegation in the House, in a schedule and request made by them of the Ways and Means Committee before which committee several of the Wisconsin Members, including myself, appeared on Wednesday evening, May 15.

I sincerely hope that careful consideration will be given such schedule by the Ways and Means Committee, and that it will report amendments to the proposed tariff bill to the House, embodying such changes, and that such changes will be adopted before the tariff bill is put upon its final passage.

ARTICLES ON WHICH INCREASED DUTY SHOULD BE OPPOSED

Before the tariff bill is passed we should, in the further interests of the farmer, eliminate from the bill the proposed increase of duty on logs, lumber, shingles, maple flooring, fence posts, cement, brick, sugar, Manila and sisal rope, and de grass.

SHINGLES

Canada imports to the United States a very high grade of shingles, and it sells in our market at a premium because of its quality. The tariff bill proposes a duty of 25 per cent ad valorem on shingles. It is true that the shingle manufacturers have not prospered recently, but that is not due to lack of duty on imported shingles.

At the hearings before the Ways and Means Committee one shingle manufacturer who manufactures shingles both in Canada and the United States testified that in his Canada mill he produces 1,000 shingles at a cost of $2.91, and that in his American mill he produces 1,000 shingles at a cost of $2.45. Those were his last year's figures.

We export more cedar lumber to Japan than does Canada, we having shipped to Japan more than double the amount that Canada shipped there. If the cost of production is cheaper in Canada than in the United States, as is claimed by some, then it would seem that Canada should have exported and sold more cedar to Japan than the United States.

The shipment of cedar shingles from Canada to the United States is due entirely to a superior quality of shingles that Canada produces and that is why the trade in the United States is buying them. The lack of prosperity of our shingle manufacturers in the United States is due, in part at least, to the fact that patent roofing materials have made rapid inroads into the shingle industry in the United States, because patent roofing is a product that is very extensively advertised and very energetically sold.

The shingle manufacturer has not kept abreast in the method of advertising and selling his product. A duty on shingles would not help the shingle manufacturers. It would have a tendency to place a higher price on that product and give the roofing-material manufacturers a still higher percentage of business. In my opinion, a duty on shingles would be of no particular benefit to the shingle industry of the United States, and would be a detriment to the farmers who buy large quantities of shingles. Therefore, the proposed duty of 25 per cent should be eliminated from the bill.

ROPE

The proposed tariff bill increases the duty on manila and sisal rope from three-fourths of a cent to 2½ cents per pound—an increase of about 200 per cent. It is claimed that about 60 per cent of all rope produced is purchased and used by farmers, and that this advance in duty would increase the profits of the industries controlling cordage by many millions of dollars, at an expense to be borne principally by the farmers. This increase should not be authorized.

FENCE POSTS

The 10 per cent ad valorem duty proposed by the bill on cedar posts and lumber will increase the cost of cedar fence posts to the farmer by 10 per cent; while railroad ties, telephone and telegraph poles of cedar are not included, and will not be affected by such duty. Why put a duty on the fence posts and not on telephone and telegraph poles? Since the farmer is a great user of cedar posts, I consider this duty an injustice to him as it would add an annual burden on him. Such duty proposed by the bill should be eliminated therefrom before the bill is passed.

BRICK

This bill, if passed in its present form, will place a duty of $1.25 per thousand on building brick; brick has heretofore been on the free list. Brick is an important building material, the prices of which are already very high. Brick manufacturers are quite generally prospering and brick should not be considered in this tariff bill at this time as it does not come within what the special session of Congress was called for—namely, farm relief and the revision of the tariff to benefit the farmer. A duty on brick would place a burden upon the farmer and all users of brick; no sufficient and proper showing was made at this hearing justifying a duty on brick.

CEMENT

The bill provides for a duty of 30 cents a barrel on cement. Cement has so far been free of duty; if this 30 cents a barrel on cement is left in the bill, it will mean that cement will in all probability retail for 50 or 60 cents a barrel more than before. The cement manufacturers are well established and organized; the cement industry is one of our largest institutions. We all know how apparently, by a mutual understanding between the cement manufacturers and dealers, there is an almost uniform price in the different sections of the United States on cement. Those engaged in the business are prospering. Then why this duty of 30 cents on a barrel of cement. It would mean an additional burden upon the farmer, every builder of a house, and the States and the Nation as well, in the carrying out of its program of road building and public buildings.

Nearly every farmer uses cement from time to time in building a silo, cellar floors, barn floors, walks, foundations for barns, and other buildings. Since no good reason has been shown why this duty is necessary, this extra burden should not at this time be placed upon the farmer, the people generally, the State, and the Nation. The proposed tariff on cement should be cut out of the bill.

CONCLUSIONS

In conclusion, let me impress upon your minds that in passing upon the tariff bill we should keep in mind that the farmer must get help. He was promised help during the campaign last fall by Mr. Hoover. Mr. Hoover was elected President of the United States. Mr. Hoover kept his promise and called a special session of Congress and worded his call in a way to clearly indicate what he meant, namely, in substance, to redeem two pledges made during the campaign—"farm relief" and "limited changes in the tariff." He had in mind modifying such schedules of the tariff laws as would benefit the farmer, because, as he said in substance, "The agricultural industry is not able to keep pace in prosperity or standard of living with other lines of industry, which other lines of industry are, with some few exceptions, prospering."

Now, then, the people have also elected us to help the President carry out these pledges so made by him to the farmers; let us do our duty. Let us be equal to the occasion. The burdens in the proposed tariff bill if passed in its present form will be far greater than the benefits that the farmer will receive.

Let us have amendments to the bill that will raise the duty on casein, live cattle, hemp, clover seed, and on other crops that the farmer is in a position to produce under a proper tariff and thus encourage diversified farming, increase his income and have a tendency to lessen his acreage of crops where he is producing a surplus at a great loss.

Before passing the tariff bill let us eliminate therefrom the proposed duty on shingles, ropes and the material from which it is made; brick, cement, posts, and the other articles that the farmer buys in large quantities, so as to lessen his expenses.

Business and manufacturing interests generally should be willing to make a sacrifice in order to help to bring the farmer back into the picture, because if the farmer does not prosper, if the farmer can not buy, then the manufacturer, the business man, and the laborer will eventually and surely suffer. Let us meet the situation in time.

Let us not pass the tariff bill unless the schedules are so finally left as to assure the farmer that the benefits to him thereunder will exceed the burdens that will fall upon him. Let us work together and make good our President's pledge to the farmer as far as possible and pass the bill when first so changed that it will come within, carry out, and reflect the true intent and purpose of the promise of the President of the United States. [Applause.]

