Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provision of these resolutions and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

The resolution was agreed to, and the Chair appointed the following Members to serve on the funeral committee: Messrs. SABATH, DOUGHTON, TREADWAY, LEA, WOODRUFF of Michigan, CANNON of Missouri, TABER, WOODRUM of Virginia, JOHNSON of Oklahoma, TARVER, WIGGLESWORTH, LAMBERTSON, LUDLOW, RICH, DITTER, DIRKSEN, JOHNSON of West Virginia, LEWIS, POWERS, SCRUGHAM, SNYDER, O'NEAL, LEAVY, CHENOWETH, and HILL of Colorado.

The SPEAKER pro tempore. The Clerk will report the remainder of the resolution.

The Clerk read as follows:

Resolved, That as a further mark of respect the House do now adjourn.

The resolution was agreed to.

Accordingly, at 12 o'clock and 40 minutes p. m., the House adjourned until Monday, September 8, 1941, 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:

882. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated June 20, 1941, submitting a report, together with accompanying papers and illustrations, on a preliminary examination and survey of Canaveral Harbor, Fla., authorized by the River and Harbor Act approved August 26, 1937 (H. Doc. No. 367); to the Committee on Rivers and Harbors and ordered to be printed, with two illustrations.

883. A letter from the Acting Secretary of War, transmitting a draft of bill which will place under the jurisdiction of the Chief of Engineers of the Army all construction and maintenance work of the Army, including construction work now under the jurisdiction of the Quartermaster General; to the Committee on Military Affairs.

884. A letter from the Archivist of the United States, transmitting report of the Archivist of the United States on a list of papers relative to the Treasury Department; to the Committee on the Disposition of Executive Papers.

885. A letter from the past adjutant general of the Grand Army of the Republic, transmitting the annual report of proceedings of the Seventy-fourth National Encampment of the Grand Army of the Republic held at Springfield, Ill., September 8–13, 1940 (H. Doc. No. 35) to the Committee on Military Affairs and ordered to be printed, with illustrations.

886. A communication from the President of the United States, transmitting a proposed provision making available $1,500,000 to the Secretary of Agriculture from funds appropriated by the Interior Department Appropriation Act, 1942, under the heading "Water conservation and utility projects" (H. Doc. No. 368); to the Committee on Appropriations and ordered to be printed.

887. A letter from the Chairman of the Reconstruction Finance Corporation, transmitting a report of activities and expenditures of the Reconstruction Finance Corporation for the month of June 1941 (H. Doc. No. 369); to the Committee on Banking and Currency and ordered to be printed.

888. A letter from the Acting Secretary of Agriculture, transmitting a draft of a proposed bill for the relief of Joseph Simon and R. D. Lewis; to the Committee on Claims.

889. A letter from the Acting Secretary of the Interior, transmitting copies of legislation passed by the Municipal Council of St. Croix; to the Committee on Insular Affairs.

890. A letter from the Acting Secretary of the Interior, transmitting copies of legislation passed by the Municipal Council of St. Thomas and St. John; to the Committee on Insular Affairs.

891. A letter from the Engineer Commissioner of the District of Columbia, transmitting the Twenty-eighth Annual Report of the Public Utilities Commission of the District of Columbia; to the Committee on the District of Columbia.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. KING:

H. R. 5626. A bill providing for the issuance of a Sailor's Medal; to the Committee on Naval Affairs.

By Mr. BURDICK:

H. J. Res. 232. Joint resolution authorizing the erection of a statue of Leif Erickson in the District of Columbia; to the Committee on the Library.

By Mr. PADDOCK:

H. Res. 302. Resolution requesting certain information of the Secretary of the Navy relating to the desirability of an additional naval academy; to the Committee on Naval Affairs

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PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. FLANNERY:

H. R. 5627. A bill for the relief of Mrs. Ray Roth; to the Committee on Immigration and Naturalization.

By Mr. SPARKMAN:

H. R. 5628. A bill for the relief of Louis and Estelle Thomas; to the Committee on Claims.

By Mr. VREELAND:

H. R. 5629 (by request). A bill for the relief of Peter J. Sweeney; to the Committee on Claims.

PETITIONS, ETC.

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

1801. By Mr. KING: Petition of sundry residents of the island of Oahu, T. H., protesting against the enactment of House bill 3852 and Senate bill 983, to authorize the District of Columbia Board of Barber Examiners to establish opening and closing hours, and a day on which barber shops shall remain closed after an investigation as to the preference of a majority of the licensed barbers; to the Committee on the District of Columbia.

1802. Also, petition of sundry residents of the island of Oahu, T. H., protesting against the enactment of House bill 3852 and Senate bill 983, to authorize the District of Columbia Board of Barber Examiners to establish opening and closing hours, and a day on which barber shops shall remain closed after an investigation as to the preference of a majority of the licensed barbers; to the Committee on the District of Columbia.

1803. By the SPEAKER: Petition of the National Association of Railroad and Utilities Commissioners, Washington, D. C., petitioning consideration of their resolution with reference to reductions in telephone rates on telephone messages originating in training centers; to the Committee on Military Affairs.

1804. Also, petition of the International Longshoremen's and Warehousemen's Union, San Pedro, Calif., petitioning consideration of their resolution with reference to price-fixing legislation; to the Committee on Banking and Currency.

1805. Also, petition of the Lakewood General Welfare Center, Lakewood, N. J., petitioning consideration of their resolution with reference to the Federal Social Security Act; to the Committee on Ways and Means.

1806. Also, petition of the Iowa-Nebraska States Industrial Union Council, Des Moines, Iowa, petitioning consideration of their resolution with reference to an appointment to the National Labor Relations Board; to the Committee on Labor.

SENATE

FRIDAY, SEPTEMBER 5, 1941

(Legislative day of Tuesday, September 2, 1941)

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

The Reverend Hunter M. Lewis, B. D., assistant rector, Church of the Epiphany, Washington, D. C., offered the following prayer:

Almighty God and Heavenly Father, who hast created man for companionship with Thee, calling us Thy children, that we might walk without fear with Thee: Help us, we beseech Thee, to know Thee as the true home of our spirits, and, through daily fellowship with Thee, to come so to trust and love Thee as our Father that our lives may grow in power and fruitfulness, and every duty to which Thou dost lead us may seem sublime.

By the might of Thy Spirit, O Lord, lift up our souls to Thy presence, and, though we be tied and bound by the limitations of our mortal flesh, inspire us with such devotion to Thy service, we beseech Thee, that we may fulfill our heavenly calling in the doing of earthly things in a heavenly manner. We ask it in the Name of Him who didst glorify the commonplace until it glowed with His radiance, Thy Son, Jesus Christ our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day of Thursday, September 4, 1941, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

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

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Bilbo	Butler
Aiken	Brewster	Byrd
Andrews	Bridges	Capper
Austin	Brooks	Caraway
Bailey	Brown	Clark, Idaho
Bankhead	Bulow	Clark, Mo.
Barbour	Bunker	Connally
Barkley	Burton	Danaher

Davis	La Follette	Russell
Downey	Langer	Schwartz
Eastland	Lee	Smathers
Ellender	Lodge	Smith
George	Lucas	Spencer
Gerry	McCarran	Taft
Gillette	McFarland	Thomas, Idaho
Green	McNary	Thomas, Utah
Guffey	Maloney	Tobey
Hatch	Murray	Truman
Hayden	Nye	Tunnell
Herring	O'Daniel	Tydings
Hill	O'Mahoney	Vandenberg
Holman	Overton	Van Nuys
Hughes	Peace	Wallgren
Johnson, Colo.	Radcliffe	Walsh
Kilgore	Rosier	Wiley

Mr. HILL. I announce that the Senator from Washington [Mr. BONE], the Senator from Virginia [Mr. GLASS], the Senator from North Carolina [Mr. REYNOLDS], and the Senator from New York [Mr. WAGNER] are absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is absent on a defense-inspection tour.

The Senator from New Mexico [Mr. CHAVEZ], the Senators from Tennessee [Mr. MCKELLAR and Mr. STEWART], the Senator from Utah [Mr. MURDOCK], the Senator from Florida [Mr. PEPPER], the Senator from Oklahoma [Mr. THOMAS], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

The Senator from New York [Mr. MEAD] is engaged in holding hearings on behalf of the Committee to Investigate the National Defense Program.

Mr. AUSTIN. The Senator from Minnesota [Mr. BALL], the Senator from South Dakota [Mr. GURNEY], the Senator from Kansas [Mr. REED], and the Senator from Minnesota [Mr. SHIPSTEAD] are necessarily absent.

The Senator from Indiana [Mr. WILLIS] is absent because of an injury.

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

PETITIONS

Petitions were presented and referred as indicated:

By Mr. CAPPER:

Petitions, numerously signed, of sundry citizens of Eureka, Randall, and Topeka, all in the State of Kansas, praying for the enactment of the bill (S. 860) to provide for the common defense in relation to the sale of alcoholic liquors to the members of the land and naval forces of the United States and to provide for the suppression of vice in the vicinity of military camps and naval establishments; to the table.

REPORT OF A COMMITTEE

The following report of the Committee on Agriculture and Forestry was submitted:

By Mr. BULOW:

S. Res. 159. Resolution authorizing an investigation concerning the improvement and development of navigation, irrigation, and control of floods on the Missouri River and its tributaries (submitted by Mr. BULOW on the fourth instant), without amendment, and, under the rule, referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

BILLS INTRODUCED

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

By Mr. HATCH:

S. 1896. A bill to require the filing of annual statements by persons making income-tax returns, and by certain other organizations, showing the amounts of political contributions and expenditures made by them; to the Committee on Privileges and Elections.

By Mr. McCARRAN:

S. 1897. A bill providing for the abolition of the office of coroner and for the organization of the office of medical examiner for the District of Columbia; to the Committee on the District of Columbia.

INVESTIGATION RELATIVE TO WAR PROPAGANDA BY MOTION-PICTURE AND RADIO INDUSTRIES—AMENDMENT

Mr. NYE (for himself and Mr. CLARK of Missouri) submitted an amendment intended to be proposed by them to the resolution (S. Res. 152) authorizing an investigation of propaganda disseminated by the motion-picture and radio industries tending to influence participation of the United States in the present European war, which was referred to the Committee on Interstate Commerce and ordered to be printed.

STRATEGIC AND CRITICAL MATERIALS

Mr. THOMAS of Utah submitted the following resolution (S. Res. 161), which was referred to the Committee on Military Affairs:

Whereas it is the policy of the National Government to increase the stocks of strategic and critical materials with a view to preventing the dependence of the United States upon foreign nations for supplies of such materials in times of national emergency: Therefore be it

Resolved, That it is the sense of the Senate that the Secretary of State, the Secretary of the Treasury, and the Secretary of Commerce should make every effort to utilize to the fullest practicable extent any powers that they now possess for the purpose of acquiring, by purchase, exchange, or otherwise, stocks of materials determined to be strategic and critical materials in accordance with the act of June 7, 1939, and that the Secretary of the Treasury should determine the extent to which any such materials may be acquired in payment of the existing indebtedness of foreign governments to the Government of the United States, and the extent to which legislation may be required for the purpose of facilitating any such acquisition and the reduction of such indebtedness by means of such acquisitions.

ADDRESS BY SENATOR CAPPER ON FINANCING OUR DEFENSE PROGRAM

[Mr. DAVIS asked and obtained leave to have printed in the RECORD a radio address on the subject of Financing Our Defense Program, delivered by Senator CAPPER on August 16, 1941, which appears in the Appendix.]

ADDRESS BY SENATOR HERRING ON THE CRADLE OF LIBERTY AND ARSENAL OF DEMOCRACY

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD an address delivered by Senator HERRING before the League of Iowa Municipalities at Waterloo, Iowa, on August 20, 1941, which appears in the Appendix.]

UNITED STATES ENTRY INTO THE WAR—ADDRESS BY L. B. ALEXANDER

[Mr. BARKLEY asked and obtained leave to have printed in the RECORD an address by L. B. Alexander, president of the Kentucky State Bar Association, delivered in Los Angeles, printed in the Los Angeles Daily Journal of August 18, 1941, which appears in the Appendix.]

TRIBUTE TO THE LATE REPRESENTATIVE EDWARD T. TAYLOR

[Mr. JOHNSON of Colorado asked and obtained leave to have printed in the RECORD a tribute to the late Representative EDWARD T. TAYLOR, of Colorado written by Horace C. Carlisle, which appears in the Appendix.]

REVENUE ACT OF 1941

The Senate resumed the consideration of the bill (H. R. 5417) to provide revenue, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Kentucky [Mr. BARKLEY] to lay on the table the motion of the Senator from Illinois [Mr. LUCAS] to reconsider the vote whereby the Senate agreed to the committee amendment, as amended, on page 105, lines 1 to 10, inclusive, relating to the tax on coin-operated amusement and gaming devices. The motion is not debatable.

The motion to lay on the table was agreed to.

Mr. DOWNEY obtained the floor.

Mr. TAFT. Mr. President, will the Senator from California yield to me to offer an amendment?

Mr. DOWNEY. I yield.

Mr. TAFT. Mr. President, I ask unanimous consent to offer an amendment about which I think there will be no controversy. I have discussed it with the chairman of the Committee on Finance, and shall explain it very briefly. I ask unanimous consent to have it acted on now because of the fact that I have to leave the city within a short time. Otherwise, I will not have opportunity to present the amendment.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator may offer the amendment.

Mr. TAFT. The amendment which I send to the desk is designed to correct a mistake in the inheritance-tax law. The inheritance-tax law as it is now framed provides that no estate shall be taxed twice within 5 years. For instance, if a man dies and leaves his estate to his wife, and then she dies within 5 years, there are not two taxes imposed, only one is imposed. But due to a mistake in the last revenue act, that provision did not apply to an estate under $100,000.

This matter could be left to be handled in the administrative bill, but, of course, people affected by the provision are dying all the time, so that naturally it is not advisable to wait longer. Any other amendment will apply to the year 1941, but, of course, a mistake of this kind should be corrected just as soon as possible.

The amendment was drafted by the Treasury Department, and that Department is agreeable to it, and says that by all means the amendment should be made. I have conferred with the chairman of the Committee on Finance, and I think the amendment is in proper form, having been actually prepared by

the Treasury Department, to be taken to conference. I offer the amendment.

The VICE PRESIDENT. The clerk will state the amendment for the information of the Senate.

The LEGISLATIVE CLERK. On page 54, after line 8, it is proposed to insert the following new section:

SEC. 402. Deduction on account of property previously taxed.

(a) Amendments to Internal Revenue Code. The Internal Revenue Code is amended as follows:

(1) Second sentence of section 812 (c), Internal Revenue Code, following "estate tax imposed under this," strike out "subchapter, the Revenue Act of 1926 (44 Stat. 69)" and insert in lieu thereof "chapter."

(2) Second sentence of section 861 (a) (2), Internal Revenue Code, following "estate tax imposed under this," strike out "subchapter, the Revenue Act of 1926 (44 Stat. 69)" and insert in lieu thereof "chapter."

(b) Amendments to Revenue Act of 1926. The Revenue Act of 1926 is amended as follows:

(1) Second sentence of section 303 (a) (2) Revenue Act of 1926, as amended, following "estate tax imposed under," strike out "this" and insert in lieu thereof "the Revenue Act of 1932."

(2) Second sentence of section 303 (b (2), Revenue Act of 1926, as amended, following "estate tax imposed under," strike out "this" and insert in lieu thereof "the Revenue Act of 1932."

(c) Effective dates.

(1) The sections of the Internal Revenue Code amended by subsection (a) shall have effect as if such sections, as so amended, had been enacted in the Internal Revenue Code on February 10, 1939.

(2) The amendments made by subsection (b) shall be effective with respect to the estates of decedents dying after the enactment of the Revenue Act of 1932.

On page 54, line 9, it is proposed to strike out "402" and insert "403."

The VICE PRESIDENT. Is there objection to the present consideration of the amendment?

Mr. GEORGE. There is no objection to the present consideration of the amendment, no other amendment now being pending. The Senator from Ohio has accurately and correctly stated the facts, and there is no objection to the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Ohio.

The amendment was agreed to.

Mr. DOWNEY. Mr. President, I dislike to intrude upon the Senate in its consideration of this important revenue bill by a discussion of any proposal, however important, which may to some Senators seem extraneous to the issue now being considered by the Senate. Nevertheless, it is my imperative obligation to do that.

Mr. President, I suppose all of us in the United States are very, very unhappy at one phase of this crisis that engulfs the world, and that is the lack of national unity in our foreign relations. It is an unfortunate fact that our people are falling into at least two or three rather determined and bitter factions in considering what should be the program of the United States regarding its foreign policy. I can only utter my humble prayer that changing circumstances may soon bring all of us in this critical period back of some common foreign policy. I can do no more than utter that prayer, but I do have the happy opportunity to present to the Senate of the United States a domestic issue upon which almost every American citizen is in agreement, and that is that it is the imperative duty of the Federal Government to provide for its retired and aged citizens a more decent and humane pension than is now being paid them.

I have felt, Mr. President, that for many years the common folk of America who produce our wealth, who constitute the vast majority of our citizenry, have been critical of the lagging efforts of our governmental representatives to bring about a more adequate pension system. I have addressed church groups, labor groups, farm groups, and various other groups, and found there an almost unanimous sympathy for the tragic and sorry plight of the man who has reached his later days without savings, no longer needed by industry and by society. I have believed that there was an overwhelming support back of the so-called pension groups; and I am happy, along with other pension advocates, now to have in my possession the results of the Gallup poll taken within the past month, showing a unanimity of opinion upon this profoundly important subject, which should stimulate the Congress and the President of the United States to prompt and vigorous action upon it.

Mr. President, I ask you to consider that the Gallup poll shows that the American people stand 91 percent for a Federal pension system; shows that they stand almost unanimously for a pension payment more than double the average now being paid in the United States; shows that they stand almost unanimously for dropping the age limit from 65 to 60 years.

Mr. President, as we look over the field of American life, when we have the opportunity to leave this unhappy Capital City of Washington, when we go out into the highways and byways of America, among our people, and see a desperate, tragic multitude on one side of the fence, ill-fed, ill-housed, and ill-clothed, and, on the other side of the fence, great factories working at part capacity, and great decaying farm surpluses, there is no wonder that from the hinterlands of this country comes the demand that even in this war crisis we must for a while concentrate upon the salvation of our own people. In the course of our investigation, the Special Committee To Investigate Old Age Pensions, of which I have the honor to be chairman, discovered many, many important facts. Some of our more conservative editors and other conservatives do not believe that at this time we have the material wealth which enables us to give anything more to the tragic souls who are now trying to live on $5, $10, $15, and $20 a month. But the records of the Department of Agriculture indicate that in this emergency year most of our farm products will show increased surpluses. By that I mean that, in spite of the war emergency for many—yes; for most of our farm products there will be more surpluses on hand January 1 of next year than there were on hand January 1 of this year.

There is no lack of milk, meat, vegetables, and grain and all the other staples of life to take care of our unfortunate people. There is no necessity for a wealthy nation which desires the leadership of the world to allow tens of millions of its own people to exist below a subsistence level.