LABOR CONDITIONS IN COLORADO BEET-SUGAR INDUSTRY

Mr. EATON of Colorado. Mr. Speaker, on page 1057 of the RECORD is a reference to a letter of one H. H. Maris, who signed as president of the Humanitarian Heart Mission, purported to have been written from Denver, Colo., March 1, 1928. Upon page 1477 of the RECORD are the statements of the Denver Community Chest and Denver Chamber of Commerce, stating under date of May 16, 1929, that such a mission has no standing with the charities committee of the Chamber of Commerce or the Denver Community Chest. Who was the letter writer?

On page 1233 is set forth a letter dated May 9, 1929, from ex-Congressman George J. Kindell.

After examination of each of the foregoing the following telegram was prepared and sent upon May 16, 1929:

WASHINGTON, D. C., *May 16, 1929.*

WM. H. CARLSON,
President Mountain States Beet Growers Marketing Association, Greeley, Colo.:

Statement was made in House that president of Humanitarian Heart Mission said: "The Sugar Beet Co. employs the very poorest and most ignorant Mexicans with large families; brings them to Denver, working them in the beet fields until snow flies. These unfortunates then congregate in Denver with $15 or $20 to keep a large family and no possible means of support by labor through the winter season." Ex-Congressman George Kindell, of Denver, wrote letter dated May 9, 1929, which was printed in RECORD, stating "The principal employees doing the drudgery in the beet fields of Colorado are Mexicans and other inferior foreign laborers who are lowering the standard of human values. The Denver community chest cares, in part at least, for 8,000 Mexicans in winter and 3,000 in summer in Denver, and Weld County paid within one fiscal year only a year or two ago, some $116,000 to grocer merchants for food supplies doled out by them to indigents during the winter months, according to statement made by Carl Finch of Eaton, in January this year, and that the indigents were mainly Mexicans." Please wire me Friday, latest, accurate information as to accuracy of quoted statements and actual status stating also how many Mexican beet workers are alien, how many citizens, and an accurate picture of both child labor and Mexican labor situation in northern Colorado.

WM. R. EATON,
Congressman First District.

To which the following reply was received:

Hon. WILLIAM R. EATON, M. C.,
House of Representatives, Washington, D. C.:

Replying to your telegram of May 16, state that I have lived in the vicinity of Eaton and Greeley, Colo., for 39 years and know of no one by the name of Carl Finch, of Eaton, Colo. An inquiry of pioneers and Eaton postmaster indicates no such person there. The statement supposed to be made by Carl Finch is absurd.

The Associated Relief of Greeley, Colo., located in the heart of the beet-raising region, operating under the auspices of the Weld County commissioners and city authorities, published their annual report in the Greeley Tribune April 25, 1929. The following is from the report: "In March, when the peak of the year was reached for relief giving, only 3 of the 46 families and individuals receiving relief were Mexican."

Lester Beer, having charge of Weld County poor relief, states: "That during the year of 1929 he administered financial aid to only two Mexican families in the beet region north of the coal fields."

Weld County records show the entire cost of Weld County, with an area of 4,248 square miles, for the fiscal year ending May 1, 1929, for fuel, rent, clothing, and food, poor Mexican families, was only $4,600, and a large portion of this went to the Mexican families in the coal fields of the county.

Guy T. Justice, secretary of the community chest of Denver, says: "They do not spend any more on Mexican paupers than other nationalities."

It is estimated that 8,000 Mexicans live in Denver during the winter months and 3,000 during the summer; about 2,000 of these going into the northern beet fields. Twenty-five per cent of the beet acreage this year in northern Colorado is tended by 6,000 Mexicans; 80 per cent of these are not citizens, a part of whom return to Mexico. Thirty-five per cent of this year's acreage is tended by Spanish-American citizens by birth. Children under 11 years of age are prohibited from working in the beet fields under the contract.

The establishment of summer schools for the beet workers' children clearly indicates the care taken for their welfare.

Dr. W. E. Spaulding, medical inspector of Greeley public schools, writing in the Colorado School Journal of March, 1922, using the weights and measurements of groups of city children—beet workers and nonbeet workers, and 7,000 pupils in the country schools—concludes as follows: "Just as a regular school vacation improved the general physical condition of pupil and teacher, so it can be shown that beet-working children improve in health and appearance, and weight during their period of work in the field. We are able to substantiate the statement that the physical condition of beet-field workers is as good as the average child of the same class." Social workers would do well in locating places for the poor children of the cities in the outdoor life on a Colorado beet farm. The average beet worker will thin or top one-half acre of beets per day, for which he receives $10 per acre for each operation.

WM. A. CARLSON,
President The Mountain States Beet Growers Marketing Association.

THE CASE FOR A TARIFF ON LONG-STAPLE COTTON FULLY MADE OUT

Mr. WHITTINGTON. Mr. Speaker, under the general leave to extend my remarks on the tariff bill, I am giving the substance of an argument I made to the Republican members of the Ways and Means Committee on Friday, May 17, 1929, in favor of an amendment to the pending bill to provide for a reasonable tariff on long-staple cotton.

It has been said that a tariff was denied by the committee because of the following reasons:

First. If Egyptian cotton does not enter the United States as raw material, it will nevertheless come in the form of the manufactured product. The answer is that the manufactured product of the foreign raw material already has a substantial tariff. Foreign manufactures are being kept out. A further and complete answer is that the tariffs on the manufactured products of all staple cotton have been very materially increased. This should dispose of the contention that the domestic manufacturer would be discriminated against. Moreover, only a reasonable tariff on staple cotton is desired. We oppose an embargo. The tariff is fundamentally wrong if its benefits can not be extended to agriculture as well as manufacturing.

Second. It is said that a tariff on Egyptian cotton would induce the British Government to encourage and promote the growth of cotton in Egypt and in other British dependencies and colonies. This is a careless statement. Great Britain for half a century has encouraged the cultivation and production of cotton in Egypt and in its dominions and colonies. By the use of foreign cotton the United States is encouraging the production of Egyptian cotton. The United States is aiding and promoting the policy of the British Government. Who is so unsophisticated as to say that the British Government does not now promote the cultivation of cotton to enable cotton to be exported by the United States? There is just one reason why the British Government does not raise cotton for its requirements. They have neither the soil nor the climate. There has been grown no competitor for the great body of American cotton. I quote from the Summary of Tariff Information, 1929, page 2303:

Besides the Egyptian crop, about 100,000 bales of Sakellarides are produced annually in the Anglo-Egyptian Sudan under British direction.

Sakellarides cotton has only been grown in Egypt for the past 20 years. Its cultivation began in 1907, as shown by the United States Tariff Commission, Tariff Information Series No. 27, page 6. The Egyptian Government cooperates to promote the growth of cotton, page 24.

The government of our competitors, by government loans and government cooperation, has assisted our competitors to grow their crop. Can the United States afford to do less?

The growers of American-Egyptian cotton, in asking for a tariff in 1922, stated that if the benefits of the tariff were denied, the production of long-staple cotton would gradually decline in the United States. What is the record? In 1922, 32,824 bales of Pima cotton were produced. In 1927, 24,223 bales of Pima cotton were raised. In 1922, there were 5,125 bales of sea-island cotton produced. In 1927, only 179 bales were raised. I know of the decrease in the production of staple cotton in the Delta. I prefer to quote from the record. Mr. Robert C. Kerr, representing the American Thread Co., as shown by

page 8501 of the hearings, stated that he formerly consumed 9,000 bales of Delta staples 1¼ to 1⅛ inches in length annually. He stated that now these staples are nonexistent. I know he is correct. The odds are against the American producer. The weather, the pests, and the labor costs are against him. Which is the short-sighted policy, to deny the benefits of the tariff or to follow the example of the Egyptian Government and promote domestic production?

All cotton is now raised in spite of the boll weevil. As shown by page 2303 of the Summary of Tariff Information, 1929, the acreage planted to staple cotton is determined by the spread in the price. This is but another way of saying that if there is no premium over the price of short cotton, the production of staple cotton in the United States will cease. The interest of the American consumer must be considered. Is it wise to continue a policy that will make the American people dependent upon a foreign production?

When the ravages of the boll weevil became manifest in the United States the growth of Sakellarides cotton was encouraged in Egypt. The production is growing less in Egypt each year. In Egypt the British Government is encouraging the extension and cultivation in the Sudan. The cotton growers of the South and the Southwest are familiar with foreign operations. The late Dwight B. Heard, of Arizona, visited all of the cotton operations in the British colonies some three years ago. He returned to the United States a more confirmed advocate than ever of a reasonable tariff on staple cotton.

DISCREPANCIES

In a speech on Tuesday, May 14, 1929, as shown by the RECORD, page 1293, Mr. TREADWAY gave statistics as to domestic exports of staple cotton. It is passing strange that Mr. TREADWAY overlooked the comments contained in the Summary on page 2306, and I quote the important matter which my colleague from Massachusetts did not include:

> The recorded exports of long staple cotton (over 1⅛ inches) are much larger than the estimated production, although large quantities are known to be used domestically. There is some confusion in the trade as to how staple length is to be measured and cotton considered 1⅛ inches in certain localities is considered short staple in others. The discrepancy can merely be pointed out, not satisfactorily explained here.

The statistics quoted by Mr. TREADWAY are reported to the Department of Commerce by exporters. They are not statistics collected by any governmental agency. Ex-Senator Lippitt referred to the discrepancy, and he stated on page 8475 of the hearings that the exports of staple cotton amount to about 300,000 bales annually. There was no guessing as to exports on the part of the domestic producers. Their records show, on page 8441 of the hearings, that from 70 to 75 per cent of Delta staples are consumed in the United States.

I have repeatedly pointed out that the United States Government for the past two years has estimated, as required by law, the domestic production. They have also estimated the domestic consumption. Their figures show that the domestic production for 1928 is around 700,000 bales, while the domestic consumption of domestic staples is less than that figure.

Mr. TREADWAY states that there is no satisfactory substitute for any Egyptian cotton. I speak from the hearings and from the uncontradicted hearings. I quote from the testimony of Mr. John B. Clark, representing the Clark Thread Co., in answer to a question by Mr. Collier, page 8490 of the hearings:

> I did not say that the Delta staple could not be substituted.

His statement is typical of other statements.

We have a very high tariff on wool. We do not grow enough for domestic consumption. It is just as reasonable to argue that a tariff on wool would prevent the imports of wool that we must have as to argue that a tariff on staple cotton will prevent the imports of staple cotton. The same argument applies to sugar.

Again, as repeatedly pointed out in the briefs and in the hearings, the fair conclusion from all the testimony is that Delta staples can be substituted for Egyptian uppers. At the present time there are being imported about 50,000 bales annually of Sakellarides. We ask for no embargo. We believe that a reasonable tariff on staple cotton would foster domestic production and would protect the domestic producer in the difference in labor costs in the United States and Egypt.

PREMIUMS

The growers of staple cotton are suffering unusual depression, and it is reflected in the entire cotton industry. Millions are engaged in the cotton fields of the South, where hundreds are employed in the factories. The importations of Egyptian cotton have reduced the premiums on staple cotton. The condition of the staple cotton grower is worse than that of the United States textile mills. He must compete with Egyptian labor, the cost of which is from 75 to 80 per cent less than that of American labor. He must overcome floods and pests. The importations are depressing the price of staples, and unless the domestic grower receives the equal benefit of the tariff the American people will be the loser in the long run. We know what the British interests will do when there is a monopoly. We have not forgotten the rubber situation two years ago.

TARIFF BENEFICIAL

The emergency tariff act, with a duty of 7 cents per pound on long-staple cotton, was in effect from May 27, 1921, to September 21, 1922. Approximately, 50,000 bales of Sakellarides and its equivalent were imported in 1928, as shown by the hearings, page 8458. I refer to page 2304 of the summary:

Sixteen thousand bales of Sakellarides were imported during the emergency tariff in 1921, and 31,000 bales in 1922.

The Tariff Bulletin, No. 27, to which I have referred, issued by the Tariff Commission, states that Pima cotton was substituted for the Sakellarides, and the hearings, on page 8458, show that the spinners themselves substitute Delta staples for Egyptian uppers when the premiums are too high. Alas, however, it will be too late to substitute when staples have disappeared in the United States.

TARIFF ON TIRE FABRICS

Ex-Senator Henry F. Lippitt, on page 8484 of the hearings, stated that long staples are combed, and that they make very fine numbers, such as 100 or 150. Staples are used in fine cotton goods and fine yarns, in sewing thread, tire fabrics, and for high grade special purposes.

In his speech, to which I have referred, on page 1287 of the RECORD, Mr. TREADWAY pointed out that the average tire fabric under the pending bill would carry a duty of 17 per cent ad valorem. I am aware that paragraph 905 has been modified. I admit that the present bill carries a smaller tariff on tire fabrics in general. However, all the fabrics that have the highest numbers have the highest tariff in history. The tariff on the textiles manufactured from domestic staples has been raised very materially. Replying to Mr. TREADWAY, I say that the tariff on tire fabrics in which staples are used has very materially increased. I quote from the hearings. As shown by page 8502, the tire industry uses about 700,000 bales of cotton annually, of which not more than 30 per cent, as shown by pages 8506 and 8507, is long-staple cotton. In other words, at least 70 per cent of the cotton, or 500,000 bales, used in tire fabrics would still remain on the free list if a reasonable tariff is granted on staple cotton; and inasmuch as the tariff on larger numbers has been materially increased it must follow that while the average duty on all tire fabrics may be 17 per cent ad valorem, where it is now 25 per cent, it will be much higher than 25 per cent on tire fabrics using staple cotton.