Mr. President, this year in California we will produce 100,000 tons of prunes more than we can dispose of. They will be stored or wasted, or given away abroad, or destroyed, or distributed through governmental subsidy, while all over this country tens of millions of our people lack sufficient food to nourish their bodies. I have cited this surplus crop of prunes. Similar examples might be given for many, many crops almost everywhere in our farm States. Our citizens know that any argument that we cannot bring greater subsistence to our unfortunate classes is absurd. They know we have an abundance of farm and factory commodities for all of us.

In the basic figures used in our committee's investigation we took the estimate of the census that on January 1, 1945, there would be in our country 15,000,000 people above 60 years of age, of whom we believe 10,000,000 or two-thirds, would take the pension which is recommended in the report of the committee. Actuarial experts and representatives of the Social Security Board came before us tremendously alarmed because in 1980, when we will have a population of 160,000,000, approximately 30,000,000 of our people will be past 60 years of age. "Oh, yes," says the Social Security Board, "it is easy enough to provide now for the 10,000,000 who need help, but what are you going to do in 1980 to take care of the 30,000,000 people past 60 years of age we will then have?"

Let me say that if it were not for the governmental controls and subsidies during this very year, we would be producing more farm products than 160,000,000 people, and 30,000,000 people past 60 years of age, could possibly use. If the Congress of the United States within the next 40 years cannot work out some way to distribute the products of the farmers to a hungry population, heaven help the American Nation.

An investigation into the facts shows that there are now on the farms of the United States 12,000,000 or 13,000,000 workers. We could produce an abundant diet for all of our people with 10,000,000 farm workers. As a matter of fact, about 9,000,000 workers could supply all the farm crops we are now producing. The point I am trying to make is that right now we are wasting enough of our resources to more than provide a bountiful living for all the population we will have 40 years from now.

Yes; social-security experts should be perturbed. They should not be concerned, however, about the ability of our workers and farmers and technicians to produce a sufficiency for all. They should be concerned that our Government does not undertake the task of distributing to our people that which we

so bountifully produce and which so many people sadly lack.

Mr. President, we now have in the group between 60 and 65 years of age many millions of people so insecure and destitute that they are a reproach to the Congress of the United States and to a government which aspires to world leadership. Consider, for example, the State in which the old-age pension system is most inadequate. In that State——

Mr. HATCH. Mr. President, will the Senator yield to me?

Mr. DOWNEY. I yield.

Mr. HATCH. I am quite interested in what the Senator from California is saying. I know that no person in the United States has given more study and thought to the question of security for aged people than he has, but I am wondering about his particular amendment. I understand he proposes to offer an amendment to the pending bill. Is that correct?

Mr. DOWNEY. Yes; that is correct.

Mr. HATCH. My thought simply is this: Regardless of what the Senator and his own committee believe, and the study they have made, would it not be better for the Finance Committee to take up the amendment in the form of an independent bill and study it? What does the Senator think about that suggestion?

Mr. DOWNEY. Let me say to the Senator from New Mexico that for 3 years I have been hoping, importuning, and praying that the Finance Committee of the United States Senate would hold one single meeting on pensions, but so far I have been disappointed.

Mr. HATCH. I am not a member of the Finance Committee. I know the question involved is very important in the minds of many of our people, but I personally would not care to vote on the amendment at this time without the committee which is charged with the responsibility for framing legislation along these lines having considered it.

Mr. BANKHEAD rose.

Mr. DOWNEY. Mr. President, I will presently yield to the Senator from Alabama, but first I wish to complete my reply to the Senator from New Mexico. I hope the Senator from New Mexico will not now make his decision final, and before he does I should like to give him the history of the consideration of pension proposals in the Senate of the United States.

Mr. President, for 2 solid years I had a pension proposal pending before the Finance Committee, and there were several other pension proposals pending.

Mr. HATCH. Mr. President, will the Senator yield again for a moment?

Mr. DOWNEY. Yes.

Mr. HATCH. I observe that the chairman of the Finance Committee [Mr. GEORGE] is present, as well as the majority leader, the Senator from Kentucky [Mr. BARKLEY], and I think they can assure the Senator from California that he might have a hearing, if he would ask them.

Mr. GEORGE. Mr. President, will the Senator yield to me?

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

Mr. GEORGE. I am sure that such a hearing can be ordered by the Finance Committee, and give the Senator from California, who has been most diligent in this matter, full opportunity to develop the facts, and also to develop legislation. There is a little difficulty about it, because any real pension program, such as the Senator contemplates, necessarily involves revenue, will necessarily affect the revenue, and so it is somewhat difficult to originate in this body a comprehensive and satisfactory pension program or bill, unless it is tacked on to some revenue measure which comes from the other House. But I can assure the Senator that I will be very glad indeed to arrange for public hearings if he desires public hearings. At least I am sure the committee will be glad to give him hearings, and will permit the development of all the facts and the shaping up of such legislation as may be found desirable. The opportunity will from time to time present itself to attach the proposal to some bill which deals with the revenue, which, of course, must originate in the House.

Mr. President, we are laboring under the disability of not being able to consider originally a comprehensive system such as the Senator proposes, because it would inevitably involve revenue, and the House, even if we should pass such a bill, would probably not give it consideration, because it would insist upon the constitutional right of the House, and, of course, it becomes its constitutional duty to do that. But I am sure the Finance Committee will grant the Senator full hearings, full opportunity to be heard, full opportunity to frame legislation within our power to enact, or for the purpose of having it attached to some suitable bill whenever it comes from the other House, though it might be a purely minor revenue measure of some kind or character.

Mr. President, I myself feel, as I have expressed myself heretofore, that the Senator's proposal should receive separate treatment and separate consideration. It is entitled to it, and if it should come to us in an orderly way from the House as a separate measure, we would have better opportunity to give it the consideration we should be able to give to it. But I stand ready, so far as my influence with the committee goes, to assure the Senator from California that immediately, or as soon as readily may be, we will undertake to provide hearings, and give full opportunity to the Senator to present his proposal.

Mr. DOWNEY. Mr. President, may I ask the distinguished Senator from Georgia if he anticipates that it will be possible to have such hearings sometime between now and the 1st of January, and to complete them before that time?

Mr. GEORGE. Oh, yes, indeed. I do not know how long it would take to complete the hearings, but it would be possible to do so before that time.

Mr. DOWNEY. It would not take us over a week to present what data we would desire to develop, and then I suppose the Treasury Department and the Social Security Board, as well as other experts and other groups, would be heard. But, so far as we are concerned, it would take a very short time for us to present our data to the Finance Committee.

Mr. GEORGE. I can assure the Senator that opportunity can be given between this time and November, or between this time and December, to be on the safe side.

Mr. BARKLEY rose.

Mr. DOWNEY. Mr. President, I will now yield to the Senator from Alabama, who rose previously.

Mr. BANKHEAD. Mr. President, at this point in the discussion I wish to say that I have an amendment which I intend to offer at the appropriate time, which I have submitted to the Senator from California and the Senator from Georgia. Because of its appropriateness to this discussion I ask unanimous consent that the clerk read my proposed amendment at this time, and then I should like to make a very brief statement concerning it.

The VICE PRESIDENT. Without objection, the clerk will read the amendment as requested.

The legislative clerk read as follows:

The Ways and Means Committee of the House is requested to reexamine the financial structure of the social-security laws and report by bill or otherwise, if found desirable by said committee, as follows:

1. Whether the old-age insurance and the old-age-assistance plans should be consolidated and unified, and, if so, how and under what terms and conditions the two plans should be combined.

2. Whether a Federal old-age pension should be provided for each citizen of the United States and, if so, in what amount and at what age.

3. A plan to finance such a pension.

4. That said committee is requested to make its report by bill or otherwise to the House of Representatives as early as it reasonably can do so.

Mr. BANKHEAD. Mr. President, in the first place, I wish to commend the Senator from California for the tremendous amount of work which he has devoted to this subject as chairman of a special committee created by the Senate to investigate the matter. I am not a member of that committee, but I have had the opportunity to read the report. It is a most interesting report.

We are in this situation: A large number of Members of the Senate would like to have an opportunity to vote in the regular way, which would be acceptable to the other branch of Congress, on an old-age pension bill. I introduced one such bill in January. We know the attitude of the House on the subject of riders, especially on questions of tremendous importance such as this subject. I should be glad to have the hearings proceed in the manner suggested by the Senator. Such a course would help to develop the record. I am extremely anxious to have the proposed legislation in such shape that it will be in line with the usual practice and procedure of the two Houses.

We know that because of the taxation feature of this program the bill cannot originate in the Senate. We know that it must originate in the House; and it is quite certain that a matter of this importance, involving possibly billions of

dollars, will not be seriously considered by the House until the subject has had the attention and consideration of its taxing committee, the Committee on Ways and Means.

My amendment would not commit the Senate or the House to anything. It would be only a request to the committee charged under the Constitution with originating legislation of this sort. If the House should accept it we should then have started action on an old-age-pension bill which would come to us in case the committee should present to the House a bill which the House would approve.

Unless something of that sort is done, those of us who favor the passage of an old-age pension plan at an early date will be forced, when the next tax bill comes before us, to hold it up, regardless of the time required for consideration of the subject. We all want to avoid such procedure. I am sure the Senator from California wants to take the quickest action which can be taken in both Houses, without prejudice because of the manner in which the subject may be presented to the other House. So I hope the leader and the Senator from California will agree to the course of action which I have suggested. If the House conferees do not wish to accept it, they can reject it. My amendment would make the request in a respectful way to show the sentiment of the majority of this body. It would show that it is desired by a majority of this body that legislation be initiated by the only House which is authorized to initiate programs of this sort except as riders to tax bills.

Mr. BARKLEY. Mr. President, will the Senator from California yield to me so that I may ask the Senator from Alabama a question?

Mr. DOWNEY. I yield.

Mr. BARKLEY. I should like to ask the Senator from Alabama a question pertaining purely to the matter of procedure and strategy. If his proposal were adopted as an amendment to the pending bill and should go to conference, and the House conferees, in view of the fact that the House committee is requested to do something which is solely within its jurisdiction, should not want to have such an amendment incorporated in a tax bill and should therefore not agree to it, and it should go out in conference, the impression might be created that throwing it out in conference would indicate that neither the Ways and Means Committee nor the House is in sympathy with even taking up the subject and investigating it.

Would not the same purpose be accomplished by the Senator offering a separate Senate resolution? I do not believe there would be any objection to it. It would go to the House simply as a Senate resolution. The House would not have to act upon it, but it would be before the House for its consideration as an expression of the desire of the Senate.

Mr. BANKHEAD. My answer to that is that, in the first place, I do not think the action of the conferees on a subject which had not been before the House would be expressive of the will of either the House or the Ways and Means Committee. It would simply express the attitude of the conferees.

Mr. BARKLEY. I am thinking about the reaction over the country.

Mr. BANKHEAD. If we put the amendment in the bill, we shall certainly have some form of action. If we adopt an independent resolution and it goes to the committee, we shall be just where we now are.

Mr. BARKLEY. We would have an expression of the Senate of the United States, which cannot originate the legislation, directed toward the body which can originate it, and the only body which can originate it. I ask the Senator to consider the suggestion.

Mr. BANKHEAD. If the conferees should decide that they do not want to put it in, I do not think it would affect the vote for or against the measure. I do not think there would be any serious effect hereafter. If it is not retained in the bill, that will end the matter; but if it is not retained, the Senate will be in a better position to present the matter in the form of a rider if the House is given an opportunity to request its committee to act and declines to do so. Then, if we, on our own initiative, see fit to proceed with the hearings and attach a rider to the next tax bill, the House will not have the excuse it usually used in matters of this sort—that the House committee has not considered it and the House has not considered it, and it is not presented in the regular and orderly way. I cannot see any harm in putting the request in the bill and letting it go to the conferees.

Mr. BARKLEY. I am merely asking the Senator's opinion about it.

Mr. BANKHEAD. I do not think there would be any harm in that course.

Mr. BARKLEY. While I am on my feet through the courtesy of the Senator from California, let me make this statement, supplemental to the statement made by the Senator from Georgia [Mr. GEORGE]:

I agree with what I think is the unanimous view that the Senate cannot originate a revenue measure, even though its main objective is something else. We cannot originate it, although we can amend a tax bill which comes over from the House.

I am very much interested in the subject of old-age pensions. I have declared my interest time and time again, and I have committed myself, in speeches and otherwise, to the enactment of legislation looking toward the Federal Government taking over the responsibility for old-age pensions as its duty, regardless of what the States may do. I believe in greater uniformity in the benefits conferred under the social-security law than is now possible, simply because whatever amount the Federal Government contributes depends upon what the State legislature does within its own jurisdiction.

I have often made the statement—and I believe it to be true—that, by and large, under equal conditions, it costs just as much for an old man or an old woman, or both of them together, to live in Kentucky as it costs in Ohio or New York. Yet there is a wide discrepancy in the benefits conferred under the law initiated by the Federal Government and passed by Congress. I believe there ought to be greater uniformity throughout the country on the subject of old-age pensions, regardless of what any State may do to supplement what the Federal Government undertakes to do.

I am thoroughly in sympathy with the objective, and I wish to congratulate the Senator from California on the diligence, persistence, and earnestness with which he has devoted himself to this subject. It had been my hope and expectation that before now Congress would have been requested to take action on this subject; but, as we all know, international affairs have come along and sidetracked many worthy things which otherwise we should have been privileged to consider. This is a very important subject, and one which, it seems to me, ought to be gone into in detail by the appropriate committee.

I share the view of the Senator from Georgia [Mr. GEORGE], chairman of the committee, of which I happen to be a member, that the matter is of sufficient importance to deserve the careful, earnest, and painstaking consideration of the committees of the two Houses, on its own merits and not simply as a sideshow to some other piece of legislation, unless it shall finally be determined that from a parliamentary standpoint the only way to obtain consideration is to make it a sideshow to some other bill which is under consideration. To that end I join in assuring the Senator from California that at the very earliest possible date the Committee on Finance—and I think it should be done by the full committee and not by a subcommittee because it is of sufficient importance to engage the attention of all the members of the committee—will have hearings on the subject. When the hearings shall be held, I do not think can be determined today because the Senators knows that the members of the committee have been busy for 6 or 7 weeks on the tax bill, and I think it is the feeling of the members of the committee that they should not be compelled to go ahead into another exhaustive hearing as soon as the pending tax bill is out of the way.

Except for that, I should be willing, as one member, to say that we would take up this subject at once and go on into hearings, but I am satisfied that the situation is as I have stated it, and I will do all I can to bring about action on the part of the Senate to give to the Senator from California and those who advocate this proposal and to those who oppose it, if they wish to do so, a hearing between now and January 1, and possibly between now and December 1.

There is a possibility to which I think I should call attention, which might have a bearing on the time when the hearing may be held. We do not know what legislation will be before us in the immediate future. We know we shall have a lend-lease appropriation bill that first will have to go through the House and then will come here. Just when that measure will be before us I do not know.

There is under consideration in the House a price-maintenance bill. Just when that measure will reach us I do not know. But unless something else comes up in the immediate future, due to the international situation, those two bills may be the only important matters of legislation that we shall have before us for the next month or 6 weeks. If that be true, I think it will be difficult to keep in Washington and in attendance in the Senate during that time a quorum of the Senate, and it might be difficult to keep a quorum of the Finance Committee in Washington during that time.

So I think the best guess, if we are permitted to guess on the subject, would be that sometime during November or December we can reach this subject. I understand that it does not make any particular difference to the Senator from California whether it is reached during November or December; he would like to have hearings held before January, and, if possible, before December; and I think we can assure him that that will be done. I am glad to join the Senator from Georgia in assuring the Senator from California that, so far as we have any influence with the committee, we will assure him the hearing he desires.

Mr. LANGER. Mr. President, will the Senator yield to me?

Mr. DOWNEY. I yield to the Senator from North Dakota.

Mr. LANGER. First of all, I wish to compliment the Senator from California [Mr. DOWNEY] upon bringing up this matter at this time. I wish to call the attention of the Senate to the fact that some 3 years ago petitions with roughly 1,000,000 names were filed in the United States Senate and in the House of Representatives asking for consideration of old-age pensions. I have been in the Senate for approximately 8 months. For many weeks during that time we were doing practically nothing. There was not a time during that period when the old-age pension matter could not have been considered.

I desire to compliment the Senator from California for the fine job he did in bringing up this matter today, and I hope it will be considered as a rider on the pending tax bill. I think it would be considered by the House, because it is a matter of public knowledge that 168 Members of Congress have signed a resolution in favor of old-age pensions, and I understand that some 75 or 80 more have said they are anxious to consider the subject.

Out in my State, Mr. President, there are hundreds and hundreds of old people, and thousands of young folks who are supporting them, who are anxious to have this matter finally disposed of, and I do hope we can do something with it today.

Mr. DOWNEY. Mr. President, I thank the Senator.

What has been said by the various Senators who have spoken very much appeals to me, and I am very sympathetic to the proposal being made. I should not want to commit myself to any final decision until I have had an opportunity to confer with some of the other members of the Special Committee to Investigate Old Age Pensions, which I shall do some time during the day, and then report to the Senate later. At this time, however, I will say that I appreciate the full value of what has been said by our majority leader and by the chairman of the Finance Committee.

So far as the amendment proposed by the Senator from Alabama [Mr. BANKHEAD] is concerned, I believe it is a valuable one. It seems to me that it might assist in expediting this matter in the House of Representatives; and, so far as I am concerned, I should be very happy to see it accepted by the Senator in charge of the bill, and by the majority leader.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. DOWNEY. Yes; I yield.

Mr. CLARK of Missouri. Everyone appreciates the sincerity and assiduity of the efforts of the Senator from California; but I desire again to call the Senator's attention, in connection with the amendment of the Senator from Alabama, to what the majority leader said on that point, which I think is undoubtedly well taken.

I believe that anyone who has been familiar with the practice in the House of Representatives knows that if we should undertake to put into a revenue bill or some other act of Congress a request to a committee of the House of Representatives to perform some function that belongs exclusively to it, the House would very certainly resent such action, and would throw the request out in conference, and would simply refuse to consider it, which, as the Senator from Kentucky said, would act possibly in popular estimation as a declaration by the House of Representatives against the whole principle.

So far as I am concerned, I made a motion in the Finance Committee that the public hearings on this bill be reopened, and that an opportunity be given to have a hearing on the bill of the Senator from California as an amendment to this tax bill. However, the Finance Committee decided—and, upon reflection, I think properly—that the urgency of the revenue situation as to the particular pending tax bill was such as to preclude the extension of the hearings. But it seems to me that if the bill of the Senator from California is pressed as an amendment to the pending revenue bill at this time, many Senators will find themselves in the same position in which I found myself when a vote was taken in the committee on the old-age pension matter as an amendment to the pending revenue bill, when the proposal was offered on behalf of the Senator from California. I had not read the bill. No other member of the committee had read the bill. I think it had just been reported to the Senate that day by the Senator from California, and I did not feel qualified to cast a vote on a bill I had not read. Therefore I refused to vote either "yes" or "no," and voted "present"; and I am certain that if the bill should be pressed as an amendment to the pending revenue measure, many Members of the Senate would feel the same way.

There is no question in my mind, and I doubt if there is a question in the minds of more than a very few Senators, that the bill of the Senator from California should be considered, and should be considered at the earliest practicable date. Both political parties in their national platforms are pledged to that effect. The bill should be considered, and both the Senate and the House of Representatives should be given an opportunity to vote on it. However, it seems to me that if, in accordance with the suggestion of the Senator from Georgia and the Senator from Kentucky, the Finance Committee should proceed to the consideration of the bill and should report it in any sort of perfected shape, of course it could not be taken up by the Senate, because it would be a revenue measure; but it would then be in shape to be taken up by the Senate in connection with the first revenue bill that came over here. Every Senator would be on notice that the subject had been considered by the Finance Committee, and the measure could be offered as a rider to the first revenue bill that came over here.

It seems to me that the Senator from California would make more progress by proceeding in that way than by requesting in a statute that the House of Representatives have one of its own committees perform a function that the House would certainly say is exclusively within its own jurisdiction.

Mr. DOWNEY. Mr. President, I am very appreciative of the advice and counsel of the Senator from Missouri, as always; and later I shall seek recognition in order that I may further discuss this matter on the floor of the Senate. I would, however, Mr. President, at this time appreciate 10 or 15 minutes additional attention from the Senate, as I desire very briefly and simply to state what are the recommendations of our special committee for the relief of the pension situation.

Let me say that I think there is a totally erroneous idea of the difficulty and burden of working out the pension proposal that we are making. I believe that a very short consideration of it would convince even the most conservative and careful mind that the proposal made by our Pension Committee is a sound one which would not disrupt or harm anyone but would be of immense benefit to everybody.

Mr. President, it is our recommendation, in line with the wishes of almost all the American people, that the pension age be dropped from 65 to 60. All the social-security reports show that there are now classed in that dreadful age, that land of no mercy, millions of our people who cannot get jobs, millions of people in failing health, millions of people without savings or resources, millions of people who are without children capable of supporting them. In that group, Mr. President—and this is a horrible thing to say; the Senate will not like to listen to it but it is true—there are thousands of suicides every year, and tens of thousands of people are dying prematurely because of cold or starvation or lack of medical or dental attention.

Those are simple facts that are corroborated by every authority.

The American people know there is a terrible break in the life of the average man at 60. Under modern technological conditions the chance of a man's holding a job after he is 60 is so small that, according to our own census, the great majority of people past 60 are not gainfully employed, and half of those who are employed, Mr. President, make less than $25 a month. I do not think I need labor that point any longer. Practically everyone in the United States wants to reduce the pension age from 65 to 60. The recommendations of our committee that Congress recognize the reality of the situation and the wishes of the American people are in accordance with the testimony of every social-security expert.

Likewise, Mr. President, we are recommending that there be an elimination of the matching system between the Federal Government and the States, and that the Federal Government make a flat contribution of $30 for every citizen past 60 who is eligible for the pension. The present system, while it may have been inaugurated with the best of intentions, so works out that into the wealthy States go four or five times as much money per capita as into the poorer States. That fact is well known to us all, and I am not going to belabor it. The proposal of a flat $30 pension payment, without State matching, by the Federal Government to every State for each citizen entitled to the benefit would simply, easily, and quickly cure that great injustice.

How unjust to the State of Mississippi is the present plan. We all know that Mississippi is one of the greatest States in the Union in the production of cotton; we know it performs a tremendous function of value to us. Those who are familiar with our history since the Civil War know the unfortunate conditions existing in the farming areas in the Southern States and that their wealth and resources are not equal to those of the industrial States of the North. We know that that situation, so far as pensions are concerned, must be equalized. Our committee recommends that that be done.

Mr. President, almost all the members of the committee thought that an allowance of $30 a monthh was too low; many of them were shocked that we came down to that low figure. I know the voters in California will resent the recommendation I have voted for, because their minds are definitely set on $50 or $60 a month for our people past 60. But, Mr. President, the committee was actuated by a practical political viewpoint. Many Senators are convinced that the allotment should not exceed $30 in their own States, and would not support a proposal of any greater amount.

The Gallup poll shows practically a unanimous vote in the United States for an average pension of $42 a month. The figure in the South was the lowest, being $32, going up to $50 a month in the New England States and in the Middle Atlantic States. The committee took what is practically the lowest figure represented by the Gallup poll, with the idea that in New England and on the Pacific coast and in the Middle Western States or wherever else it might be thought wise, each State could add whatever it desired to the basic allotment of $30 a month; and it is my intention, Mr. President, whenever the Congress of the United States passes this measure to initiate in the State of California a proposal for an additional allotment of $20 a month or $30 a month to bring up the allowance in that State. But, Mr. President, I wish to emphasize that our committee in recommending $30 took the lowest amount desired by the American people according to the Gallup poll.

Mr. President, there is only one respect in which the recommendations of the committee are not corroborated by the findings of the Gallup poll. I shall state that one respect, and I believe that the distinguished Presiding Officer [the Vice President in the chair] will be interested in it. We have declared for a payment to all citizens past 60 retired from gainful employment without a "means test." Our distinguished Presiding Officer during the last campaign declared for that very principle of what we term a social dividend. The Gallup poll, however, shows that the American people desire pensions paid on a basis of need; that is, only to those individuals who do not have an income equal to the amount favored as a basic pension in the region which was being polled.

Mr. President, the reason we were actuated in departing from the finding of the Gallup poll in that respect was this: Our investigation led us to believe that among retired workers, among people who are not gainfully employed, only 10 percent had any savings at all. Consequently if we set up a system under which $30 a month would be paid to everyone who was not employed and who did not have an income of that amount, it would mean that we would have to subject 90 percent of our people to a "means test" in order to comb out the other 10 percent who might have a sufficient income upon which to live. We did not believe it was worth it. We believed that the effort to determine by a "means test" those who were entitled to the pension would cost almost as much as to pay the pension in the first place.

Moreover, Mr. President, I, for one, declare that we should in this dynamic changing era inaugurate a system of social dividends which should be payable to everyone who has retired from employment at some reasonable age, such as 60.

Mr. President, at this time I will not labor that point longer, except to say that if, when this matter actually comes before the Finance Committee and before the Congress for passage, a majority of our Senators should believe that the payments should be restricted only to those actually in need, to those lacking income equal to the pension payments, it would be very simple indeed to enforce that test through an income tax.

For instance, if we in New England and we in California should initiate a pension of $50 a month—that is what the State and the Federal Government might give together—the combined pension would amount to $600 a year. We have already voted to compel anyone with an income of $750 a year to return an income-tax report. Consequently, as a part of the income-tax law we could provide that any single person with an income of over $750 should return all or any portion of the pension he had received, and, in the case of a married man reporting an income of $1,500, all or any portion of the pension that we might desire. That would be a quick, practical, easy way of applying a means test that would not be harsh and humiliating to our American citizens.

Now, Mr. President, I desire to speak for just 5 minutes upon the question which I know concerns most of the Senators here: How about the financial burden?

In the first place, any editorial critics who state that this plan is heading the American people toward bankruptcy are completely uninformed about our proposal, because we believe in a pay-as-you-go plan. We are not intending to run up a Federal debt of one or two or three hundred billion dollars to pay pensions. This Nation may very well go into bankruptcy. Under the ominous cloud of an ever-mounting public debt our public credit and solvency may wither and pass away; but that will not be because of the acceptance by Congress of any pension proposal our committee has made. Indeed, we are recommending that no money be paid out in pensions unless it is raised by taxes.

Mr. President, you may be worried about that; but consider this fact for a moment: We enacted a pay-roll tax to finance the old-age insurance system. That tax is now 1 percent upon both employer and employee. In 1943 it will increase to a total of 4 percent and in 1949 to a total of 6 percent. A 6-percent pay-roll tax applied over all of society would at the present time bring in approximately $4,000,000,000. At a national-income level of $100,000,000,000 we would have the equivalent of about $70,000,000,000 of pay rolls, and other income that would be affected by this 6-percent tax. Consequently, whenever the present rates of pay-roll taxes become fully effective and are made to apply over all of society, there will be ample revenue coming in to provide the payments we are suggesting; for what, Mr. President, would be the cost of our proposal?

We have taken January 1, 1945, as our date of calculation. The Census Bureau estimates that on that date we shall have in the United States 15,000,000 people above 60 years of age. We estimate that of that number of 15,000,000, at least 3,000,000 will continue working, and they will not be entitled to this pension, nor will their spouses. We estimate that of the 3,000,000 men who will continue working, 1,000,000 will have wives above 60 years of age. Consequently, in estimating the number of persons who will claim pensions, we must deduct the 4,000,000 from the 15,000,000. In addition to that, the pension will be payable only to citizens. We have in the United States 800,000 aliens past 60 years of age. The pension will not be paid to anyone in any public institution supported

by public funds. There will undoubtedly be other material reductions which, in my opinion, will reduce the number of beneficiaries on January 1, 1945, substantially below 10,000,000 persons; but, to be safe, we have taken 10,000,000 as the basic figure.

At $30 a month the pensioner would be receiving $360 a year. With 10,000,000 people the total payments would be $3,600,000,000; and, Mr. President, with a national income of $100,000,000,000, and a 6-percent pay-roll tax universally applied, there would be more than ample money coming in to finance the plan.

It is anticipated that in the next 2 or 3 years, if this emergency continues, by virtue of war spending the national income will mount far beyond $100,000,000,000. We have taken the $100,000,000,000 figure, however. Some of our more thoughtful and conservative Senators will say, "But what assurance can you give us that at the end of this emergency the national income may not crash through $100,000,000,000 down to a considerably lower figure?" That would be a very careful and prudent observation. Let me point out, in relation to that matter, that if this plan were inaugurated it would save about $600,000,000 that will be spent next year in old-age assistance, one-half of which will come from the States, and one-half of which will come from the Federal Government. It will save a very substantial expenditure for W. P. A. workers between 60 and 65 and a very large amount for general relief for persons between 60 and 65. Economists tell me that it will materially increase the tax returns of the Federal Government. Consequently, if we should unfortunately break through the $100,000,000,000 level of income on a downward spiral after this war is over, we should have sufficient cushion by which to save ourselves. Indeed, I doubt if in any event the Federal Government and the States could be called upon for more than the amount they are now spending and which they would be saved under the plan we are proposing.

Mr. President, I shall now conclude my remarks for the present, but may later report to the Senate regarding the colloquy which took place here concerning future consideration of this matter.

I ask that the report of the Committee to Investigate Old-Age Pension Systems be included in the RECORD as an extension of my remarks.

The VICE PRESIDENT. Is there objection?

There being no objection, the report (No. 666) was ordered to be printed in the RECORD, as follows:

FOREWORD

The Special Committee to Investigate the Old-Age Pension System was appointed by the President of the United States Senate, pursuant to Senate Resolution 129 of the first session of the Seventy-seventh Congress (adopted June 20, 1941). The Members of the Senate appointed to the committee were Mr. DOWNEY, of California (chairman); Mr. CONNALLY, of Texas; Mr. GREENE, of Rhode Island; Mr. PEPPER, of Florida; Mr. LA FOLLETTE, of Wisconsin; Mr. THOMAS, of Idaho; and Mr. BROOKS, of Illinois.

The committee was instructed by its parent resolution—

"* * * (1) to make a full and complete study of the old-age assistance and the old-age survivors' insurance provisions of the Social Security Act, as amended, and (2) to make a full and complete study and investigation of ways and means for bringing about the early realization of a minimum pension for all who have reached the age of retirement and are not gainfully employed."

It was also instructed to report to the Senate the results of its investigations, together with its recommendations for any necessary legislation.

The committee submits herewith, as a result of its investigations, a majority report approved by Messrs. DOWNEY, PEPPER, LA FOLLETTE, and THOMAS of Idaho, together with a minority report prepared by Mr. GREEN. Mr. CONNALLY abstained from voting on the report. Mr. BROOKS was not present and did not vote, being unavoidably detained on important public business outside Washington. A bill embodying the recommendations of the majority of the committee for changes in the Social Security Act is attached at the end of the report as appendix A.

The program approved by the majority of the committee would accomplish the following results:

1. It would reduce the age at which pensions would be granted from 65 to 60.

2. It would eliminate the humiliating and unpopular means test and grant a minimum pension to all workers retired from gainful employment.

3. It would abolish the present Federal-State matching system which has had such disastrous results for the less prosperous States.

4. It would extend and liberalize the contributory features of the present insurance act by making the coverage of the system almost universal and by raising the minimum payment thereunder to $30. It would further liberalize payments under the act to wives and widows with dependent children.

The chairman desires to express the gratitude of the committee to all those persons who have assisted it in its investigations and especially to Dr. Marjorie Shearon, of the United States Public Health Service, whose assistance in assembling and presenting data was most valuable.

The committee wishes to express here its sincere appreciation for the cooperation extended to it by the members of the research staff of the Social Security Board, who supplied most of the factual material on the operation of the Social Security Act, which laid the basis for the recommendations in this report. Because of its worth, the committee is including the most important parts of this material in its report as appendix B.

The committee intends to continue its meetings and will extend to all interested parties an invitation to testify before it regarding the proposed program which it has outlined in this report. It believes also that great problems involving the general economic security of our people remain untouched by its investigations and is consequently requesting authorization for a broadened scope of inquiry. It nevertheless is of the opinion that sufficient material has been gathered at this time to justify a report embodying recommendations for substantial changes in our old-age-pension system.

Respectfully submitted.

SHERIDAN DOWNEY, *Chairman.*

AUGUST 28, 1941.

REPORT ON THE INVESTIGATION OF THE OLD-AGE PENSION SYSTEM

BACKGROUND OF THE PROBLEM OF OLD-AGE DEPENDENCY

By the resolution creating it, this committee was directed to investigate the best means for bringing about the early realization of a minimum pension for all who have reached the age of retirement and are not gainfully employed.

Social conditions, imperatively demanding a liberalized general pension, are so well known as to require little comment, but certain relevant facts must be recited.

Increasing size of aged population

It is well known that our declining birth rate and lengthening span of life have increased the number of elderly persons in proportion to the total population, and that the difficulties facing this group are multiplying at an equivalent rate. The proportion of those above 65 is now two and a half times as large as it was in 1850 and will probably be five times as large in 1980. It is reassuring, however, to note that the burden of supporting all dependent persons is 20 percent lighter today than 100 years ago[1] because the increase in our senior group has been offset by a decrease in the number of children. Since the growth of technological efficiency measures our ability to care for those who are dependent, it is important to note that between 1920 and 1934 man-hour output in direct manufacturing was multiplied by almost 100 percent,[2] and continuously increases.

Rural-urban shift of population

As a basic cause of the present insecurity of our retired workers, consider now the movement of our people from the rural to the urban areas of the country. In 1790 only 3 percent of our population lived in cities of 8,000 or more; by 1930 the ratio had risen to 49 percent.[3] It was estimated that approximately 77 percent of our citizens aged 65 or over were in the nonfarm group in 1940, while only 23 percent remained on the land of their fathers.[4] No danger of social starvation can be implied from this rural-urban shift, since the ability of the farm group to produce food for the city dweller has increased even more rapidly than farmers have been moving to urban centers. However, this migration of the population has been a fundamental factor in creating the old-age problem, because the condition of an industrial worker whose services are no longer wanted by society is far more critical than that of an aging member of a primitive farm family.

Displacement of older workers in industry

The third and perhaps most immediate cause of the difficulties facing our aged citizens is the tendency of modern industry to discard its workers at an increasingly younger age. Many employers now refuse to hire men who are no longer in their twenties or thirties, and rare indeed is the displaced employee of over 45 who can find another position without great difficulty. During the last decade unemployed persons of advancing years have found little if any opportunity to reestablish themselves in industry because they cannot compete with the more than adequate reservoir of unemployed younger workers.

The results of this trend are clarified by the figures of the latest census, which show that during the last decade our entire labor force declined only from 54 to 52 percent of the total population above 14 years of age, while the proportion of those in the labor force above 65 to the total number in that age group declined spectacularly from 33 to 23 percent.[5] Such figures tragically illustrate to what extent a decade of prolonged unemployment has accentuated the long-run

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[1] From estimates by Prof. Raymond Pearl, of Johns Hopkins University, inserted in CONGRESSIONAL RECORD, April 8, 1940, p. 6217.

[2] Rautenstrauch, Walter, A Scientist Looks at Industry, Friday, May 9, 1941.

[3] Fifteenth Census of the United States: 1930, Population, vol. I, p. 9.

[4] Sixteenth Census of the United States: 1940 (unpublished).

[5] U. S. Department of Commerce, Bureau of the Census, press release, February 8, 1941, p. 7.

tendency of industry to discard its workers at an ever-younger age.

Present status of the aged

Of our total population 65 or over, only 23 percent are working or seeking work, compared with 62 percent in the age group of 25 to 44 years.[6] This means that nearly two out of every three men and women who are at work in the prime of their lives are forced out of the labor market before they reach the age of 65 by causes other than death.

The mere number of persons over 65 who are classified as "employed" is not, however, an adequate index of economic dependence in that age group, for many of them fail to earn enough to maintain even a minimum standard of living; 98 percent of the farm "labor force" over 65 (as defined by the census) is actually classified as "employed." Yet everyone knows that many farmers remain on their land after they have ceased to earn enough to support themselves and when they must receive aid from family, friends, or public agencies. The number of persons listed as employed by the census also includes large groups of feeble and ailing workers who must supplement their meager earnings from outside sources. Carefully prepared estimates were presented to the committee showing that of about 1,900,000 "employed" persons age 65 and over, not more than 1,000,000 could be considered genuinely independent by reason of earnings from employment greater than $25 per month.[7]

This committee is convinced that the condition of persons between 60 and 65 is strikingly similar to that of the group over 65. We are consequently of the opinion that any realistic attempt to deal with the problem of old-age dependency must include all citizens above 60 who are not gainfully employed.

In spite of the fact that there is a slightly higher percentage of employed workers between 60 and 65 than at the older level, the number of those physically or mentally unfit or unable to find employment is so distressingly high at that age that their need for an adequate pension should be obvious to all. The figures presented by Dr. Shearon indicate that only approximately 12 percent of those over 65 can be considered independent by reason of earnings from employment, while about 19 percent of all persons over 60 are in that position.

The picture painted by Dr. Altmeyer was somewhat more optimistic, but the committee is convinced that a deplorable situation exists in the group above 60 years of age. If the opinion of Dr. Altmeyer is vindicated, it would happily mean that retirements of workers between 60 and 65 would be fewer than the committee estimates in its financial statement showing the cost of general pensions for all workers past 60 who have retired from gainful employment.

And here, perhaps, the committee should express its opinion that moderate pensions will not result in the retirement of any substantial number of workers capable of earning more than the pension allotment. Under the present insurance system only about 22 percent of those eligible have retired and are receiving benefits. Of course, the average primary benefit is very low (approximately $23) and if the pension payments were lifted above that amount the tendency to retire would be slightly increased. Men, we believe, will generally prefer to remain at work as long as possible rather than to retire and reduce their incomes.

OPERATIONS OF OLD-AGE PROVISIONS OF SOCIAL SECURITY ACT

The Social Security Act establishes two independent pension systems—Federal old-age insurance and Federal-State old-age assistance.