COMPENSATORY DUTIES

Mr. TREADWAY stated that there was no showing before the committee as to compensatory duties, in the event a tariff was granted on staple cotton. With so many tariff matters before him, he has again overlooked the hearings. Senator Lippitt, on page 8476, gave it as his judgment that there should be at least 40 per cent more duty on the products than the duty levied on the cotton. Senator Lippitt made this statement again on page 8484, and it was reinforced by the statements of other witnesses.

We do not ask that Delta staples be given a tariff without similar compensation to manufacturers. The probability is that the committee has anticipated the matter of compensatory duties. The tariffs, as I read the bill, on the articles manufactured from staple cotton, have been raised to and in excess of the figures suggested by Senator Lippitt. If I am in error, I concede that an adequate tariff on staple cotton should provide for adequate compensatory duties.

DOMESTIC AND FOREIGN COSTS

Agricultural workers in Egypt, according to the report of the American consul, dated December 22, 1928, received from 30 to 50 cents per day for men and from 15 to 25 cents per day for women and children.

Cotton pickers in Egypt are paid from 7½ and 25 cents per day for picking cotton. The pickers, many of whom are children, work under the lash. They are beaten if the overseer is dissatisfied with their work. The hearings disclose that the wage rate in the staple areas of the South and Southwest is from $1.25 to $3 a day. Cotton pickers of domestic staple cotton receive from $1 to $3 per day.

Labor is the major cost in any product. It applies to the raw, as well as to the manufactured, product.

POLICY

It is admitted that there is no similar tariff question in the major part of the American cotton crop. Fifty to 65 per cent of ordinary domestic cotton is exported. The probability is that only about one-fourth of American staples is exported, while one-third of American staple consumption is imported. Those who oppose a tariff on staple cotton manifest a remarkable interest in the domestic staple cotton grower. They maintain that a tariff on staple cotton would be a shortsighted policy. They aver that there has been no tariff on cotton except in the emergency act of 1921. We did not have boll-weevil conditions in the growing of staple cotton until 15 years ago. There were tariffs on raw cotton in all the tariff acts up to and including the act of 1866.

The growers of staple cotton in the South and Southwest are among the most capable of American farmers. They are progressive. They have adopted cooperative marketing. Cooperative marketing by the staple growers has been successful. The Staple Cotton Cooperative Association of Mississippi represents the staple growers of Mississippi, Arkansas, and Louisiana. It handles approximately one-third of the Delta staple crop. The California-Arizona-New Mexico Cotton Association represents three-fourths of the cotton industry in the West, scattered throughout the arid valleys from El Paso to Sacramento. The directors of these two associations are among the most capable producers and executives in the United States. If they resided in the textile and manufacturing centers of the country they would be among the great captains of industry. These two associations have given careful study and thought to a tariff on staple cotton. They are familiar with domestic production and consumption, and they understand agricultural and manufacturing conditions in Egypt, the Sudan, and Great Britain. They are not shortsighted. They are farseeing. They know that domestic staples are disappearing. They know that the Government is fostering the manufacture of these staples. They know that foreign governments are fostering the production of these staples. They believe that the future of the domestic staple-cotton industry depends upon a tariff.

I am relying not only upon my own judgment as an individual cotton grower, but I am relying upon the judgment of the best thought among the producers. We are willing to take the responsibility of a tariff on staple cotton. Those who oppose it argue that it will be to the disadvantage of the grower. When pressed, however, our opponents admit that in their judgment it will increase the price of domestic cotton. The opposition therefore is selfish. Those who receive the benefits of the tariff in manufacturing are unwilling to extend it in agriculture. Our opponents beg the question. They say it will be difficult to write compensatory duties on cotton manufactures. At the same time, they say that the cotton schedule is difficult. I ask a fair question. Is it any more difficult to write compensatory duties than it is to prepare specific or ad valorem duties on cotton fabrics? If fair duties can not be written in the one case, it follows that they can not be written in the other. The consistent conclusion, if our opponents are correct, is that there should not be any tariff at all on cotton products. The growers of staple cotton plead for equality. They ask that the policy of protection be extended to them. If the declarations of both the Republican and Democratic platforms of 1928, advocating adequate tariff protection to agricultural products that are affected by foreign competition are heeded, if the doctrine of President Herbert Hoover that the first and complete necessity is that the American farmer shall have the American market, if the manufacturer of staple cotton receives the benefit of a high tariff to secure the American market, then the growers of domestic staple cotton should be given the benefit of a reasonable tariff of at least 7 cents per pound on staples 1⅛ inches and longer.

Mr. GARNER. Mr, Speaker, under leave to extend my remarks in the RECORD I desire to include the following suggested amendment to the sugar schedule in the pending tariff bill, together with some tables showing the workings of it:

Page 105: Strike out lines 3 to 17, inclusive, and insert:

"PAR. 501. Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, and concrete and concentrated molasses, and mixtures containing sugar and water testing by the polariscope above 50 sugar degrees:

"(1) Any of the foregoing, if testing by the polariscope 96 sugar degrees, shall be subject to a duty per pound equal to the amount, if any, by which 5 cents exceeds the wholesale price per pound of sugars testing by the polariscope 96 sugar degrees. For the purpose of this paragraph such wholesale price shall be the weighted average of the prices (including cost and freight, but excluding duty and insurance) for immediate delivery, of sugars testing by the polariscope 96 sugar degrees, in the New York wholesale market on the last day on which sales were made prior to the day on which entry is made or the merchandise withdrawn from warehouse.

"(2) If testing by the polariscope below 96 sugar degrees and not below 75 sugar degrees, the 96-degree rate shall be reduced by two one-hundreths for each sugar degree below 96 sugar degrees, and fractions of a degree in proportion.

"(3) If testing by the polariscope below 75 sugar degrees, the 75-degree rate shall apply.

"(4) If testing by the polariscope above 96 sugar degrees, forty-six one-thousandths of 1 cent per pound for each sugar degree above 96 sugar degrees, and fractions of a degree in proportion, and in addition thereto the 96-degree rate."