The Federal old-age insurance system

The Federal old-age insurance system pays benefits to workers in covered occupations who have qualified by contributions to the insurance fund. The system does not cover the self-employed, farm workers, public employees, and other miscellaneous minor occupations. It is estimated by the Social Security Board that, at any one time, only one-half of our gainfully employed population are covered by the existing law. It appears, therefore, that the so-called contributory system is of no value to tens of millions of our people, in spite of the fact that approximately 90 percent of the benefits payable over the next 30 years will come from other sources than from the beneficiaries themselves. Specific data enlarging upon this anomaly will later be developed.

The present law provides for a 6-percent tax on the first $250 of monthly earnings of workers in covered occupations. This tax is not yet fully effective and will not reach its maximum of 6 percent until 1949. The present levy of 2 percent is imposed equally—1 percent being assessed against the employer and 1 percent against the employee. On January 1, 1943, the rate will increase to 4 percent; on January 1, 1946, to 5 percent; and on January 1, 1949 to 6 percent. It is obvious that the income which is derived from the employers' tax is ultimately collected from our general consuming public. Thus, it must be understood that in the immediate present one-half the funds being collected are from social rather than from individual contributions. Whenever the Government begins to contribute to the fund by general appropriations social contributions will be increased proportionately and the individual payments reduced correspondingly.

The pay rolls of covered occupations, now subject to the 2-percent tax, will average about $40,000,000,000 in 1941, and are rapidly expanding under the stimulus of war production. How powerful that stimulus is may best be revealed through the fact that covered wages and salaries for this year will be almost $7,000,000,000 higher than for last. The 2-percent pay-roll tax, levied against the pay-roll base of $40,000,000,000, will this year yield approximately $800,000,000, while disbursements from the insurance fund in 1941 will approximate only about $100,000,000. Because of this yearly excess of revenue over disbursements, the reserve fund of the insurance system is steadily increasing. On July 1, 1941, it amounted to $2.4 billions and is expected to rise to $3.1 billions by July 1, 1942.

The old-age insurance system, in addition to providing retirement annuities for its contributors, their wives and widows past 65, guarantees benefits to widows under 65 who have children under 18. The committee wholeheartedly approves of the benefit payments to such widows and children and will hereafter recommend their liberalization.

Federal-State old-age assistance

The second pension plan established by the Social Security Act provides assistance to needy individuals past 65, after submitting them to a means test to prove their poverty and the fact they have no children who can undertake their support. There are frequent investigations of the affairs of such pensioners to assure Government representatives that no person is receiving anything beyond a bare subsistence, but even that condition is not generally achieved by those unfortunate enough to be in receipt of public charity. Pensions to the needy past 65 are now being distributed in all States. Under the Social Security Act, the Federal Government offers to match any State up to $20 of its monthly pension payment, but so far only California has taken full advantage of the proposal.

Contrasting facts of the pension systems

1. In 1941 approximately 2,000,000 needy persons will receive old-age pensions, while the insurance beneficiaries past 65, including wives and widows, will number only 300,000.

2. In 1941 slightly less than $600,000,000 will be distributed in old-age assistance payments, about one-half of which will come from the Federal Government, while about $100,000,000 will be disbursed in old-age insurance to beneficiaries past 65.

3. Considering that under the Social Security Act we have projected two entirely different kinds of pension plans, it is a notable coincident that both systems are paying almost identical average benefits. In April 1941 the average payment in old-age assistance was $20.63, while the average monthly benefit under old-age insurance in 1940 (to all persons over 65) was $20.48. It should be noted that the average monthly primary benefit (that paid to the retired contributor himself) is approximately $23+. This average is reduced somewhat when the payments to wives and widows are included, since they receive 50 and 75 percent, respectively, of the primary benefit of the husband.

4. Another coincident and dismal fact is that in 1940 the assistance and insurance systems distributed poverty to the recipients of their grants in almost the same proportion. Approximately 30 percent of each group received less than $15 monthly. It is interesting to note also that almost 25 percent of all the contributors in the insurance system in 1939 reported earnings less than $200 and, though the scanty earnings of all of them were taxed, large numbers were disqualified because their wages were too low to permit them to qualify. Thus, multitudes of other contributors will pay taxes but never become eligible because of insufficient employment.

5. Although wives and widows under old-age assistance are granted equality with men, in the insurance system where workers are taxed for what they will receive, their spouses and widows are allowed only reduced amounts. Thus we have the strange picture of Uncle Sam with one hand offering $20 per month as charity to both sexes, and with the other hand less than that sum as an average payment to the women under the contributory plan. Recall also that the Federal Government is encouraging the States to increase pension allowances to wives, widows, and spinsters up to $40, while insurance benefits to women will remain for an indefinite period at less than a $20 monthly average. Can there be any rational explanation of this paradoxical situation?

6. The distribution of payments between different regions is equally irrational in both systems. The two programs are pumping four times as much pension income into the wealthy States as into those less prosperous. Federal aid for State assistance programs is awarded on a matching basis, so that States which can only afford to pay small pensions receive a proportionately small grant from the Federal Government. Arkansas, for example, with a per capita income of $212, received in December 1940 an average grant of only $3.89 per pensioner; while California, with a per capita income of $837, received $18.94. Mississippi, with a per capita income of $207, received an average grant of $4.30 in December 1940; and New York, with a per capita income of $859, received $12.45.

The 10 States paying the highest pensions and containing almost a quarter of the country's population received an average per capita Federal grant four times as large as that received by the 13 States paying the lowest pensions, containing another approximate quarter of the Nation's population.

[6] Ibid.

[7] See testimony of Dr. Marjorie Shearon, hearings before the Special Committee to Investigate the Old-Age Pension System, 1941.

The following tables graphically illustrate the greater flow of Federal money into the States paying the highest pensions:

Old-age assistance: Federal advances to 23 selected States—Jan. 1–Dec. 31, 1940

State	Federal advances	Population
California	$33,155,470	6,907,387
Colorado	7,843,308	1,123,296
Massachusetts	15,094,220	4,316,721
Alaska	246,908	72,524
Arizona	1,415,459	499,261
Connecticut	2,893,116	1,709,242
Nevada	380,449	110,247
District of Columbia	527,616	663,091
New York	17,414,167	13,479,142
Wyoming	499,860	250,742
Total	79,470,573	29,131,653
Hawaii	126,867	423,330
Louisiana	2,555,390	2,363,880
Florida	2,555,708	1,897,414
Delaware	179,169	266,505
North Carolina	2,212,672	3,571,623
Tennessee	2,573,454	2,915,841
Virginia	1,104,109	2,677,773
Alabama	1,204,579	2,832,961
Kentucky	2,741,116	2,845,627
Mississippi	1,147,014	2,183,796
Georgia	1,630,131	3,123,723
South Carolina	906,654	1,899,804
Arkansas	847,678	1,949,387
Total	19,784,541	28,951,064

The entire story is completed by the fact that the residents of the 10 high-pension States generally had much greater per capita income than the people of the 13 low-pension States. The specific figures are as follows:

Per capita income (1937) of selected States[1]

	Per capita income
California	$837
Colorado	568
Massachusetts	668
Alaska	---
Arizona	577
Connecticut	767
Nevada	911
District of Columbia	---
New York	859
Wyoming	616
Hawaii	---
Louisiana	367
Florida	483
Delaware	923
North Carolina	285
Tennessee	293
Virginia	358
Alabama	233
Kentucky	295
Mississippi	207
Georgia	288
South Carolina	231
Arkansas	212

[1] U. S. Department of Commerce, State Income Payments, 1929–37, p. 6.

We come now to a further coincidence in the actual operation of the assistance and insurance systems. We have already reviewed the exact figures showing that the Federal Government is paying four times as much in matching the old-age assistance grants of the wealthy States as it pays to those States which are less fortunate. Almost exactly the same percentage prevails in disbursements of old-age insurance to the wealthy States compared with the poorer regions. Many of the southern Senators who have been deeply concerned because their States were receiving less than the average Federal grant in old-age assistance have been consoled by the statement of social-security experts that old-age assistance would constantly decrease in importance compared with old-age insurance, and that looking ahead a few years the latter system would disburse the major amount of social-security funds. And it is possible that these southern Senators and the Congress as a whole have never understood from the testimony of the social-security experts that the two systems would yield almost identically inequitable results to the less prosperous farm States.

Yet such is the case, and a few specific examples will tend to make clear how little farm States will benefit from the present contributory system. Per capita benefit payments flowing into North Dakota are only one-eighth as much as those received by the people of New Hampshire. Mississippi for each resident receives only one-fifth as much as does New York. Georgia's per capita benefit is less than one-third of that enjoyed by New Jersey while Kentucky, Texas, Nebraska, North Carolina, Virginia, Arkansas, South Dakota, New Mexico, Tennessee, Oklahoma, and several other States fall not only far behind the prosperous industrial States in their per capita benefits but are likewise far below the national average per capita benefit. Herewith is a list of the 10 most fortunate States under old-age insurance compared with the 10 States in which the per capita benefits are the lowest:

AVERAGE PER CAPITA BENEFIT PAID OUT DECEMBER 1940

10 highest-paying States:	
New Hampshire	$0.079
Rhose Island	.071
Massachusetts	.069
Connecticut	.066
New Jersey	.065
New York	.060
Vermont	.060
Pennsylvania	.058
Ohio	.056
Maine	.053
10 lowest-paying States:	
Georgia	.021
North Carolina	.021
Texas	.020
South Carolina	.019
Oklahoma	.017
New Mexico	.015
South Dakota	.015
Arkansas	.014
Mississippi	.012
North Dakota	.010

It will be seen from the foregoing table that the average per capita benefits paid under old-age insurance for the lowest 10 States in the United States in the month of December 1940 was 1.6 cents. The average per capita benefits for the highest 10 States during the same period was 6.4 cents. The proportion of the average per capita payments under old-age insurance for December 1940 for the lowest 10 States to the average for the highest 10 States thus was 25 percent. As we noted before, the proportion of the average per capita Federal payments under old-age assistance in 1940 for the lowest 13 States to the average for the highest 10 States was 25.1 percent. The ratio of average per capita Federal payments between the lowest paying group of States and the highest paying group is seen to be, therefore, almost exactly 25 percent in each case.

Considering that it was never so designed, it is amazing that each plan operates exactly in the same degree to the prejudice and pauperization of our farm States.

The Social Security Board would justify the greater per capita benefits flowing into wealthy industrial States because of the higher percentage of industrial workers residing in these States. It is true that the fortunate States do have four or five industrial workers for every nonfarm laborer in the agricultural States. As the Social Security Board would also point out, the contributors from the manufacturing areas are paying into the insurance fund four or even five times as much per capita as is being paid into that same fund from the farm States. However, the fact remains that the Federal Government is making a substantial gift to wealthy States as compared with the pittance allowed to those less favored, and these gifts are being largely financed out of the general taxpayer's pocket.

For, as we have seen, one-half the fund to finance benefit payments is raised through the employers' tax which is ultimately paid by our consumers. Residents of farm States buy freely of goods manufactured elsewhere, and in so doing pay their proportionate share of the employers' tax. Thus the so-called contributory plan is unjust to farm States because one-half its primary support comes from a Nation-wide consumers' tax. The present set-up could be justified only if all benefits came from workers' contributions and even then the act, while it would be logical, would be sadly deficient, as it would have little value save in the industrial regions.

The experts of the Social Security Board anticipate the possibility that Federal appropriation may some day be required to assist in the support of the insurance system. Whenever that occurs the iniquity of the present plan will be magnified, because then only a minor part of the benefits flowing disproportionately into the well-to-do States will come from workers' contributions.

It should furthermore be noted that contributors who fail to qualify because of insufficient employment or low wages will receive no benefits. It is apparent that money thus forfeited by the dispossessed of the act will flow into the insurance fund and from there it will be distributed to workers everywhere.

In Mississippi in 1939, 47 percent of its workers in the insurance system reported wages less than $200 annually; Connecticut reported only 15 percent; Arkansas had 44 percent; and Rhode Island, a mere 17 percent. There can be no doubt that forfeited money will come principally from the rural regions and from areas of intermittent unemployment, while it will be diverted chiefly to industrial workers and to regions where employment is more stable.

The present act is undeniably unjust because it will distribute income, the major portion of which will be raised on a noncontributory basis, by a contributory formula, which will materially favor prosperous regions at the expense of less fortunate areas. The iniquity of thus applying contributory principles to the disbursement of public funds has other defects which will be noted in the criticisms of the act which follow.

CRITICISMS OF THE PRESENT SYSTEMS OF OLD-AGE ASSISTANCE AND OLD-AGE INSURANCE

I

Inadequacy of present payments

The committee finds that the amounts which are provided for the care of our older citizens under both the old-age insurance and assistance systems are obviously inadequate to provide them with even a minimum of subsistence.

The most reliable estimates available show that an urban couple require from $50 to $65 per month, depending on the part of the country in which they are residing, to provide for their minimum costs of living, while single persons would require perhaps $30 to $35. For farm couples or single persons the amount required is only about 10 percent less than that for city dwellers.

In the face of these estimates of the absolute minimum cost of living, both the old-age insurance and assistance systems pay average amounts of only $20 per month to individuals and 85 to 90 percent of the recipients in both systems receive less than the $30 per month which this committee believes is the irreducible minimum that should be provided for the subsistence of our retired workers. We recommend that hereafter emphasis be laid on the minimum benefit rather than the average, for while academic statisticians can perform mathematical miracles with averages, they have not yet perfected a formula by which aver-

ages can be used for food, shelter, or clothing by those on the under side of the median line.

Inadequacy of present coverage

This committee finds that our present provisions for old-age insurance and assistance have tragically failed to reach more than a small fraction of our retired workers. Of the 14,000,000 people now above age 60, nearly 12,000,000 remain outside the scope of the present program, in spite of the fact, which has earlier been demonstrated, that the overwhelming majority are without either employment or substantial savings. These, the senior citizens of this Nation, are entitled to know why they are today deprived of the right to economic security. Here are the reasons:

1. For fully 5,000,000 of them the answer is that they are in the "twilight zone" from age 60 to 65—too old for a job in youth-hungry modern industry, yet too young for a pension under our present laws. This committee asserts that the first duty of the Government of the United States is to recognize economic realities by extending the protection of an old-age pension to this woefully insecure group of citizens.

2. For millions of others, the answer must be that the present insurance system is so designed as by its nature to exclude the great majority of citizens. In the first place, it leaves out of its coverage such great groups as farmers and the self-employed. For this reason it can never include at one time more than half our people.

In the second place, the insurance system is not designed to come into full operation for several years. In the meanwhile, only 2 percent of all citizens over 60 (or 3 percent of those over 65) are receiving any benefits at all from the system. Whatever the merit of such a scheme at some time in the future, its present value and its worth for several years to come are manifestly nil. The committee is of the opinion that the inclusion of all occupations now excluded from the coverage of the system will make it of great practical value in future decades. But by no means whatsoever can the insurance system be amended or changed to provide for the present plight of our older citizens and it is their present plight which is the primary consideration of this Government. Statistical data for the distribution of the Nation's wealth, 50 years or a century from now, however great the genius of the actuaries assembling it, cannot, in the immediate present, feed, shelter, or clothe our retired workers. That problem must be solved by congressional action, not by actuarial calculations. It should be solved now.

3. The final answer to the question of why the vast mass of our retired workers are excluded from the economic security which a governmental grant would bring to them centers about the restrictions with which we surround such a grant. We now offer to the 80 percent of our citizens past 65, who are without employment and can hope for no aid from the insurance system, the "right" to submit to humiliating inquisitions by multitudes of official investigators. These investigators need only discover that applicants for assistance have some pitifully small savings or property of their own or have some relatives who can support them to deny them the average amount of $20 per month (as little as $7 in some States) which we now provide under our old-age assistance laws. It matters not that the retired worker's property may be only a mortgaged home or that his children may already be burdened with overpowering financial obligations. Unless the applicant can successfully pass these tests and take the pauper's oath, he can hope for nothing from his Government and only expressions of sympathy from its representatives.

Thus millions of our older people must remain a heavy burden on their children, and millions more struggle through their remaining years without any help at all because their sons and daughters, regardless of what official investigators decree, cannot afford to support them. This committee does not believe that the people of this Nation desire to perpetuate a system which denies governmental aid to millions of retired workers merely because they may have insignificant amounts of savings or mortgaged homes as symbols of a dream of economic security they were destined never to achieve.

Nor does this committee believe that the people of this Nation desire to submit those of our older citizens who receive help to the final indignity and humiliation of the pauper's oath. We must abolish once and for all this antiquated "confession" by the individual of his "guilt" for the unfortunate situation in which he finds himself. We must replace it with a forthright "confession" by society of its "guilt" in creating the conditions which make impossible for 85 percent of our people the achievement of economic security in old age. We must establish society's responsibility for guaranteeing security to its retired workers as a matter of right. It is for this reason that the committee recommends the payment by the Federal Government of a monthly sum which it believes will guarantee at least a minimum of subsistence to every citizen past the age of 60 who has retired from gainful employment.

II

Injustices of the present system

The operation of our two systems of old-age insurance and assistance has resulted in creating serious injustices as between individual recipients within the insurance system, as between recipients of payments in the two different systems, and as between different States under both systems.

1. The essentially noncontributory nature of the insurance system results in the unjust weighting of benefit payments against the poorly paid worker: Benefit payments under the present old-age and survivors insurance scheme are made payable, in general, in proportion to the previous earnings of the retired worker. The justification for this discrimination as between poorly paid and better paid workers rested on the so-called contributory nature of the system. The committee finds, however, that because of the way in which the system was set up benefit payments during the next 25 to 50 years will come almost wholly from sources other than the contributions of the recipient.

Data prepared by the Social Security Board showed that on all claims to insurance benefits which will mature before 1955 and which will thus be payable over the next 25 to 50 years, the contributions by the recipients themselves, including interest compounded at 3 percent annually, will equal only 8 percent of the total benefits which they will draw out of the system. Even on all claims which will mature before 1980, and on which payments will extend into the twenty-first century (A. D.), the beneficiaries will have directly contributed only 25 percent (including accrued compound interest) toward the cost of their retirement annuities.

The committee does not criticize the Government for paying nearly all the cost of the pensions in the early years of the system. It does assert that since for the next three decades 92 percent of the funds for the payments are coming from sources other than the contributions of the recipients, there can be no justification for weighting the payments against the poorly paid worker.

A case example, prepared by the Social Security Board, will help to clarify this injustice. In the case of two workers, one earning $25 per month and the other $250 per month, both of whom die in 1954, leaving an identical number of survivors, the family of the more highly paid worker will receive monthly benefits at a maximum rate of $85 per month, which will, over a period of years, total more than $20,000, while the benefits in the maximum amount of $20 a month which will go to the family of the poorly paid one will amount to only about $5,000. In both cases the workers will have contributed less than 6 percent of their total benefits, yet society plans on awarding $20,000 to the prosperous family and $5,000 to the poor one.

The committee does not believe that this injustice, which will exist for many years to come, necessitates abolition of the insurance system. It asserts emphatically, however, that the evil can and must be corrected by the establishment of a minimum amount of benefits payable under the system. It is believed that this minimum benefit should be fixed at the same level as the general pension which is included in the committee's recommendations.