96° sugar

New York price in cents per pound	Full duty at all ports	Cuban duty at all ports	New York price at wholesale of Cuban sugar plus duty
1	4.00	3.20	4.20
1½	3.50	2.80	4.30
2	3.00	2.40	4.40
2½	2.50	2.00	4.50
3	2.00	1.60	4.60
3½	1.50	1.20	4.70
4	1.00	.80	4.80
4½	.50	.40	4.90
5	.00	.00	5.00

Full duty, raw sugar below 96°

New York price	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50
Rate 96°	4.00	3.50	3.00	2.50	2.00	1.50	1.00	0.50
Rate 95°	3.92	3.43	2.94	2.45	1.96	1.47	.98	.49
Rate 94°	3.84	3.36	2.88	2.40	1.92	1.44	.96	.48
Rate 93°	3.76	3.29	2.82	2.35	1.88	1.41	.94	.47
Rate 92°	3.68	3.22	2.76	2.30	1.84	1.38	.92	.46
Rate 91°	3.60	3.15	2.70	2.25	1.80	1.35	.90	.45
Rate 90°	3.52	3.08	2.64	2.20	1.76	1.32	.88	.44
Rate 89°	3.44	3.01	2.58	2.15	1.72	1.29	.86	.43
Rate 88°	3.36	2.94	2.52	2.10	1.68	1.26	.84	.42
Rate 87°	3.28	2.87	2.46	2.05	1.64	1.23	.82	.41
Rate 86°	3.20	2.80	2.40	2.00	1.60	1.20	.80	.40
Rate 85°	3.12	2.73	2.34	1.95	1.56	1.17	.78	.39
Rate 84°	3.04	2.66	2.28	1.90	1.52	1.14	.76	.38
Rate 83°	2.96	2.59	2.22	1.85	1.48	1.11	.74	.37
Rate 82°	2.88	2.52	2.12	1.80	1.44	1.08	.72	.36
Rate 81°	2.80	2.45	2.06	1.75	1.40	1.05	.70	.35
Rate 80°	2.72	2.38	2.00	1.70	1.36	1.02	.68	.34
Rate 79°	2.64	2.31	1.94	1.65	1.32	.99	.66	.33
Rate 78°	2.58	2.24	1.88	1.60	1.28	.96	.64	.32
Rate 77°	2.50	2.17	1.82	1.55	1.24	.93	.62	.31
Rate 76°	2.42	2.10	1.76	1.50	1.20	.90	.60	.30
Rate 75°	2.34	2.03	1.70	1.45	1.16	.87	.58	.29

Cuban rate, raw sugar below 96°

New York price	1	1½	2	2½	3	3½	4	4½
Rate 96°	3.20	2.80	2.40	2.00	1.600	1.200	0.800	0.400
Rate 95°	3.136	2.744	2.352	1.960	1.568	1.176	.784	.392
Rate 94°	3.072	2.688	2.304	1.920	1.536	1.152	.768	.384
Rate 93°	3.008	2.632	2.256	1.880	1.504	1.128	.752	.376
Rate 92°	2.944	2.576	2.208	1.840	1.472	1.104	.736	.368
Rate 91°	2.880	2.520	2.160	1.800	1.440	1.080	.720	.360
Rate 90°	2.816	2.464	2.112	1.760	1.408	1.056	.704	.352
Rate 89°	2.752	2.408	2.064	1.720	1.376	1.032	.688	.344
Rate 88°	2.688	2.352	2.016	1.680	1.344	1.008	.672	.336
Rate 87°	2.624	2.296	1.968	1.640	1.312	.984	.656	.328
Rate 86°	2.560	2.240	1.920	1.600	1.280	.960	.640	.320
Rate 85°	2.496	2.184	1.872	1.560	1.248	.936	.624	.312
Rate 84°	2.432	2.128	1.824	1.520	1.216	.912	.608	.304
Rate 83°	2.368	2.072	1.776	1.480	1.184	.888	.592	.296
Rate 82°	2.304	2.016	1.696	1.440	1.152	.864	.576	.288
Rate 81°	2.240	1.960	1.648	1.400	1.120	.840	.560	.280
Rate 80°	2.176	1.904	1.600	1.360	1.098	.816	.544	.272
Rate 79°	2.112	1.848	1.552	1.320	1.056	.792	.528	.264
Rate 78°	2.064	1.792	1.504	1.280	1.024	.768	.512	.256
Rate 77°	2.000	1.736	1.456	1.242	.992	.744	.496	.248
Rate 76°	1.936	1.680	1.408	1.200	.960	.720	.480	.240
Rate 75°	1.872	1.624	1.360	1.160	.928	.696	.464	.232

Full-duty, sugar testing 96° and above

New York price	1	1½	2	2½	3	3½	4	4½	5
Rate 96°	4.00	3.50	3.00	2.50	2.00	1.50	1.00	0.50	------
Rate 97°	4.046	3.546	3.046	2.546	2.046	1.546	1.046	.546	0.046
Rate 98°	4.092	3.592	3.092	2.592	2.092	1.592	1.092	.592	.092
Rate 99°	4.138	3.638	3.138	2.638	2.138	1.638	1.138	.638	.138
Rate 100°	4.184	3.684	3.184	2.684	2.184	1.684	1.184	.684	.184

Cuban duty, sugar testing 96° and above

New York price	1	1½	2	2½	3	3½	4	4½	5
Rate 96°	3.20	2.80	2.40	2.00	1.60	1.20	0.80	0.40	------
Rate 97°	3.237	2.837	2.437	2.037	1.637	1.237	.837	.437	0.037
Rate 98°	3.274	2.874	2.474	2.074	1.674	1.274	.874	.474	.074
Rate 99°	3.310	2.910	2.510	2.110	1.710	1.310	.910	.510	.110
Rate 100°	3.347	2.947	2.547	2.147	1.747	1.347	.947	.547	.137

ADJOURNMENT

Mr. HAWLEY. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 58 minutes p. m.) the House adjourned until to-morrow, Tuesday, May 21, 1929, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

19. A communication from the President of the United States, transmitting a list of judgments rendered by the Court of Claims, which have been submitted by the Attorney General through the Secretary of the Treasury, and require an appropriation for their payment amounting to $4,023,249.65 (H. Doc. No. 18); to the Committee on Appropriations and ordered to be printed.

20. A letter from the Secretary of War, transmitting report from the Chief of Engineers on preliminary examination and survey of East Rockaway Inlet, Jones Inlet, Long Beach Channel, Freeport Creek, and Mill River, N. Y. (H. Doc. No. 19); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BRIGGS: A bill (H. R. 3137) to authorize a survey of Clear Creek and Clear Lake, Tex., and for other purposes; to the Committee on Rivers and Harbors.

By Mr. CABLE: A bill (H. R. 3138) to regulate certain employment on public work; to the Committee on the Judiciary.

By Mr. GLOVER: A bill (H. R. 3139) for the relief of the congested conditions in the Federal courts in the United States and conferring jurisdiction on United States commissioners to hear pleas of guilty on information previously filed by the United States district attorney or his deputy, and assess punishment as provided for by law, and providing for an appeal by any person aggrieved; to the Committee on the Judiciary.

Also, a bill (H. R. 3140) to aid in the promotion of elementary and high-school education in rural areas of the United States and to encourage agriculture, horticulture, stock and poultry raising, and domestic science, and to cooperate with the States in the promotion of these objectives; to the Committee on Education.

By Mr. MAPES: A bill (H. R. 3141) to amend paragraph (11) of section 20 of the interstate commerce act, as amended; to the Committee on Interstate and Foreign Commerce.