2. The existence of two parallel yet different systems by which we attempt to care for our retired workers has created a series of absurd and anomalous situations which tend to undermine the value of both systems: In the first place, for the country as a whole, the average insurance benefit ($20.48) is slightly lower than the average assistance payment ($20.63). In 22 of our States with half of the country's population, a retired worker can receive more, on the average, by accepting public charity than he can obtain from the insurance benefits toward which he has been contributing a percentage of his income during his working years. The inadequacy of insurance payments is thus only too clearly dramatized and the realization of this absurdity in the mind of the worker tends inevitably—and rightly—to shake his faith in the insurance scheme.

Of course, in all those States where assistance payments are higher than insurance benefits the retired worker may supplement his benefit by applying for assistance up to the full allowance. This, however, only makes the situation even more absurd and raises the question, Why maintain any insurance system which pays benefits to 80 or 90 percent of its recipients so small that they must be supplemented by charity grants of assistance?

Furthermore, in those States where old-age assistance payments are smaller than insurance benefits, no opportunity to thus supplement his meager benefits is open to a retired worker, although he may see fellow workers in more fortunate States receiving substantially higher amounts as a matter of charity than he is allowed as a return for contributions made by him during his working years.

The defenders of the present ludicrous system, however, point out hopefully that the primary insurance benefit will increase by 1 percent every year so that at some time in the future insurance benefits will outstrip assistance payments. But since the average primary benefit (that of the retired worker himself) is now only $23 per month, at the end of 20 years it can have increased by only about $5. And at the same time another factor will have come into operation to offset the rise in the primary benefit. That factor will be the increasing participation of women in the insurance system.

It should here be recalled, as pointed out earlier in the report, that our old-age assistance laws logically grant to women generally the same amount of payments as to men. In the case of our insurance system, however, a wife is allowed benefits equal to only 50 percent of her husband's, while a widow is given only 75 percent. The obvious absurdity of giving a widow only three-fourths of the full allowance for an individual is in striking contrast to the just and equitable policy under old-age assistance of granting her the same amount as her husband.

The effect of the smaller benefits for women will become increasingly apparent as the

number of female beneficiaries becomes greater. Since benefits are not payable to the wife or widow of a retired worker until she herself reaches age 65, and since only about one-third of all men 65 and over have wives above that age, relatively few women would be expected to receive benefits during the early years of the system.

At present only about 32 percent of all beneficiaries over age 65 are women. On the other hand, since our population is about equally divided between the two sexes and since women survive longer beyond age 65 than do men, eventually women will constitute about the same proportion of the beneficiaries as men. The increased ratio of female recipients who are allowed only a partial grant will thus operate to offset the rise in average primary benefits under old-age insurance, while no such factor will come into play to lower old-age assistance payments. It thus appears to the committee that the passage of time will not remedy the absurd situation in which we find ourselves paying less, on the average, in insurance benefits than we give to our retired citizens as a matter of charity.

3. Both of the present systems of old-age assistance and insurance unfortunately operate to drain wealth from our least prosperous States to our most fortunate ones: This criticism of the present system is so obvious that the mere statement of the facts in a foregoing part of this report needs little, if any, amplification here.

It will be recalled that the assistance program redounds to the advantage of wealthy States because the Federal Government will not grant to a State more funds than the State itself can afford to appropriate for old-age assistance. Thus Arkansas receives an average Federal grant of $3.95 per recipient, while California is awarded $18.95. In fact, the 10 most fortunate States, all prosperous, receive exactly four times as much in per capita Federal grants for old-age assistance as do the 10 least fortunate States, all less prosperous and most located in the South. Yet the funds for both grants come equally from the general revenues of the United States Government.

In the case of the insurance system, the exclusion of all farmers and farm workers from the payment of benefits results in the pouring of benefit money into industrial States to the detriment of agricultural ones. The 10 most fortunate States, just as under the assistance scheme, receive four times as much in per capita insurance payments as do the 10 least fortunate States, all predominantly agricultural and almost all located in the southern part of the country. Were the system a contributory one, such partiality might be defended. But, as brought out earlier, 92 percent of all funds used to pay insurance claims materializing before 1955 and thus extending over the next 25 to 50 years, will come from sources other than the contributions of the beneficiaries themselves. Since the public generally is paying these benefits, there can be no justification whatsoever for pouring into our industrial States four times as much benefit money as into our farm States.

There is before Congress at present a bill (S. 1759), the so-called Connally amendment to the Social Security Act, which would increase Federal grants to less prosperous States for old-age assistance by varying the size of the grant in inverse ratio to the per capita income of the State. While this committee approves strongly of any attempt to raise old-age assistance payments in our less prosperous States, it does not believe that the particular method contemplated in this bill is as desirable as other alternatives.

In the first place, by raising assistance payments substantially in the South, it would at the same time increase the average payment throughout the United States to more than $30 monthly. Since the average insurance benefit is now only $20 per month, the effect of such a proposal would be to throw further askew the present relationship between the insurance and assistance plans and cause to appear even more ridiculous the amounts now payable under the former plan.

Because such a method does not contemplate a parallel reform in the insurance system and would consequently increase the injustice of the dual system, the committee prefers to recommend as a more comprehensive remedy for the sectional discrimination inherent in both our present systems the establishment of a general pension of $30 a month, financed entirely by the Federal Government. Such a pension would automatically adjust the weighting of our assistance payments against less prosperous States by making payments uniform throughout the United States. It would also correct the discrimination by the present insurance system against the agricultural areas of the country by giving to farmers a pension in lieu of insurance benefits until such time as they may qualify for contributory payments. The committee believes that only by such a comprehensive reform as the establishment of a general pension can the discrimination of our present systems against the less prosperous areas of our country be eliminated.

PROPOSAL FOR A GENERAL PENSION

The committee is of the opinion that the immediate passage of a law providing a general pension of $30 a month for persons without employment past 60 is imperative to the present well-being of our older citizens. The committee, however, wishes to emphasize that such a measure is designed solely for the immediate future, because the expanding and accelerating insurance system recommended by the committee would soon preempt the pension field. Thus, the number of recipients of pensions will steadily dwindle each year until at the end of the coming decade almost all payments will be made as benefits under the insurance system and only a limited number as general pensions.

The members of the committee desire herewith to summarize the reasons which they believe necessitate the payment of a general pension during the next decade to such of our older citizens as will not be able to qualify under the revised plan for insurance benefits.

(1) One-half of the revenues raised for the old-age insurance fund (from which the money for pension payments is to come) will be raised by a 3-percent pay-roll tax on employers. It is an accepted fact that this tax will be paid by the consuming public and is thus a tax on society as a whole. It will consequently be paid by all recipients of a general pension, both before and after retiring from employment. No justification can be found for forbidding the pension to any particular group, since all shared equally in contributing the taxes from which one-half of the pension revenues are to be raised.

(2) An old-age pension must be made general for all who retire from employment, because to provide otherwise would be to discriminate among all older citizens in favor of the beneficiaries of the insurance system.

As brought out earlier, the beneficiaries of all insurance claims maturing before 1955 (the effective time limit on the proposed pension) will have contributed only 8 percent of the amounts which they will receive as benefits, while 92 percent of such payments must come from society as a whole. In effect, insurance benefits during the next 15 years will be almost wholly noncontributory social pensions. To single out any one group as the fortunate beneficiaries of such a grant is grossly unfair while others, equally worthy and generally less fortunate, must submit to humiliating investigations and paupers' oaths before receiving an identical kind of noncontributory pension. If one, then both kinds of noncontributory pensions must be paid as a matter of right to all citizens over 60.

(3) The committee believes that there is another reason justifying the grant to the Nation's workers of a general pension paid as a matter of right, without degrading conditions. American citizens now approaching and past 60 by their thrift and toil materially helped to build our farms, factories, and cities—assisted in constructing our fertile productive enterprises by virtue of which there is now ample wealth to provide comfort for all. The fortunate of us are beneficiaries of their toil, but the fate of many millions of them is unhappy and tragic indeed. Nine out of ten men are industrious and try to save some of their earnings, but scarcely more than 1 in 10 succeeds, and the failure of our people to save cannot fairly be ascribed to anything but the economic conditions that have existed in our Nation over the past generation.

The great majority of our workers have found no opportunity to accumulate a competency because of earnings so small that anything beyond the support of a wife and children has been impossible. A minor segment of our workers with an earning capacity beyond a bare subsistence have from time to time, with sacrifice and thrift, accumulated savings or insurance rights and then, in cyclical periods of unemployment, or because of sickness, injury, death, or other disaster, have seen the accumulation of years swept away almost in a day.

Millions of our best citizens, thrifty and industrious, had their hard-won competencies ruthlessly stripped from them in the panic of 1929 and the depression of the thirties. Millions of our farmers, upon whose services our very existence depends, have provided bountifully for the rest of us, and now, in failing age, face poverty and insecurity through no fault or failure of their own.

In granting liberalized pensions to our retired workers and farmers, their wives and widows, should we taint our grant by demanding paupers' oaths, by means tests, by maintaining dismal standards of the poor farm? Or should we grant these payments as a matter of social right, to be received and enjoyed with dignity and independence, free of harassment and inquisition? We believe that a nation dedicated to humane, Christian principles should have but one answer to that question.

(4) While the committee believes that general pensions are necessitated by a sound social policy and by natural justice, we wish further to emphasize that the most practical and realistic rules of statecraft would lead to the same conclusion. This statement is based upon the undeniable fact that only about 15 percent of our citizens upon reaching 60 have accumulated savings sufficient to provide incomes for independent support. Many authorities place the number of savers at about 10 percent. Among the 15 percent possessed of competencies will be a substantial proportion who will still be employed after 60. Considering that our brain workers—including our public officials, editors, corporate executives, financiers, writers, and professional and business leaders—who generally continue to work until late in life are also the ones most often possessed of considerable savings, we can safely assume that of our approximate 15 percent of persons past 60 with savings, not more than 10 percent would be retired. Since the proposed pension would be payable only to retired persons, it is with this 10 percent that we are concerned. Of this percentage, the great majority would be possessed of very modest incomes ranging from twenty-five up to a few hundred dollars monthly. Only in the top 1 or 2 percent will we find individuals of substantial or high incomes. It is entirely possible that a substantial portion of our wealthy retired citizens would never claim a pension, and it is obvious that those who did would restore a major portion of it to the Federal and State Governments in income

taxes, and that not less than 20 percent of the balance would be subject to consumptive taxes when spent.

The argument is often heard that it would be unwise to give a general pension to Rockefeller, Ford, or some other multimillionaire, And from this it is argued that we should subject the 85 or 90 percent of our people who have no savings to a means test to prevent the rich man from claiming the pension. It it is desirable to prevent a comparatively few of our citizens from enjoying a social dividend, the income tax is an apt, cheap, and simple medium to recapture all or any portion of the pension at whatever income level is considered advisable.

Public opinion on old-age pensions

In the midst of the present national emergency, faced with the expenditure of billions of dollars for national defense, the people of America have expressed their almost unanimous conviction that the Government of the United States should provide more adequate pensions for our retired workers In a recent scientific poll taken by the American Institute of Public Opinion, 91 percent of all voters sampled answered an unequivocal "yes" to the direct question: Are you in favor of Government old-age pensions? The committee believes that such unanimity of opinion, particularly in the face of the present emergency, demands that the Congress respond promptly to this undeniably popular mandate for the establishment of a national old-age pension system.

Reflecting the present state of public opinion, the poll revealed that the people of the country as a whole favor a pension of $42 per month for a single person and $73 for a married couple, as the minimum amounts which our retired workers require for a decent living. It should be noted that the opinions of the amounts required vary somewhat in different regions of the country. In the South $32 per month is considered a fair figure, while in New England and the Mid-Atlantic States a monthly sum of $50 is believed essential.

The committee desires to state here that in fixing its proposed general pension at $30 per month it was guided at least in part by these estimates of the people themselves as to what they consider absolutely necessary as a minimum of subsistence. It proposes to establish a pension acceptable to that area of the country in which the cost of living is least—the South—in the expectation that States in other parts of the country, where costs of living are higher, may, if they desire, add proportionately greater amounts to the basic Federal pension.

In another respect the poll showed that public opinion is now far in advance of existing legislation. About two-thirds of the American people already recognize that, whatever the Social Security Act may say about a retirement age of 65, the chances of a worker's obtaining employment in modern industry after age 60 are now slim indeed. Public opinion is thus prepared to support this committee's recommendation that a general pension for our retired workers be made payable at the age of 60.

It should further be noted that 76 percent of all persons polled specifically declared their willingness to pay a 3-percent tax on their earnings to insure an adequate pension after retirement from employment. Dr. Gallup, director of the institute, has interpreted the data developed by his poll as meaning that "a large majority say they would be willing to lay aside a substantial percentage of their income over the coming years to make pensions, in effect, universal."

The committee desires to point out that the plan for a general pension for all persons without employment above the age of 60 is clearly in keeping with the desires of the American people as expressed in this sampling of public opinion. The plan has been designed to provide pension payments for all in amounts which the people as a whole believe fair. It has likewise been designed to extend to the entire population the 3-percent tax on earnings from which the pension payments are to be financed. And, of course, the other 3-percent tax on pay rolls levied on the employer is passed on to the consuming public and is thus a further means of placing the responsibility for financing the payments on the entire body of citizens which is to receive them. By making both the pension payments and the tax responsibility for those payments universal, the committee believes it has designed a fair system which will meet fully the desires of the American people.

Finally, the committee desire to point out that the results of this poll completely vitiate all charges that sentiment for old-age pensions is centered only in the older groups of our people. Of all the age groups sampled by the poll, it was the oldest citizens who set the lowest figures desirable for pension payments. Voters from ages 21 to 44 actually favored pensions for single persons in amounts $6 to $8 per month higher than did those above the age of 60. In the face of these facts, it can hardly be denied that the pressing desire of the American people for an adequate pension system springs as much from the generous nature and, perhaps, enlightened self-interest of our younger people as it does from the immediate needs of our older citizens.

RECOMMENDATIONS OF THE COMMITTEE

This committee believes that fundamental changes in the Social Security Act of 1935, as amended in 1939, are an immediate necessity for the welfare of the older citizens of this Nation. In accordance with that belief, it submits the following recommendations:

A. Title II of the Social Security Act and the Federal Insurance Contributions Act (formerly title VIII of the Social Security Act)

1. (a) We recommend that the present system of old-age and survivors insurance as provided under title II of the Social Security Act and the Federal Insurance Contributions Act be retained and extended to provide for as universal coverage as possible. We recommend that all groups within the extended coverage shall begin to pay taxes as of January 1, 1943.

(b) We recommend an immediate, detailed investigation into the best method of extending the coverage of the insurance system to all self-employed groups, farmers, and farm workers, employees of the Federal Government, of States, counties, and municipalities, and all other employed individuals who are not now covered by the system. In the rare cases of those individuals who escaped tax responsibility through failure to engage in gainful employment during their lives it is recommended that equalization of the tax burden be effected in their cases through the instrumentality of the income tax.

2. We recommend that the benefits provided under the insurance system be made payable upon retirement from employment at the age of 60 rather than at the age of 65, as at present provided.

3. We recommend that a minimum benefit of $30 per month be established for all beneficiaries, including those now in receipt of payments, regardless of the size of their previous earnings.

4. We recommend that the combined employer-employee taxes on pay rolls in the then covered employments be raised to 4 percent on January 1, 1943, and that the taxes further be raised to 6 percent on January 1, 1944, instead of on January 1, 1949, as contemplated in the present act.

5. We recommend the repeal of the present provision of the law requiring as a condition of eligibility for benefits that an individual be paid not less than $50 in wages in any quarter of coverage.

6. We recommend that wives' and widows' insurance benefits be increased from one-half and three-quarters, respectively, of the husbands' primary insurance benefit to an amount equal to such primary benefit.

B. Title I of the Social Security Act

1. We recommend the abolition of the present Federal-State old-age assistance system based on the means test as provided in title I of the act, and recommend that title I be amended to provide for the payment by the Federal Government through the instrumentality of the several States of a general pension of $20 per month after July 1, 1942, and $30 per month after January 1, 1944, to every American citizen who has retired from gainful employment at or after the age of 60, unless he is in receipt of payments from the Federal Government under the old-age insurance system or under the provisions of the Railroad Retirement Act of 1940.

2. We recommend that such pensions be supported by general appropriations financed as far as possible by the utilization of those funds collected through the 6-percent employer-employee pay-roll tax provided by the Federal Insurance Contributions Act to the extent that they shall not be required for current payments under the insurance benefit provisions of title II of the act. In this connection we emphasize again our earlier recommendation that all employed persons be brought under the coverage of the insurance system at as early a date as is found to be feasible. Until such time as all, or nearly all, citizens will receive their benefits under the insurance system, it is the opinion of the committee that diversion of workers' contributions to the payment of a general pension should be balanced by an equally general tax program. This generally can be achieved directly (for workers) and indirectly (for wives and widows) by coverage of all gainfully employed persons under the insurance system.

C. Further recommendations

This committee recommends that it continue to study the pension problem and that its authority be broadened to include the larger subject of all social-economic insecurity, including the condition of dependent widows and children, of the permanently and totally disabled, et cetera.

FINANCIAL RECOMMENDATIONS OF THE COMMITTEE

The census estimates that in 1945 our population above 60 years will reach about 15,000,000. Of this number, the committee believes that approximately 3,000,000 will remain gainfully employed and that about 1,000,000 of them will have spouses above 60. Thus, persons who might be qualified to claim benefits under either title I or title II will be reduced to 11,000,000.

There are in the United States 800,000 aliens past 60 and a substantial number of our aged in institutions supported by public funds, none of whom would be eligible for general pensions.

In the opinion of the committee, it is therefore probable that not more than 10,000,000 would be qualified as beneficiaries under both the proposed general pension plan and the old-age insurance system.

The committee recognizes that many qualified individuals might never claim general pensions and some of its members are of the opinion that the number of these, who for one reason or another would not apply, might reach 5 percent of those eligible, but this factor has been ignored in the committee's calculations.

If 10,000,000 of our people were in receipt of the general pension of $30 or the minimum insurance benefit of a similar sum the cost would be $3.6 billions. It must be noted there would be other items of cost to be added. These would not, in the immediate future, be of a great magnitude. Under the

proposal of this committee while the minimum is lifted to $30 monthly, payments above that sum, earned by a contributor's payments, would remain unaffected. It is probable that for a long, long time there will be less than a million beneficiaries of the insurance system who will be entitled to more than the minimum of $30. If the excess of payments above the minimum sum averaged as much as $7.50, the aggregate for a million recipients would equal $7.5 millions monthly or $90,000,000 annually. And there is little chance that this amount would be attained in the next decade.

In addition to the sums that would be payable to persons over 60, the proposed law would retain and liberalize benefit payments to widows under 60 with children under 18. Ultimately this phase of the act would require substantial income to support it but no great sum for the next few years. The proposal of the committee while not directly affecting the benefits of widows under 60, indirectly does so, to a very substantial, and the committee believes, in a very equitable way.