By Mr. PARKER: A bill (H. R. 3142) to provide for the coordination of the public-health activities of the Government, and for other purposes; to the Committee on Interstate and Foreign Commerce.

Also, a bill (H. R. 3143) to establish and operate a national institute of health, to create a system of fellowships in said institute, and to authorize the Government to accept donations for use in ascertaining the cause, prevention, and cure of disease affecting human beings, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. STOBBS: A bill (H. R. 3144) to amend sections 599, 600, and 601 of subchapter 3 of the Code of Laws for the District of Columbia; to the Committee on the District of Columbia.

By Mr. CRAIL: A bill (H. R. 3145) authorizing the reimbursement of those who suffer loss by confiscation and destruction of property in the efforts of the Government to eradicate Mediterranean fruit fly, and authorizing an appropriation therefor; to the Committee on Agriculture.

By Mr. HULL of Tennessee: A bill (H. R. 3146) granting the consent of Congress to the Highway Department of the State of Tennessee to construct, maintain, and operate a bridge across the Cumberland River between Gainesboro and Granville, in Jackson County, Tenn.; to the Committee on Interstate and Foreign Commerce.

Also, a bill (H. R. 3147) granting the consent of Congress to the Highway Department of the State of Tennessee to construct, maintain, and operate a bridge across the Cumberland River on the projected Gallatin Martha Road between Summer and Wilson Counties, Tenn.; to the Committee on Interstate and Foreign Commerce.

By Mr. JAMES: A bill (H. R. 3148) to authorize the payment of travel expenses of Regular Army personnel on training duty from the appropriation for the support of the Organized Reserves, the Reserve Officers' Training Corps, and the citizens' military training camps, respectively; to the Committee on Military Affairs.

Also (by request of the War Department), a bill (H. R. 3149) to authorize the acquisition of land in Oahu, Hawaii; to the Committee on Military Affairs.

Also (by request of the War Department), a bill (H. R. 3150) to authorize the Secretary of War or the Secretary of the Navy to withhold the pay of officers, warrant officers, and nurses of the Army, Navy, or Marine Corps to cover indebtedness to the United States under certain conditions; to the Committee on Military Affairs.

By Mr. GLOVER: Joint resolution (H. J. Res. 77) proposing an amendment to the Constitution of the United States abolishing the electoral college; to the Committee on the Judiciary.

By Mr. WATSON: Joint resolution (H. J. Res. 78) to permit the citizens of Pennsylvania to erect a fountain in the District of Columbia; to the Committee on the Library.

By Mr. PARKER: Concurrent resolution (H. Con. Res. 7) to create a committee to represent the Congress of the United States at Dearborn, Mich., October 21, 1929, in celebration of the fiftieth anniversary of the perfection by Thomas Alva Edison of the incandescent lamp; to the Committee on Rules.

MEMORIALS

Under clause 3 of Rule XXII, memorials were presented and referred as follows:

Memorial of the State Legislature of the State of Wisconsin, memoralizing Congress of the United States to enact the farm debenture plan for agriculture relief into law; to the Committee on Agriculture.

Memorial of the State Legislature of the State of Connecticut, requesting the Congress of the United States to make an appropriation for the restoration, preservation, and maintenance of the U. S. S. *Hartford* and for the transfer to Connecticut waters of this historic ship; to the Committee on Naval Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ANDREW: A bill (H. R. 3151) granting an increase of pension to Mary A. Dwinells; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3152) granting a pension to Lena C. Finney; to the Committee on Invalid Pensions.

By Mr. BEERS: A bill (H. R. 3153) granting an increase of pension to Susanna Guyer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3154) granting a pension to Mary D. Montgomery; to the Committee on Invalid Pensions.

By Mr. BLACKBURN: A bill (H. R. 3155) granting a pension to Montie Johnson; to the Committee on Invalid Pensions.

By Mr. BUCKBEE: A bill (H. R. 3156) granting an increase of pension to Betsy Van Amburg; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3157) granting an increase of pension to Emily M. Emmons; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3158) granting a pension to Margaret Buckley Paine; to the Committee on Invalid Pensions.

By Mr. CRAIL: A bill (H. R. 3159) for the relief of W. F. Nash; to the Committee on Claims.

Also, a bill (H. R. 3160) granting a pension to Mabel M. Callahan; to the Committee on Pensions.

Also, a bill (H. R. 3161) granting an increase of pension to Nancy E. Sprung; to the Committee on Invalid Pensions.

By Mr. DEMPSEY: A bill (H. R. 3162) granting a pension to Belle M. Harris; to the Committee on Pensions.

Also, a bill (H. R. 3163) for the relief of the heirs of Jacob D. Hanson; to the Committee on Claims.

By Mr. DYER: A bill (H. R. 3164) for the relief of Anthony Amad; to the Committee on Claims.

By Mr. EDWARDS: A bill (H. R. 3165) for the relief of John A. Woods; to the Committee on World War Veterans' Legislation.

Also, a bill (H. R. 3166) for the relief of Thomas W. Surrency; to the Committee on World War Veterans' Legislation.

Also, a bill (H. R. 3167) for the relief of James L. Wells; to the Committee on World War Veterans' Legislation.

Also, a bill (H. R. 3168) for the relief of Lawrence A. Price; to the Committee on World War Veterans' Legislation.

Also, a bill (H. R. 3169) for the relief of John Henry Mobley; to the Committee on Claims.

By Mr. FREEMAN: A bill (H. R. 3170) granting an increase of pension to Jessie A. Maxson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3171) granting an increase of pension to Maria A. Thurston; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3172) granting an increase of pension to Emily Irish; to the Committee on Invalid Pensions.

By Mr. GIBSON: A bill (H. R. 3173) granting an increase of pension to Emily R. Sherman; to the Committee on Invalid Pensions.

By Mr. GLOVER: A bill (H. R. 3174) for the relief of Henry W. Sublet; to the Committee on Claims.

By Mr. HALE: A bill (H. R. 3175) to authorize Lieut. Commander James C. Monfort, of the United States Navy, to accept a decoration conferred upon him by the Government of Italy; to the Committee on Naval Affairs.

Also, a bill (H. R. 3176) for the relief of Rear Admiral Douglas E. Dismukes, United States Navy, retired; to the Committee on Naval Affairs.

By Mr. IRWIN: A bill (H. R. 3177) granting an increase of pension to Mary E. Grove; to the Committee on Invalid Pensions.

By Mr. JAMES (by request of the War Department): A bill (H. R. 3178) for the relief of Allegheny Forging Co.; to the Committee on Claims.

By Mr. KENDALL of Kentucky: A bill (H. R. 3179) to grant an honorable discharge to John W. Kincaid, deceased; to the Committee on Military Affairs.

By Mr. LOZIER: A bill (H. R. 3180) granting an increase of pension to Eliza J. Leslie; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3181) granting an increase of pension to Matilda Fisher; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3182) granting a pension to Corena J. Wilson; to the Committee on Invalid Pensions.