An example will readily make this plain. Under the present law a widow, with one or more children under 18, can in no event receive an allowance more than double her husband's primary benefit. Thus a widow with three children whose husband's benefit would have been the minimum of $10, could not receive more than $20, a sum totally insufficient for her support and generally far below that to which most general relief laws would entitle her. Now, if the minimum primary benefit were increased to $30 monthly, her allowance would automatically rise to $60, a much more substantial sum, but one that would hardly permit her and her three children to be corrupted by luxurious living. The example we have given is the extreme but all widows under 60 whose husbands' primary benefits would have been less than $30 monthly would find their condition improved.

The committee has not yet been able to assemble data from which sound estimates could be made of the future cost of thus increasing indirectly the benefits of widows under 60. But this much is certain, that within a decade or two the universal coverage of the insurance system, as herein proposed, would provide for almost all of the otherwise dependent widows and children of the Nation. States, cities, and counties would thereby be relieved of this heavy and unhappy relief problem. They likewise would be released from many hundreds of millions of expense for general relief and old-age assistance for those past 60 and if experience proved that the item for the succor of widows under 60 as here proposed was too burdensome for the pay-roll tax to support, the States, cities, and counties could justly be called on for appropriations.

In any event, it is the opinion of the committee that for the first 2 or 3 years after the $30 rate became effective the cost would not exceed $4,000,000,000 annually. And it is believed that a 6-percent tax on employers and employees, with corresponding levies against all other groups, so as to make the plan practically universal, would produce, at a national income level of $100,000,000,000, about the needed $4,000,000,000.

Estimates submitted by the Social Security Board indicate that with a national income of $100,000,000,000 a 6-percent tax on presently covered pay rolls would yield $2,600,000,000; that if this 6-percent tax were extended to the pay rolls of all public employees—Federal, State, city, and county—an additional $500,000,000 would be raised; that a 3-percent tax on net incomes up to $3,000 of self-employed persons (excluding farmers) would produce approximately $300,000,000.

The committee, from preliminary investigation, is certain that $600,000,000 could be raised from taxes on farm pay rolls, farmers' net incomes, and farm crops without any serious burden on agriculture. The committee has not, however, had time to fully investigate a fair and appropriate levy against rural groups, and has therefore recommended that the determination of a specific method of taxation go over until next year. But the committee is certain that the Congress can rely upon agriculture to produce at least $600,000,000 for the financial support of the proposed plan.

Other classes of society could properly be subject to a pension tax. The most profitable would probably be individuals under 60 with net unearned incomes who were not reached by other pay-roll levies. The committee has not been able to yet secure data on the amount this kind of a tax would produce, but believes it would be substantial. It has recommended that the determination of the best method of subjecting this group to a pension levy be determined at a later date when it is anticipated some sort of an income tax will be found to be the strategic method to be applied.

Likewise the committee has made no investigation and no finding of what, if any, levies should be made against domestics and minor groups not heretofore covered. It has recommended that the best methods and advisability of taxing such groups be considered later.

Summarizing the foregoing data, we develop the following figures. At an income level of $100,000,000,000 a 6-percent pay-roll tax would produce from—

	Billions
Present coverage	$2.6
Public employees	.5
A 3-percent tax on the self-employed would yield approximately	.3
Farm groups should yield	.6
Total	4.0

The committee recommends that the age limit be reduced to 60 and that liberalized benefits begin on July 1, 1942, at the rate of $20 monthly, remaining at that figure for 18 months or until January 1, 1944. It will be remembered that under the existing law contributions will be increased to 4 percent on January 1, 1943, and we have recommended that this rate be raised to 6 percent 1 year later. Until the full rate of 6 percent were in force the system might not be entirely self-supporting, but the deficit would not be great and should be covered by a Federal appropriation. The sum now being spent by the Government on old-age assistance and relief of those past 60 would probably be sufficient to meet any deficit in the contributions.

The committee in its fiscal calculations has assumed a national-income level of $100,000,000,000 because of estimates presented to it by Robert Nathan, formerly head of the National Income Division of the Department of Commerce and now economist with the Office of Production Management. The committee requested estimates on future national income from the Social Security Board, whose representative suggested to the committee that Mr. Nathan be consulted for an answer to the question on national income. The communication received by the committee from Mr. Nathan contained the following statements:

"It now appears that the national income in 1941 will approximate in terms of 1940 prices about eighty-six and eighty-seven billion dollars.

"The level for 1942 will certainly not exceed $95,000,000,000, although had no bottlenecks been encountered the 1942 total might have been well above $100,000,000,000.

"* * * our national income in 1943 should exceed $100,000,000,000, with a total of about $103,000,000,000 being reasonable. It is my belief that by 1944 either there will be further expansion in critical areas or else we shall so have adjusted ourselves as to make for the fullest utilization of existing limited resources and permit a national income of $110,000,000,000."

It will be noted from an examination of the foregoing letter that the committee, in calculating the yield of the 6-percent pay-roll tax from a national income of $100,000,000,000, is dropping substantially below the estimates given by Mr. Nathan for the years 1943 and 1944, and that likewise Mr. Nathan in his letter clearly recognizes the possibility of an income substantially beyond the ones he is predicting by reason of inflationary tendencies.

Doubtless some of our Senators may hesitate to accept an estimated yield from the pay-roll tax based on a national income level of $100,000,000,000, anticipating that a collapse of pay rolls may come at the end of our present emergency spending. To those who may very properly be distressed by this possibility, let us emphasize that the fiscal program we have outlined would relieve our Federal and State Governments from present large expenditures, certainly exceeding a billion a year. Old-age assistance appropriations of the National and State Governments combined will soon exceed $600,000,000. Work Projects Administration disbursements for the age group between 60 and 65 are substantial; large sums are spent by local governments for the relief of this same group, and better coverage of widows and orphans as herein proposed would soon eliminate almost all relief expenditures of every kind except Work Projects Administration and farm aid. Consequently, if pessimistic prophecies are vindicated and the end of our war spending precipitates a period of unemployment and a decreased yield from pay-roll taxes, our Federal and State Governments could assume a substantial portion of the proposed outlay without exceeding the sums they are now disbursing for present relief and from which they would be relieved if the proposed law would be enacted.

It should, of course, be noted here as a fact relevant to this discussion that of the $500,000,000 expected to accrue to the insurance fund from a 6-percent tax on the earnings of public employees, one-half would be payable by the Federal, State, city, and county governments, and this item of $250,000,000 would, of course, have to be calculated by our governmental agencies.

It should also be emphasized that if employment and national income are demoralized by the curtailment of military expenditures, it would be vitally necessary that our consumer purchasing power should be supported by every wise possible means. Therefore the maintenance of at least a minimum of buying power among the age group past 60 would be helpful in checking any trend toward collapsing production after this emergency is over.

Its chairman has reported to this committee that he has been advised by reputable economists that, in their opinion, the distribution of $4,000,000,000 annually under the plan herein proposed would result in increased Federal revenues to the extent of at least $400,000,000 annually and that the income of other governmental agencies would also be beneficially affected by more adequate pension outlays. This committee has not attempted any exploration of the questions involved in these statements but does recommend to the Finance Committee its careful consideration of this aspect of the problem.

APPENDIX A

PROPOSED DRAFT OF A BILL EMBODYING THE COMMITTEE'S RECOMMENDATIONS

A bill to amend the Social Security Act to provide for general pensions, and for other purposes

Be it enacted, etc., That title I of the Social Security Act, as amended, is amended to read as follows:

"Title I—Grants to States for general pensions

"Appropriation

"SECTION 1. (a) For the purpose of providing general pensions to citizens of the United States who are 60 years of age or over, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1943, the sum of $_____; and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Social Security Board established by title VII (hereinafter referred to as the Board), State plans to administer such payments.

"(b) Any money appropriated pursuant to the authorization contained in this section shall, insofar as practicable, be borrowed from the Federal Old-Age and Survivors Insurance Trust Fund. Special obligations shall be issued to such trust fund, in accordance with the provisions of section 201 (c), in an amount equal to the amount so borrowed.

"State Plans for Administration

"SEC. 2. (a) A State plan for the administration of general pensions must (1) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (2) provide for granting to any individual, whose claim for pension is denied, an opportunity for a fair hearing before such State agency; (3) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Board to be necessary for the proper and efficient operation of the plan; (4) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; (5) provide safeguards which restrict the use or disclosure of information concerning applicants and pensioners to purposes directly connected with the administration of such pension; (6) beginning with the period commencing July 1, 1942, provide for the payment of general pensions of not less than $20 per month, and with the period commencing January 1, 1944, provide for the payment of general pensions of not less than $30 per month, to each United States citizen who has made application for such pension and who, at the time of such payment, is a resident of such State, is 60 years of age or older, and is not an inmate of a public institution; (7) provide that any such citizen who for any month receives a Federal Old-Age and Survivors Insurance benefit payment under title II of the Social Security Act or an annuity under the Railroad Retirement Act of 1935 or 1937 shall not be entitled to receive such pension for such month; and (8) provide that if any such citizen or his or her spouse, if such citizen is dependent upon and supported by said spouse during any month engages in any occupation, trade, business, profession, or other activity from which a profit, wage, compensation, or other remuneration is realized or expected (other than the performance of services in a private home for room and board and other than the collection of interest, rents, or other revenues from his or her own investments), such citizen shall not be entitled to receive such pension for such month.

"(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a).

"Payment to States

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for the administration of general pensions, for each quarter, beginning with the quarter commencing July 1, 1942, (1) an amount, which shall be used exclusively to pay general pensions, equal to the product of $20 multiplied by the total number of pensions paid during such quarter, and (2) an amount equal to one-half of the total of the sums expended during such quarter, as found necessary by the Board for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for general pensions, or both, and for no other purpose: *Provided*, That for each quarter beginning with the quarter commencing January 1, 1944, the amount provided for in clause (1) shall be increased to an amount equal to the product of $30 multiplied by the total number of pensions paid during such quarter.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, (B) records showing the number of United States citizens in the State who are 60 years of age or older, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, or by any sum by which it finds that its estimate for any quarter prior to July 1, 1942, was greater or less than the amount which should have been paid to the State for such quarter under the provisions of law in effect prior to such date, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

"(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified.

"Operation of State Plans

"SEC. 4. In the case of any State plan for the administration of general pensions which has been approved by the Board, if the Board, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

"(1) that the plan has been so changed as to include any requirement not provided for in section 2 (a), or

"(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 2 (a) to be included in the plan;

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such additional requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State."

SEC. 2. (a) Subsections (a), (b) (1), (d) (1), and (f) (1) of section 202 of such act are amended by striking out "sixty-five" and inserting in lieu thereof "sixty."

(b) Section 202 (b) (1) of such act is amended by striking out "one-half of" wherever it appears therein.

(c) Section 202 (b) (2) of such act is amended by striking out the words "one-half of a primary insurance benefit of her husband" and inserting in lieu thereof "a primary insurance benefit of her husband."

(d) Section 202 (d) (1) is amended by striking out "three-fourths of" wherever it appears therein.

(e) Section 202 (d) (2) of such act is amended by striking out the words "three-fourths of a primary insurance benefit of her deceased husband" and inserting in lieu thereof "a primary insurance benefit of her deceased husband."

(f) Section 202 (f) (2) of such act is amended by adding after the words "one-half of a primary insurance benefit of such deceased individual" the words "or $30, whichever is greater."

SEC. 3. (a) Subsection (a) of section 203 of such act is amended by striking out "$20" wherever it appears therein and inserting in lieu thereof "$60."

(b) Subsection (b) of such section is hereby repealed.

SEC. 4. The last sentence of section 209 (e) (2) is amended to read as follows: "Where the primary insurance benefit thus computed is less than $30, such benefit shall be $30."

SEC. 5. Subsection (g) of section 209 of such act is amended by striking out "sixty-five" and inserting in lieu thereof "sixty."

SEC. 6. (a) Subsections (i) and (k) of section 209 of such act are amended by striking out "sixty" wherever it appears therein and inserting in lieu thereof "fifty-five."

(b) The amendments made by this section shall not be applicable to a wife or child who became entitled to an insurance benefit prior to the effective date of this section.

SEC. 7. The last sentence of section 209 (g) of such act is amended to read as follows: "In any case where an individual has received in a calendar year $200 or more in wages, each quarter of such year shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual dies or becomes entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled."

SEC. 8. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. Rate of tax.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in sec. 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in sec. 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 percent.

"(2) With respect to wages received during the calendar year 1943, the rate shall be 2 percent.

"(3) With respect to wages received after December 31, 1943, the rate shall be 3 percent."

SEC. 9. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. Rate of tax.

"(a) In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 percent.

"(2) With respect to wages paid during the calendar year 1943, the rate shall be 2 percent.

"(3) With respect to wages paid after December 31, 1943, the rate shall be 3 percent."

SEC. 10. The amendments made by sections 2, 3, 4, 5, 6, and 7 shall be applicable with respect to the individuals receiving old-age and survivors insurance benefit payments on July 1, 1942, but shall not be construed to increase any such benefit payments which became due prior to such date.

SEC. 11. Sections 1, 2, 3, 4, 5, 6, and 7 shall take effect on July 1, 1942, and sections 8 and 9 shall take effect on January 1, 1942.

APPENDIX B

Exhibits prepared by the Social Security Board at the request of the chairman of the committee showing data relative to the operation of the old-age insurance and old-age assistance provisions of the Social Security Act.

EXHIBIT 1

Old-age assistance: Average payments[1] per recipient, ranked by States from highest to lowest, April 1941

All	$20.63
1. California	37.82
2. Washington	32.29
3. Massachusetts	29.04
4. Alaska	28.65
5. Arizona	28.06
6. Connecticut	27.50
7. Colorado	26.80
8. Nevada	26.60
9. Utah	26.53
10. District of Columbia	25.64
11. New York	24.51
12. Wyoming	24.01
13. Ohio	23.21
14. Illinois	22.78
15. Wisconsin	22.74
16. Idaho	22.64
17. Pennsylvania	22.14
18. New Hampshire	21.69
19. Oregon	21.40
20. Minnesota	21.29
21. New Jersay	21.29
22. Maine	20.84
23. Iowa	20.82
24. Rhode Island	20.18
25. Kansas	20.04
26. Montana	20.01
27. South Dakota	19.19
28. Indiana	18.37
29. Oklahoma	17.94
30. Missouri	17.88
31. Maryland	17.86
32. New Mexico	17.45
33. North Dakota	17.14
34. Nebraska	16.99
35. Michigan	16.98
36. Vermont	16.74
37. West Virginia	14.46
38. Texas	14.35
39. Louisiana	13.53
40. Florida	12.91

[1] Average payment per recipient in some States may be slightly overstated because it is known that 1 grant is made to cover the needs of 2 eligible aged persons, usually the spouse of a grantee, and the spouse is not counted as a recipient.

Old-age assistance: Average payments per recipient, ranked by States from highest to lowest, April 1941—Continued

41. Hawaii	$12.74
42. Delaware	11.46
43. North Carolina	10.16
44. Tennessee	10.13
45. Virginia	9.96
46. Alabama	9.12
47. Kentucky	8.94
48. Mississippi	8.68
49. Georgia	8.31
50. Arkansas	7.73
51. South Carolina	7.49

EXHIBIT 2

Average amount, by State, of monthly old-age insurance benefits awarded in 1940 to persons over 65 (primary, wife's, widow's, and parent's benefits combined)

	Average benefit
All	$20.48
Region I:	
Connecticut	20.88
Maine	18.81
Massachusetts	21.16
New Hampshire	17.76
Rhode Island	20.20
Vermont	19.44
Region II: New York	21.31
Region III:	
Delaware	18.78
New Jersey	21.96
Pennsylvania	20.62
Region IV:	
District of Columbia	21.22
Maryland	19.89
North Carolina	17.23
Virginia	18.63
West Virginia	19.77
Region V:	
Kentucky	18.60
Michigan	20.79
Ohio	20.88
Region VI:	
Illinois	21.37
Indiana	19.87
Wisconsin	20.78
Region VII:	
Alabama	18.05
Florida	19.66
Georgia	17.73
Mississippi	17.18
South Carolina	17.32
Tennessee	18.11
Region VIII:	
Iowa	18.77
Minnesota	21.44
Nebraska	19.53
North Dakota	19.49
South Dakota	20.00
Region IX:	
Arkansas	17.10
Kansas	18.97
Missouri	20.05
Oklahoma	19.44
Region X:	
Louisiana	18.65
New Mexico	19.77
Texas	19.19
Region XI:	
Arizona	$20.66
Colorado	21.03
Idaho	22.16
Montana	21.01
Utah	20.83
Wyoming	20.41
Region XII:	
California	21.38
Nevada	23.17
Oregon	20.22
Washington	20.77
Territories:	
Alaska	21.86
Hawaii	19.02
Foreign	17.32

EXHIBIT 3

Average monthly payment per recipient of old-age assistance and average monthly old-age and survivors' insurance benefits, by States

State ranked on average payment per recipient of old-age assistance	Average payment per recipient of old-age assistance December 1940	Average benefit old-age and survivors insurance, 1940
California	$37.87	$21.38
Colorado	31.66	21.03
Massachusetts	29.00	21.16
Alaska	28.22	21.86
Arizona	28.01	20.66
Connecticut	27.96	20.88
Nevada	26.55	23.17
District of Columbia	25.47	21.22
New York	24.91	21.31
Wyoming	23.91	20.41
Ohio	22.99	20.88
Washington	22.70	20.77
Utah	22.58	20.83
Wisconsin	22.53	20.78
Idaho	22.38	22.16
Illinois	22.05	21.37
Pennsylvania	21.95	20.62
Oregon	21.40	20.22
New Hampshire	21.28	17.76
Minnesota	21.16	21.44
New Jersey	21.01	21.96
Maine	20.82	18.81
Iowa	20.72	18.77
Kansas	20.03	18.97
Rhode Island	19.96	20.20
Nebraska	19.30	19.53
South Dakota	19.30	20.01
Montana	19.05	21.07
Indiana	18.11	19.84
Oklahoma	17.85	19.49
Maryland	17.76	19.80
New Mexico	17.16	19.77
North Dakota	16.78	19.49
Michigan	16.75	20.79
Vermont	16.51	19.44
Missouri	14.95	20.05
West Virginia	13.99	19.77
Texas	13.77	19.19
Hawaii	12.96	19.02
Louisiana	12.61	18.65
Florida	12.50	19.66
Delaware	11.42	18.78
North Carolina	10.12	17.23
Tennessee	10.11	18.11
Virginia	9.95	18.63
Alabama	9.28	18.05
Kentucky	8.91	18.60
Mississippi	8.60	17.18
Georgia	8.20	17.73
South Carolina	7.91	17.32
Arkansas	7.87	17.10

EXHIBIT 4. *Old-age assistance: Percentage distribution of recipients, by amount of money payment, by State, November 1940*

State	Number of recipients	Percent receiving—									
		Less than $5	$5–$9.99	$10–$14.99	$15–$19.99	$20–$24.99	$25–$29.99	$30–$34.99	$35–$39.99	$40–$44.99	$45 or more
Total	2,059,017	0.6	12.5	18.5	19.8	18.0	12.7	10.0	1.6	6.2	0.1
Alabama	20,094	9.7	58.1	21.5	4.2	1.1	.3	4.9	(1)	.1	.1
Arizona [2]	8,512	----	1.6	.7	3.0	10.5	19.8	64.4	----	----	----
Arkansas [3]	25,484	----	75.8	20.6	3.0	.5	.1	----	----	----	----
California	149,738	(1)	.1	.6	1.0	1.9	3.6	6.6	7.7	78.5	----
Colorado [4]	41,679	.4	1.0	1.7	4.0	11.0	23.6	58.3	----	----	----
Connecticut	17,353	(1)	1.2	2.0	8.5	14.3	22.6	42.7	8.7	----	----
Delaware	2,568	----	34.3	41.1	16.5	5.4	2.7	----	----	----	----
District of Columbia	3,452	----	.4	6.8	9.9	17.6	28.5	36.8	----	----	----
Florida	37,467	----	27.5	46.2	17.6	6.3	1.7	.7	----	----	----

[1] Less than 0.05 percent.
[2] Includes 112 recipients residing in public institution for the aged and receiving $5 payments.
[3] Data are for February 1941.
[4] Includes 3,572 recipients 60 and under 65 years of age.