By Mr. LUDLOW: A bill (H. R. 3183) for the relief of Thomas B. Wikoff; to the Committee on Military Affairs.

Also, a bill (H. R. 3184) granting an increase of pension to Elizabeth Moorehead; to the Committee on Invalid Pensions.

By Mr. McFADDEN: A bill (H. R. 3185) granting an increase of pension to Addie C. Foster; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3186) granting a pension to Elizabeth E. French; to the Committee on Invalid Pensions.

By Mr. McLEOD: A bill (H. R. 3187) for the relief of Agnes Loupinas; to the Committee on Claims.

By Mr. MAGRADY: A bill (H. R. 3188) granting a pension to Leslie M. Sparling; to the Committee on Pensions.

By Mr. MAPES: A bill (H. R. 3189) granting a pension to Nettie J. Aldrich; to the Committee on Invalid Pensions.

By Mr. NELSON of Maine: A bill (H. R. 3190) granting an increase of pension to Eliza F. Withee; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3191) granting a pension to Flora E. Mosher; to the Committee on Invalid Pensions.

By Mr. O'CONNELL of New York: A bill (H. R. 3192) for the relief of Joseph A. McCarthy; to the Committee on Claims.

By Mr. O'CONNOR of Louisiana: A bill (H. R. 3193) for the relief of Joseph H. McDonald; to the Committee on Military Affairs.

By Mr. PALMER: A bill (H. R. 3194) granting a pension to Jacob Carter Keithley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 3195) granting a pension to Mary M. Mahanay; to the Committee on Invalid Pensions.

By Mr. PURNELL: A bill (H. R. 3196) granting an increase of pension to Katie Shideler; to the Committee on Invalid Pensions.

By Mr. SANDERS of New York: A bill (H. R. 3197) granting an increase of pension to Nettie Ellicott; to the Committee on Invalid Pensions.

By Mr. SNELL: A bill (H. R. 3198) granting a pension to Jenkin Williams; to the Committee on Invalid Pensions.

By Mr. STOBBS: A bill (H. R. 3199) granting a pension to Rachael A. Colesworthy; to the Committee on Invalid Pensions.

By Mr. SUTHERLAND: A bill (H. R. 3200) for the relief of Bessie Blaker; to the Committee on the Territories.

By Mr. WINGO: A bill (H. R. 3201) for the relief of John J. Tootle; to the Committee on Claims.

By Mr. WOOD: A bill (H. R. 3202) granting an increase of pension to Martha A. Howard; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

455. Petition of the Hoisting and Portable Engineers' Union, Local No. 59, of San Francisco, Calif., memorializing Congress of the United States for a reduction of 50 per cent in the Federal tax on earned incomes; to the Committee on Ways and Means.

456. Petition of the Golden Gate Branch, No. 214, National Association of Letter Carriers, of San Francisco, Calif., memorializing Congress of the United States for a reduction of 50 per cent in the Federal tax on earned incomes; to the Committee on Ways and Means.

457. Petition of the city council of the city of Lynn, Mass., memorializing Congress of the United States to give consideration to the dire necessity for amending said tariff bill in order that one of our most important industries may be preserved and American standards of wages and living be continued in behalf of the shoe workers; to the Committee on Ways and Means.

458. Petition of the Water Workers' Union, Local No. 401, of the city of San Francisco, Calif., memorializing Congress of the United States for a reduction of 50 per cent in the Federal tax on earned incomes; to the Committee on Ways and Means.

459. Petition of the Composition Reefers' Local, No. 40, of San Francisco, Calif., memorializing Congress of the United States for a reduction of 50 per cent in the Federal tax on earned incomes; to the Committee on Ways and Means.

460. Petition of the drug and chemical section of the New York Board of Trade, representing the drug, chemical, and allied trades in the Metropolitan district, earnestly protesting against the transfer of the Prohibition Bureau from the Treasury Department to the Department of Justice; to the Committee on the Judiciary.

461. By Mr. ALLGOOD: Petition of citizens of the State of New Jersey, praying Congress not to seriously impair the immigration act of 1924 by repealing or suspending national-origins provisions of that act, and asking that Mexico and Latin-American countries be placed under the quota provisions of that act and asking for additional deportation legislation; to the Committee on Immigration and Naturalization.

462. By Mr. ANDREW: Petition signed by members of Maj. A. P. Gardner Camp, United Spanish War Veterans, Beverly, Mass., favoring legislation to increase pensions for Spanish war veterans; to the Committee on Pensions.

463. By Mr. BLOOM: Petition of the National Association of United States Customs Inspectors, requesting Congress in the matter of the proposed amendment to sections 450 and 451 of the tariff act of 1922 to permit these statutes to retain their present language without change, and permit the department to make such adjustments as are justified and possible in its administrative capacity; to the Committee on Ways and Means.

464. Also, petition of the Big Six Post, No. 1522, Veterans of Foreign Wars of the United States, protesting against the conditions brought about by the eighteenth amendment and its enacting laws and demanding their repeal; to the Committee on the Judiciary.

465. Also, petition of the Chamber of Commerce of the United States, indorsing heartily the principles of the treaty of Paris and the inspiring proposals consistent with that treaty which have been presented on behalf of our Government for the effective reduction of armaments; to the Committee on Foreign Affairs.

466. By Mr. BOX: Petition of citizens of the State of New Jersey, praying Congress not to impair the immigration act of 1924 by repealing or suspending national-origins provisions of that act, and asking that Mexico and Latin-American countries be placed under the quota provisions of that act and asking for additional deportation legislation; to the Committee on Immigration and Naturalization.

467. By Mr. GASQUE: Petition circulated and presented by patriotic societies and signed by numerous citizens of the State of New Jersey and other States, praying Congress not to emasculate the immigration act of 1924 by repealing or suspending national-origins provisions of that act, and asking that Mexico and Latin-American countries be placed under the quota provisions of that act, and asking for additional deportation legislation; to the Committee on Immigration and Naturalization.

468. Also, petition circulated and presented by patriotic societies and signed by numerous citizens of the State of New Jersey and other States, praying Congress not to emasculate the immigration act of 1924 by the repeal or the suspension of the national-origins provisions of that act, and asking that Mexico and Latin-American countries be placed under the quota provisions of that act, and asking for additional deportation

legislation; to the Committee on Immigration and Naturalization.

469. By Mr. GREEN: Petition of citizens of the State of New Jersey, petitioning Congress not to weaken the immigration act of 1924 by repealing or suspending national-origins provisions of that act, and asking that Mexico be placed under the quota provisions of that act, and asking for needed deportation legislation; to the Committee on Immigration and Naturalization.

470. By Mr. GRIEST: Petition of Pequea Baptist Church, Lancaster County, Pa., urging the amendment of the preamble of the national Constitution; to the Committee on the Judiciary.