EXHIBIT 4. *Old-age assistance: Percentage distribution of recipients, by amount of money payment, by State, November 1940*—Continued

State	Number of recipients	Percent receiving—									
		Less than $5	$5–$9.99	$10–$14.99	$15–$19.99	$20–$24.99	$25–$29.99	$30–$34.99	$35–$39.99	$40–$44.99	$45 or more
Georgia	37,839	8.2	67.3	18.1	4.3	1.4	0.4	0.3			
Idaho	9,061	.2	2.6	7.0	19.6	31.2	17.0	18.0	2.3	2.1	
Illinois	141,216		1.7	11.2	26.3	24.9	20.6	12.3	1.8	1.2	
Indiana	67,148	.3	3.9	23.4	33.6	25.8	8.8	4.2			
Iowa	56,140		3.1	7.4	19.7	53.4	16.0	.4			
Kansas	27,915	.1	5.5	22.1	27.8	20.9	12.2	7.6	2.1	1.4	.3
Kentucky	53,691		64.8	32.1	3.1	(1)					
Louisiana	33,827	.8	32.5	38.9	16.2	7.3	2.4	1.4	.3	.1	.1
Maine	13,335	.1	1.6	12.4	30.9	23.8	16.0	15.2			
Maryland	18,329	.5	8.7	25.8	23.1	27.4	6.8	7.7			
Massachusetts	86,905	.1	.4	2.0	4.4	13.3	19.7	48.9	6.6	2.1	2.5
Michigan	77,005	.7	5.4	33.2	34.0	17.2	7.5	2.0			
Minnesota	63,196	.3	1.8	7.7	27.6	33.3	19.9	9.4			
Mississippi	24,680	1.9	64.5	27.2	5.7	.1	.5	(1)		.1	
Missouri	106,746	.3	12.1	40.0	31.6	10.3	5.5	.2			
Montana	12,186	.1	2.0	19.3	39.2	25.9	9.6	3.0	.2	.7	
Nebraska	28,761		2.7	19.5	36.7	24.7	10.8	5.6			
Nevada	2,312	(1)	.4	1.8	15.7	6.0	6.8	69.3			
New Hampshire	6,375	.2	3.0	15.2	24.4	25.3	18.0	8.9	1.3	3.7	
New Jersey	31,359	.1	1.3	11.5	26.3	33.0	21.5	4.7	.6	1.0	
New Mexico	4,866	.4	22.2	28.0	20.8	13.1	7.6	3.9	2.2	1.5	.3
New York [2]	120,609	.1	1.5	12.0	19.1	22.9	20.7	12.9	7.8	2.7	.3
North Carolina	37,050		51.9	33.5	8.9	2.7	2.1	.9			
North Dakota	8,908	.3	7.2	30.5	31.3	18.0	8.2	4.2	.1	.2	
Ohio	131,829	.1	.8	3.1	24.4	33.5	26.8	11.3			
Oklahoma	74,649	.5	3.5	31.7	30.4	17.7	16.0	.2			
Oregon	19,404	(1)	1.0	12.3	24.0	27.4	17.9	17.4			
Pennsylvania	99,914	1.0	3.3	7.4	23.9	26.3	22.2	15.9			
Rhode Island	6,957	(1)	2.3	19.1	23.3	27.3	20.3	7.7			
South Carolina	17,892	12.4	63.4	17.8	4.7	1.7					
South Dakota	15,021	.1	2.4	16.3	32.9	33.5	12.8	2.0			
Tennessee	40,459	1.6	49.0	38.4	8.1	2.0	.9				
Texas	120,189	.7	17.0	44.3	26.7	9.2	2.1				
Utah	13,582	.3	1.5	6.6	17.1	23.4	46.4	2.5	1.8	.3	.1
Vermont [2]	5,271		6.9	26.5	32.2	20.2	8.6	5.6			
Virginia	19,488		50.6	33.2	10.8	5.4					
Washington	39,977	(1)	.4	8.0	18.6	34.9	19.3	18.8			
West Virginia	18,756	.1	16.0	44.4	24.3	8.6	3.5	3.1			
Wisconsin	53,019	.1	1.6	9.8	22.7	23.5	16.9	21.7	1.3	2.4	
Wyoming	3,440	(1)	.5	2.8	16.6	31.9	28.1	17.2	1.3	1.6	
Territories:											
Alaska	1,545			1.6	13.5	22.6	7.1	17.4	20.5	12.3	5.0
Hawaii	1,819	.3	14.1	58.0	17.6	5.0	2.1	2.9			

[1] Less than 0.25 percent.
[2] Data are for October 1940.

EXHIBIT 5. *Distribution of old-age insurance benefits awarded in 1940 by interval of amount payable monthly under individual subsections of sec. 202*

Amount payable monthly	Primary benefits payable to aged wage earner [1]	Wife's benefits payable as supplement to primary benefits on behalf of aged wife of wage earner [1]	Widow's benefits payable to aged widow of deceased wage earner [2]	Total of individual primary wife's and widow's benefits
	Percent	*Percent*	*Percent*	*Percent*
$10.00 [3]	6	19	5	8
$10.01–$14.99	10	64	8	21
$15.00–$19.99	12	14	36	13
$20.00–$24.99	39	3	29	31
$25.00–$29.99	20		15	16
$30.00–$34.99	7		7	6
$35.00–$39.99	3			3
$40.00 and over	3			2
Total	100	100	100	100

[1] Percentage distribution estimated on basis of distributions of benefits awarded in 1940 where no children were entitled to benefits when primary beneficiary became entitled. Percentage distribution of wife's benefits estimated on basis of distribution of wife's benefits awarded in 1940 having same date of entitlement as that of primary benefits. The number of cases excluded in the distributions upon which these estimates are based is comparatively small.
[2] Percentage distribution estimated.
[3] Including wife's benefits of less than $10.

NOTE.—In view of the small number of cases involved, no distribution has been obtained for parent's benefits. The term "aged" indicates age 65 or over

EXHIBIT 6. *Old-age assistance: Average payment per recipient in 23 selected States, December 1940* [1]

State, ranked according to average payment per recipient	Average payment per recipient [2]
Total—10 highest States	$31.04
California	37.87
Colorado	31.66
Massachusetts	29.00
Alaska	28.22
Arizona	28.01
Connecticut	27.96
Nevada	26.55
District of Columbia	25.47
New York	24.91
Wyoming	23.91
Total—13 lowest States	$9.81
Hawaii	12.96
Louisiana	12.61
Florida	12.50
Delaware	11.42
North Carolina	10.12
Tennessee	10.11
Virginia	9.95
Alabama	9.28
Kentucky	8.91
Mississippi	8.60
Georgia	8.20
South Carolina	7.91
Arkansas	7.87

[1] Omitted, 31 States with average payment between $23.90 and $11.41.
[2] Represents obligations incurred for month from Federal, State, and local funds for money payments and assistance in kind; excludes cost of administration and of medical care, hospitalization, and burial. Allowances for medical care and hospitalization included in money payments are not excluded.

EXHIBIT 7. *Old-age assistance: Federal advances to 23 selected States, Jan. 1–Dec. 31, 1940*

State	Federal advances [1]	Population [2]
Total	$79,470,573	29,131,653
California	33,155,470	6,907,387
Colorado	7,843,308	1,123,296
Massachusetts	15,094,220	4,316,721
Alaska	246,908	72,524
Arizona	1,415,459	499,261
Connecticut	2,893,116	1,709,242
Nevada	380,449	110,247
District of Columbia	527,616	663,091
New York	17,414,167	13,479,142
Wyoming	499,860	250,742
Total	19,784,541	28,951,664
Hawaii	126,867	423,330
Louisiana	2,555,390	2,363,880
Florida	2,555,708	1,897,414
Delaware	179,169	266,505
North Carolina	2,212,672	3,571,623
Tennessee	2,573,454	2,915,841
Virginia	1,104,109	2,677,773
Alabama	1,204,579	2,832,961
Kentucky	2,741,116	2,845,627
Mississippi	1,147,014	2,183,796
Georgia	1,630,131	3,123,723
South Carolina	906,654	1,899,804
Arkansas	847,678	1,949,387

[1] Federal advances are in anticipation of State expenditures. The amount of Federal advances for a calendar year may vary from the amount of State expenditures.
[2] Total population estimated as of Apr. 1, 1940, from the 5-percent sample, by the U. S. Bureau of the Census.

EXHIBIT 8

Comparison of workers' contributions with benefits received, January 1, 1937–June 30, 1941, and estimate, January 1, 1937–January 1, 1945

Question:

(a) Please state the total amount of contributions that have been paid in by workers alone from January 1, 1937, to June 30, 1941, on those claims and rights which become vested as of the latter date and upon which the Government is not entitled to further payments.

(b) For purposes of comparison with the above data, please give an estimate of the total benefits that will be paid out by the Government in satisfaction of all rights that became vested prior to June 30, 1941.

Answer:

(a) Roughly, $15,000,000.

(b) Roughly, $775,000,000.

Question: Please give estimates similar to above with the exception that in each case January 1, 1945, be substituted for June 30, 1941.

Answer:

(a) Roughly, $130,000,000.

(b) Roughly, $4,900,000,000.

The text included in the answer to the question in exhibit 9 should be read as applying here as well. These two questions, while worded slightly differently from the question in exhibit 9, have been interpreted to be identical with that question except for the earlier closing dates. It has also been assumed that all three questions apply only to claimants under the 1939 amendments; hence taxes have been counted from January 1, 1937, as to claims from January 1, 1940. Therefore, in insurance terms, the answers have been arrived at by a summation, commencing with the above dates, of the amounts incurred as "losses" compared with the amounts collected as "premiums" solely from those who suffered such "losses."

EXHIBIT 9

Comparison of workers' contributions with benefits received, January 1, 1937–January 1, 1955

Question:

(a) Please give an estimate of the total amount of contributions that will have been paid in by workers alone from January 1, 1937, to January 1, 1955, on those claims and rights which will have become vested as of the latter date, and upon which the Government will not be entitled to further payments.

(b) For purposes of comparison with the above data, please give an estimate of the total benefits that will be paid out by the Government in satisfaction of all rights that will have become vested prior to January 1, 1955.

Answer:

(a) Roughly, $1,400,000,000 (6.8 percent of total.)

(b) Roughly, $20,300,000,000.

As indicated, these answers must be understood to be very rough, since the determination thereof involved various technical assumptions and complicated projections. Aside from the technical assumptions, an assumed definition of the term "will have become vested" was necessary. The Social Security Act itself makes no mention or differentiation in respect to the degree or priority of "vesting" among different types of insured individuals or beneficiaries. For the purpose of the answer to this question it is assumed that the term "will have become vested" means that payments being made to actual claimants on January 1, 1955, would continue to be made until the normal termination thereof as to those individuals.

EXHIBIT 10

Break-down of data given in exhibit 9

Question: Please give a break-down of the data requested in exhibit 9 for the following groups—

(a) Contributors who die before reaching the age of 65 without dependents then eligible.

(b) Single contributors who attain the age of 65.

(c) Married contributors who attain the age of 65.

(d) Married contributors who die before reaching the age of 65, leaving widows, and eligible children or parents.

Answer: In order to make the necessary calculations, approximate as they are, it was necessary to revise slightly the four categories mentioned in the question. These revisions are indicated by the changed wording given in the items below. It should also be noted that literally this question uses the term "contributors" without qualification, whereas exhibit 9 clearly deals with insured workers. It has been assumed that exhibit 10 is intended to involve a break-down of the same insured workers of exhibit 9 and hence the word "contributors" has been so interpreted.

The same comments that have been made in exhibit 9 apply equally to the answer to this question. In fact, the added technical assumptions necessitated for this break-down make the answer an even cruder one than for exhibit 9.

Categories of insured workers to whom or with respect to whom benefits are paid	Employee taxes	Benefits paid and vested
(a) Insured workers who die before 65 without any surviving widow, child under 18, or dependent parent	$200,000,000	$100,000,000
(b) Insured female workers and insured unmarried male workers who attain the age of 65	300,000,000	4,300,000,000
(c) Insured married male workers who attain the age of 65	500,000,000	10,500,000,000
(d) Insured workers who die before 65 with presently or futurely eligible survivors	400,000,000	5,400,000,000

EXHIBIT 11

Supplement to exhibit 9

Original question:

(a) Please give an estimate of the total amount of contributions that will have been paid in by workers alone from January 1, 1937, to January 1, 1955, on these claims and rights which will have become vested as of the latter date, and upon which the Government will not be entitled to further payments.

(b) For purposes of comparison with the above data, please give an estimate of the total benefits that will be paid out by the Government in satisfaction of all rights that will have become vested prior to January 1, 1955.

Supplementary Requests

The first supplementary request was that the figures be revised (i) to include the contributions from the employers of the individuals in respect of whom claim was made over this period; and (ii) to recognize the element of compound interest on both sources of contributions. For this latter purpose a 3 percent compound interest rate was suggested.

The second supplementary request was to furnish the illustrative figures for periods further into the future (i) from January 1, 1937, to January 1, 1967; and (ii) from January 1, 1937, to January 1, 1980.

Answer to Question and Supplements

In order to take cognizance of a rate of interest in the comparison, it is essential to establish a point in time to which interest shall be figured. This could be done as of the initial date, January 1, 1937, in which case the comparison would be completely one of discount or "present values," or the comparison could be made as of any arbitrary point in time involving both the discount as to benefits not yet paid out and the accumulation of taxes and benefits theretofore paid. It has seemed most appropriate, however, to fix the date as of the closing time of the period of observation. This results in the comparison being partially an accumulation; that is, of contributions and benefits paid up to the end of the period of observation, and partially a discounting, of the "vested" benefits payable after that date.

Tables I and II attached supply the illustrative figures for the three stop dates established by the question and its supplements. Table I gives illustrative figures based on the assumptions adopted by the Committee on Economic Security in 1935. Table II gives illustrative figures based on assumptions (see vol 3, Hearings, House Ways and Means Committee, 76th Cong., pp. 2473–2476) which develop a higher benefit outgo. These two sets of illustrative figures indicate that the present basis of contributions cannot be definitely taken as either self-supporting or insufficient. The many uncertainties as to the future, primarily the future level of recorded wages and the future effective age of retirement, require that a range of illustrative figures be given rather than a single set of estimates.

Table III is included in order that the committee may orient the answers to the questions given in tables I and II with the complete picture of the financing operations. It must be borne in mind that at any point in time the contributions of then current employees and their employers plus the interest yield on such amounts as may be in the trust fund are free to be used in the payment of benefits. This is implicit in the method of financing the program adopted by Congress in the social-security amendments of 1939. A system operating in perpetuity may borrow current contributions to pay current benefits without the mechanism of a full reserve.

TABLE I.—*Illustrative figures on benefits (paid and "vested") and contributions (employee and employer combined) in respect to those individuals for whom claims have materialized during the periods indicated, based on assumptions adopted by Committee on Economic Security, with 3-percent interest*

[Contribution and benefit figures in billions of dollars]

Period in which claim is made	Stop dates of observation		
	Contributions	Benefits	Ratio
	Dec. 31, 1954		
			Percent
Jan. 1, 1940–Dec. 31, 1954	3	20	16
Jan. 1, 1955–Dec. 31, 1966	----------	----------	----------
Jan. 1, 1967–Dec. 31, 1979	----------	----------	----------
Total	3	20	16
	Dec. 31, 1966		
			Percent
Jan. 1, 1940–Dec. 31, 1954	5	29	16
Jan. 1, 1955–Dec. 31, 1966	14	26	54
Jan. 1, 1967–Dec. 31, 1979	----------	----------	----------
Total	19	55	35
	Dec. 31, 1979		
			Percent
Jan. 1, 1940–Dec. 31, 1954	7	42	16
Jan. 1, 1955–Dec. 31, 1966	21	38	54
Jan. 1, 1967–Dec. 31, 1979	34	40	[1]85
Total	62	120	52

[1] This ratio is for the full 13-year period; for later individual years the ratio of course exceeds 85 percent; under the assumptions used in this illustration, 100 percent is reached in the year 1982.

TABLE II.—*Illustrative figures on benefits (paid and "vested") and contributions (employee and employer combined) in respect to those individuals for whom claims have materialized during the periods indicated, based on assumptions developing higher costs than table I, with 3-percent interest*

[Contribution and benefit figures in billions of dollars]

Period in which claim is made	Stop dates of observation		
	Contributions	Benefits	Ratio
	Dec. 31, 1954		
			Percent
Jan. 1, 1940–Dec. 31, 1954	3	20	16
Jan. 1, 1955–Dec. 31, 1966			
Jan. 1, 1967–Dec. 31, 1979			
Total	3	20	16
	Dec. 31, 1966		
			Percent
Jan. 1, 1940–Dec. 31, 1954	5	29	16
Jan. 1, 1955–Dec. 31, 1966	17	35	49
Jan. 1, 1967–Dec. 31, 1979			
Total	23	64	35
	Dec. 31, 1979		
			Percent
Jan. 1, 1940–Dec. 31, 1954	7	42	16
Jan. 1, 1955–Dec. 31, 1966	25	51	49
Jan. 1, 1967–Dec. 31, 1979	50	70	[1] 71
Total	82	163	50

[1] This ratio is for the full 13-year period; for later individual years the ratio of course exceeds 71 percent; under the assumptions used in this illustration, 100 percent is reached in the year 1992.