471. By Mr. JENKINS: Petition signed by 50 citizens of New York City, petitioning Congress to retain the national-origins provision of the immigration act of 1924; to the Committee on Immigration and Naturalization.

472. Also, petition signed by 50 citizens of New York City, petitioning Congress to retain the national-origins provision of the immigration act of 1924; to the Committee on Immigration and Naturalization.

473. Also, petition signed by 50 citizens of New York City, petitioning Congress to retain the national-origins provision of the immigration act of 1924; to the Committee on Immigration and Naturalization.

474. Also, petition signed by 50 citizens of New York City, petitioning Congress to retain the national-origins provision of the immigration act of 1924; to the Committee on Immigration and Naturalization.

475. By Mr. LEAVITT: Petition of the directors of the Huntley Project Development Association, Worden, Mont., indorsing the sugar schedule contained in the pending tariff bill (H. R. 2667); to the Committee on Ways and Means.

476. By Mr. McCORMACK of Massachusetts: Petition of the A. T. Stearns Lumber Co., F. R. Moseley, president, Neponset, Boston, Mass., protesting against duty on logs, cedar lumber, shingles, birch, and maple flooring; to the Committee on Ways and Means.

477. By Mr. O'CONNELL of New York: Petition of Chamber of Commerce of the United States of America, with reference to passports; to the Committee on Foreign Affairs.

478. Also, petition of the Maritime Association of the Port of New York, opposing the passage of House bill 121; to the Committee on the Merchant Marine and Fisheries.

479. By Mr. O'CONNOR of New York: Resolutions of the board of directors of the Maritime Association of the Port of New York, protesting against the passage of the bill entitled "A bill fixing the liability of owners of vessels"; to the Committee on the Merchant Marine and Fisheries.

SENATE

TUESDAY, *May 21, 1929*

(Legislative day of Thursday, May 16, 1929)

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

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

The VICE PRESIDENT. The clerk will call the roll.

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

Allen	Frazier	La Follette	Smith
Ashurst	George	McKellar	Smoot
Barkley	Gillett	McMaster	Steck
Bingham	Glenn	McNary	Steiwer
Black	Goff	Metcalf	Stephens
Blaine	Goldsborough	Moses	Swanson
Blease	Gould	Norbeck	Thomas, Idaho
Borah	Greene	Norris	Thomas, Okla.
Brookhart	Hale	Nye	Townsend
Broussard	Harris	Oddie	Trammell
Burton	Harrison	Overman	Tydings
Capper	Hastings	Patterson	Vandenberg
Caraway	Hatfield	Phipps	Wagner
Connally	Hawes	Pine	Walcott
Couzens	Hayden	Pittman	Walsh, Mass.
Cutting	Heflin	Ransdell	Walsh, Mont.
Dale	Howell	Reed	Warren
Deneen	Johnson	Robinson, Ind.	Waterman
Dill	Jones	Sackett	Watson
Edge	Kean	Sheppard	Wheeler
Fess	Kendrick	Shortridge	
Fletcher	King	Simmons	

The VICE PRESIDENT. Eighty-six Senators have answered to their names. A quorum is present. The Senator from Nebraska [Mr. NORRIS] is entitled to the floor.

Several Senators addressed the Chair.

Mr. NORRIS. I yield to Senators who wish to present routine matters.

PETITIONS AND MEMORIALS

Mr. KING. Mr. President, I have been requested to present a memorial signed by the Harlem Bar Association, through its president, and the Interdenominational Preachers' Meeting of New York and vicinity, praying the Senate of the United States to appoint a committee of its Members and to take appropriate action empowering that committee to make a complete, fair, and impartial investigation of conditions in Haiti and the conduct referred to in the memorial, with a view to appropriate legislation that will free Haiti from the military control of the United States. I ask its reference to the Committee on Foreign Relations.

The VICE PRESIDENT. The memorial will be referred to the Committee on Foreign Relations.

Mr. BLAINE presented the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Finance:

STATE OF WISCONSIN.

Senate Joint Resolution 77

Joint resolution memorializing Congress of the United States to increase the duty on farm products and products that enter into the manufacture of substitutes for farm products, such as oils and fats, and copra

Whereas the dumping of foreign farm products and products that enter into the manufacture of substitutes for farm products, such as oils and fats, and copra, on American markets is in direct competition with and materially decreases the value of our home products; and

Whereas the American farmer, with his large investment in farm capital and ever-increasing expenditures, is entitled to the highest protection from foreign competition than can be afforded to his products; and

Whereas the organized farm and dairy groups of the State of Wisconsin have crystallized their sentiments in schedules carefully worked out and presented to Congress by the National Milk Producers' Federation: Now, therefore, be it

Resolved by the senate (the assembly concurring), That this legislature respectfully memorialize and urge the Congress of the United States to enact during the special session the necessary legislation which will revise the tariffs on farm products and products that enter into the manufacture of substitutes for farm products, such as oils and fats, and copra, to conform to the said schedules presented to the Congress by the National Milk Producers' Federation; and be it further

Resolved, That suitable copies of this resolution, properly attested, be forwarded to the President of the United States Senate, the Speaker of the House of Representatives, and to each United States Senator and Representative in Congress from this State.

Mr. KEAN presented the following concurrent resolution of the Legislature of the State of New Jersey, which was referred to the Committee on Interstate Commerce:

STATE OF NEW JERSEY.

A concurrent resolution recommending to the Congress of the United States that legislation providing for the regulation of interstate motor-bus passenger transportation be immediately enacted

Whereas the transportation of passengers in interstate commerce by motor bus has greatly increased; and

Whereas a large number of motor busses are engaged in this interstate traffic between New Jersey and adoining States, the operation of which is not subject to regulation under existing law; and

Whereas such unregulated operation is highly detrimental to the interests of the State of New Jersey, to the traveling public, and the public generally; and

Whereas such conditions present an urgent need for adequate Federal regulation, at least as to proper certification and control: Now, therefore, be it

Resolved by the house of assembly (the senate concurring), That the Legislature of the State of New Jersey recommends to the Congress of the United States that legislation providing for the proper certification or licensing of such interstate motor busses and such other Federal regulation as may be in the public interest be immediately enacted.

NATIONAL-ORIGINS CLAUSE OF IMMIGRATION ACT

Mr. REED. Mr. President, I send to the desk a telegram from Paul V. McNutt, national commander of the American Legion, which I ask may be read.

The VICE PRESIDENT. Without objection, the clerk will read, as requested.

The telegram was read, as follows:

INDIANAPOLIS, IND., *May 20, 1929.*

Hon. DAVID A. REED,
United States Senate, Washington, D. C.:

The American Legion strongly urges the retention of the national-origins provision of the immigration law. The American Legion from the very first has supported the present immigration law, and at the tenth annual national convention in San Antonio last October the