TABLE III.—*Balance sheet of accumulated (3-percent interest) income and outgo (including expenses and "vested" benefits) as of Jan. 1, 1941*

[To bring the answers to this question into focus with whole program]

	Lower cost illustration	Higher cost illustration
1. Benefits paid and "vested" by Jan. 1, 1980	$84,000,000,000	$118,000,000,000
2. Interest thereon at 3 percent to Jan. 1, 1980	36,000,000,000	45,000,000,000
3. Total benefits with interest on Jan. 1, 1980	120,000,000,000	163,000,000,000
4. Taxes paid by claimants only	15,000,000,000	20,000,000,000
5. Taxes paid by their employers	15,000,000,000	20,000,000,000
6. Interest on (4) and (5) at 3 percent to Jan. 1, 1980	32,000,000,000	42,000,000,000
7. Total income due to claimants' contributions	62,000,000,000	82,000,000,000
8. Benefits with interest (3), exceed claimants' contributions and interest (7) by	58,000,000,000	81,000,000,000
9. Taxes paid by employees not yet claimants by 1980	26,000,000,000	21,000,000,000
10. Taxes paid by the employers of (9)	26,000,000,000	21,000,000,000
11. Interest on (9) and (10) after deducting all administrative expenses	39,000,000,000	36,000,000,000

TABLE III—Continued

[To bring the answers to this question into focus with whole program]

	Lower cost illustration	Higher cost illustration
12. Total income by 1980 a/c still active contributors	$91,000,000,000	$78,000,000,000
13. Amount in old-age and survivors insurance trust fund Jan. 1, 1980, (12) minus (8) equals	33,000,000,000	−3,000,000,000

EXHIBIT 12

Old-age insurance: Illustration showing the relation between contributions paid in and benefits received

Assume the case of two men who entered the system on January 1, 1937, and who remain therein until December 31, 1954. Assume that one of these men had had, over this period, an average monthly wage of $250, and that the other had had an average monthly wage of $25. Assume that each man died December 31, 1954, and that each left a widow under 48 years of age at the time of his death. Assume that each of these men also left three children, aged 1, 3, and 5 years; that all of the children survive to maturity, and that each widow lives to 75 years of age. Please calculate the amount of money which would have been paid in by each of these men and the amount which would have been paid out to each man's widow and children.

	Contributor earning $250 per month	Contributor earning $25 per month
Amount received by widow	$20,906	$5,154.00
Amount contributed	1,125	112.50
Excess of benefits over contributions	19,781	5,041.50
Proportion of contributions to benefits received (percent)	5.38	2.18

(Adapted by chairman from material supplied by the Bureau of Research and Statistics of the Social Security Board.)

EXHIBIT 13

Old-age insurance: Illustration showing the relation between contributions paid in and benefits received

Assume 2 single men who entered the system on January 1, 1937, and who remain therein until December 31, 1954, when they reach the age of 65 years. Assume that one of these men had had, over this period, an average monthly wage of $250 and that the other had had an average monthly wage of $25. Please calculate the amount of money which would have been paid in by each of these men and the amount which would be paid out to each in benefits if they lived out their normal life expectancy after 65.

	Contributor earning $250 per month	Contributor earning $25 per month
Amount received by single men	$6,950.20	$1,737.80
Amount contributed	1,125.00	112.50
Excess of benefits over contributions	5,825.20	1,625.30
Proportion of contributions to benefits received (percent)	16.19	6.47

(Adapted by chairman from material supplied by the Bureau of Research and Statistics of the Social Security Board.)

EXHIBIT 14

Old-age insurance: Illustration showing relation between contributions paid in and benefits received

Assume the cases of two married men who entered the system on January 1, 1937, and who remain therein until December 31, 1954. Assume that one of these men had had, over this period, an average monthly wage of $250 and that the other had had an average monthly wage of $25. Assume that each man retires on December 31, 1954, at the age of 65 years and that their wives were at that time likewise 65 years of age. Assume further that the two men live out their normal life expectancies after 65 (11.77 years), and that their wives live out their normal life expectancies after 65 (12.81 years). Please calculate the amount of money which would have been paid in by each of these men and the amount which would be paid out to each man and to his wife before and after his death.

	Contributor earning $250 per month	Contributor earning $25 per month
Amount received by man and wife	$10,725.20	$2,695.80
Amount contributed	1,125.00	112.50
Excess benefits over contributions	9,600.20	2,583.30
Proportion of contributions to benefits received (percent)	10.49	4.17

(Adapted by chairman from material supplied by the Bureau of Research and Statistics of the Social Security Board.)

EXHIBIT 15

Old-age insurance illustration showing relation between contributions paid in and benefits received

Assume the case of two men who entered the system on January 1, 1937, and who remain therein until their death on December 31, 1945, when each was 43 years of age. Assume that one of these men had had, over this period, an average monthly wage of $250 and that the other had had an average monthly wage of $25. Assume that each left no children but left a widow 40 years of age at the time of his death. Assume that each widow survived until the age of 65 years and thereafter lived out her normal life expectancy (12.81 years). Please calculate the amount of money which would have been paid in by each of these men and the amount which would be paid out to each man's widow.

	Contributor earning $250 per month	Contributor earning $25 per month
Amount received by widow	$5,288.00	$1,603.60
Amount contributed	360.00	36.00
Excess benefits over contributions	4,928.00	1,567.00
Proportion of contributions to benefits received (percent)	6.81	2.24

(Adapted by chairman from material supplied by the Bureau of Research and Statistics of the Social Security Board.)

EXHIBIT 16

Old-age insurance illustration showing monthly benefits paid to a single and to a married man and his wife, on the basis of $250 and $25 average monthly wage

Assume a single man and a married man who have been in the system for 18 years earning average monthly wages of $250. Assume that each man retired on December 31, 1954, at the age of 65 years and that the married man's wife was then likewise 65 years of age. Assume further that the two men live out their normal life expectancies after 65

(11.77 years), and that the wife of the married man lives out her normal life expectancy after 65 (12.81 years).

Please calculate the primary monthly benefit which will be paid to the single man: The monthly benefit which will be paid to the married man and to his wife while he is alive, and the monthly benefit which will be paid to the widow of the married man after his death. Please calculate the monthly benefits which will be paid, as above, if we assume a $25 average monthly wage basis instead of $250.

	Monthly benefits		
	Paid to single man	Paid to married man and wife	Paid to widow
Paid on basis of $250 monthly wage	$47.20	$70.80	$35.40
Paid on basis of $25 monthly wage	11.80	17.70	10.00

NOTE.—Adapted by chairman from material supplied by the Bureau of Research and Statistics of the Social Security Board.

EXHIBIT 17. *Distribution of workers earning under $200 per annum under the old-age and survivors insurance program, by States, 1939*

State	Percentage of total workers earning under $200 per annum
Mississippi	47
Arkansas	44
Florida	42
North Dakota	40
Idaho	38
New Mexico	38
Texas	37
South Dakota	37
Georgia	36
Louisiana	36
Kansas	35
Utah	35
Nebraska	35
Oklahoma	35
South Carolina	34
Alabama	33
Vermont	32
Kentucky	31
Iowa	31
Tennessee	31
Arizona	31
Colorado	31
Maine	30
Virginia	30
North Carolina	30
Montana	30
Wyoming	29
Minnesota	27
Oregon	27
Delaware	26
Nevada	26
Washington	26
Missouri	25
California	25
Maryland	24
New Hampshire	23
Indiana	23
Wisconsin	22
District of Columbia	22
West Virginia	22
Michigan	20
Ohio	19
Illinois	19
New Jersey	18
Pennsylvania	18
Massachusetts	17
New York	17
Rhode Island	17
Connecticut	15

NOTE.—There are no data available to show the percentage of contributors by States whose quarterly wage is less than $50.

EXHIBIT 18. *Old-age and survivors insurance—Comparison of average monthly per capita employee contributions paid in over the period 1937–40, with per capita benefits paid out in December 1940, by States, ranked by size of average contribution*

State	Average monthly per capita employee contributions (1)	Rank (2)	Per capita benefits paid out (3)	Rank (4)	Difference in rank (2)−(4)
United States	$0.371	------	$0.042	------	--------
Connecticut	.614	1	.066	4	−3
New York	.592	2	.060	6	−4
New Jersey	.546	3	.065	5	−2
Alaska	.540	4	.013	49	−45
Illinois	.540	5	.053	10	−5
Rhode Island	.526	6	.071	2	+4
Michigan	.524	7	.043	17	−10
Massachusetts	.517	8	.069	3	+5
District of Columbia	.503	9	.037	22	−13
Delaware	.486	10	.051	13	−3
Ohio	.483	11	.056	9	+2
California	.469	12	.050	14	−2
Pennsylvania	.469	13	.058	8	+5
Nevada	.445	14	.038	21	−7
Washington	.394	15	.053	11	+4
Maryland	.393	16	.042	20	−4
New Hampshire	.375	17	.079	1	+16
Indiana	.375	18	.043	16	+2
Oregon	.362	19	.047	15	+4
Wisconsin	.353	20	.043	18	+2
West Virginia	.319	21	.042	19	+2
Missouri	.317	22	.037	24	−2
Vermont	.311	23	.060	7	+16
Maine	.309	24	.053	12	+12
Wyoming	.282	25	.031	28	−3
Colorado	.278	26	.037	23	+3
Minnesota	.272	27	.032	27	0
Montana	.272	28	.031	29	−1
Arizona	.258	29	.025	34	−5
Utah	.257	30	.035	25	+5
Hawaii	.251	31	.029	30	+1
Texas	.225	32	.020	43	−11
Virginia	.223	33	.0	33	26
Florida	.220	34	.032	26	+8
Idaho	.207	35	.023	36	−1
Iowa	.205	36	.027	32	+4
Louisiana	.200	37	.022	39	−2
North Carolina	.187	38	.021	41	−3
Kansas	.186	39	.025	35	+4
Oklahoma	.185	40	.017	45	−5
Nebraska	.183	41	.022	40	+1
Tennessee	.183	42	.023	38	+4
Georgia	.172	43	.021	42	+1
Kentucky	.166	44	.028	31	+13
South Carolina	.156	45	.019	44	+1
Alabama	.155	46	.023	37	+9
New Mexico	.152	47	.015	47	0
South Dakota	.122	48	.015	46	+2
North Dakota	.105	49	.010	51	−2
Arkansas	.089	50	.014	48	+2
Mississippi	.076	51	.012	50	+1

CONFIRMATION OF NOMINATION OF FRANCIS BIDDLE

During the delivery of Mr. DOWNEY'S speech,

Mr. CONNALLY. Mr. President, will the Senator from California yield to me for a moment to permit me to call up a nomination?

Mr. DOWNEY. Certainly; I am very happy to yield.

Mr. CONNALLY. Mr. President, I ask unanimous consent, as in executive session, to call up the nomination of Mr. Francis Biddle as Attorney General.

Mr. McNARY. Mr. President, I am sure the nomination is on the Executive Calendar. I am advised that it is the unanimous report of the committee, and that Mr. Biddle desires to leave the city. I join in the request made by the able Senator from Texas.

The VICE PRESIDENT. Is there objection? The Chair hears none. As in executive session, the nomination will be read.

The legislative clerk read the nomination of Francis Biddle, of Pennsylvania, to be Attorney General of the United States.

The VICE PRESIDENT. The question is, Will the Senate advise and consent to this nomination?

Mr. CONNALLY. Mr. President, I thank the Senator from Oregon very much for his courteous cooperation.

The Committee on the Judiciary, after complete and full and final hearings, voted unanimously for the confirmation of the nomination of Mr. Biddle. I understand that he has some engagements that call him out of the city. For that reason I should like to have the nomination acted upon now, so that he may take the oath and leave on his trip.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

Mr. CONNALLY. I ask unanimous consent that the President be immediately notified.

The VICE PRESIDENT. Without objection, the President will be immediately notified of the confirmation of the nomination.

After the conclusion of Mr. DOWNEY'S speech,

REVENUE ACT OF 1941

The Senate resumed the consideration of the bill (H. R. 5417) to provide revenue, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the last committee amendment passed over, the amendment on page 32.

Mr. HATCH. Is that the community-property amendment?

The VICE PRESIDENT. It is.

Mr. HATCH. 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:

Adams	Downey	Murray
Aiken	Eastland	Nye
Andrews	Ellender	O'Daniel
Austin	George	O'Mahoney
Bailey	Gerry	Overton
Bankhead	Gillette	Peace
Barbour	Green	Radcliffe
Barkley	Guffey	Rosier
Bilbo	Hatch	Russell
Brewster	Hayden	Schwartz
Bridges	Herring	Smathers
Brooks	Hill	Smith
Brown	Holman	Spencer
Bulow	Hughes	Taft
Bunker	Johnson, Colo.	Thomas, Idaho
Burton	Kilgore	Thomas, Utah
Butler	La Follette	Tobey
Byrd	Langer	Truman
Capper	Lee	Tunnell
Caraway	Lodge	Tydings
Clark, Idaho	Lucas	Vandenberg
Clark, Mo.	McCarran	Van Nuys
Connally	McFarland	Wallgren
Danaher	McNary	Walsh
Davis	Maloney	Wiley

The VICE PRESIDENT. Seventy-five Senators having answered to their names, a quorum is present. The clerk will state the last committee amendment passed over.

The LEGISLATIVE CLERK. It is proposed to insert on page 32, section 119, as follows:

SEC. 119. Community income.

The Internal Revenue Code is amended by inserting after section 28 the following new section:

"SEC. 29. Community income.

"For the purpose of determining the income-tax liability of any individual:

"(a) Income earned by each spouse (whether or not treated as community property under the State law) shall be considered as the income of the earner thereof.

"(b) Income derived from property of the marital community (except such property as constitutes either income derived from the separate property of either spouse or property acquired therewith) shall be considered as the income of the spouse who has the management and control thereof under the law of the jurisdiction in which the marital community exists.

"(c) In case the spouses elect to file separate returns, the spouse required under this section to treat such income as his individual income shall alone be entitled to the deductions and credits allowed under this chapter which are properly allocable to such income."

Mr. GEORGE. Mr. President, the senior Senator from Alabama [Mr. BANKHEAD] offered an amendment to the pending tax bill with reference to the pension amendment which the Senator from California announced might be offered to the bill by him later. I have given some consideration to the suggestion contained in the amendment of the senior Senator from Alabama, and I am clear in my own mind that the better course would be not to offer the amendment asking the Ways and Means Committee to give consideration to the pending question, but to proceed with a hearing for the purpose of developing the facts and formulating legislation which could be offered as an amendment to any appropriate revenue bill coming over from the House hereafter. So I express the hope that the Senator from Alabama might find it consistent not to urge the amendment which he suggested. I am sure that we appreciate his purpose and interest, but I think perhaps the other course would accomplish better results.

Mr. BANKHEAD. Mr. President, I have very great confidence in the judgment and the sincerity of the chairman of the Committee on Finance, the eminent Senator from Georgia [Mr. GEORGE]. The thought has been expressed here that the proposed action might have a tendency to create prejudice at the other end of the Capitol against the proposal, and I do not wish to do anything which might jeopardize the best interests of the proposal. In view of the judgment expressed by the Senator from Georgia that the amendment should not be included in the pending bill, I shall acquiesce and follow his suggestion and not press for action on the amendment. However, I wish to say that I think what has been done here today under the leadership of the junior Senator from California will serve a most useful purpose. It has been demonstrated that there is keen and active and aggressive interest in action, at least, on an old-age-pension bill. I think it has been clearly manifested, so that Members of the House will understand, that unless some action is taken in that originating body we will feel free here to act in an appropriate way at the proper time by a rider to some other tax bill. So I feel that, on the whole, we have made good progress today, and I shall not offer the amendment.

Mr. CONNALLY. Mr. President, I wish to say to the Senator from Alabama [Mr. BANKHEAD] and to the Senator from Georgia [Mr. GEORGE] that I also have pending a measure relating to the Social Security Act, particularly the old-age-pension matter, which I had expected to offer to the pending bill in case the Senate considered other amendments along that line, but I shall not offer it because of the assurances made by the Senator from Georgia that at some later time a complete hearing may be had and that the whole question may be considered. I will say that the measure which I had intended to introduce, and which I intended to offer as an amendment to the pending bill, has the unanimous approval of the Social Security Board. It deals with what is known as the variable grant, and relates to the percentage of contribution made by the Federal Government to the various States for the purpose of paying old-age pensions. It would materially help the weaker States which are not now making adequate appropriations. However, I do not wish to press the matter on the Senate now, and I shall refrain from offering the amendment and let it lie over, as suggested by the Senator from Georgia.

PERSONAL EXPLANATION

Mr. AIKEN. Mr. President, I rise to a question of personal privilege. In the nationally syndicated column The Washington Merry-Go-Round, written by Drew Pearson and Robert Allen, and which appeared on August 30 in many newspapers throughout the country, it was stated that certain Senators and Representatives were being used by Nazi agents for the purpose of selling and distributing anti-British books and propaganda material.

It was charged that the Flanders-Hall Publishing Co., Scotch Plains, N. J., had issued publicity listing several Senators and Representatives as boosting a book entitled "The 100 Families That Rule the Empire." This column alleged that testimonials from several Senators and Representatives, including myself, were used to promote the sale of this book.

When I returned to Washington last Tuesday I called Mr. Robert Allen about this matter, and he has since sent me a photostat of the circular referred to. On one side of it appear alleged testimonials of the several Senators and Representatives, and on the other side it reads:

A sensation from coast to coast * * * a "bombshell" in official Washington * * * front page in the Herald Tribune * * * lengthy columns in the Sun, the Post, and many others. * * *

The implication was that these newspapers, including the New York Herald Tribune, are also endorsing this book, which I doubt very much is the case.

The so-called testimonial which I am supposed to have contributed to this circular reads as follows:

I guess those boys tie in pretty closely with the colonies.

Mr. President, I want to say here and now that I never heard of the Flanders-Hall Publishing Co. until this week. I have never read the book referred to. I have no idea what its contents may be, and I certainly have never given any testimonial to be used for promoting the sale of this book or any other book falling within the category of propaganda.

I am advised by my secretary that such a book was brought to my office and was deposited in the wastebasket, where it belonged, along with the day's usual supply of propaganda material which comes from all sources.

Mr. President, I do not attempt to speak for the other Members of the Senate and House who allegedly gave these testimonials. It would appear to me that practically all, if not all of them, have been placed in a false position, or what they said was put forth in a misleading manner. But I wish to say that, so far as I am concerned, I never have and never expect to give the use of my name for promoting any propaganda material of this nature.

REVENUE ACT OF 1941

The Senate resumed the consideration of the bill (H. R. 5417) to provide revenue, and for other purposes.

Mr. CONNALLY. Mr. President, a parliamentary inquiry. What is the pending amendment?

The VICE PRESIDENT. The committee amendment on page 32, the so-called community-property amendment.

Mr. CONNALLY. I suppose some proponent of the amendment would like to discuss it first. If not, I am prepared to discuss it.

Mr. GEORGE. Mr. President, I discussed the amendment in the opening statement which I made on the bill, and I do not care to go into it at this time, because I realize that Senators from the so-called community-property States will desire to debate this issue. I reserve what additional statement I may care to make, so far as I am concerned, until a later period in the debate.

Mr. President, there is a possibility that we might profitably have disposed of other matters at this time. I am not advised of any other pending committee amendment except the one in question. The bill has not been thrown open to general amendment yet, except in one instance. So I suppose we might as well proceed with the consideration of this matter at this time.

Mr. CONNALLY. Mr. President, the Finance Committee spent 3 weeks in

considering the bill, 2 weeks of which were devoted to hearings, and I apologize to the Senate for taking up any of its time in discussing this particular amendment, but this is the only place, here on the floor of the Senate, where we are able to get a hearing. The Senate Finance Committee—and I say it with all due respect and affection for my associates—were willing to hear those who came before it on the question of bottled drinks, and admissions to theaters, and jewelry, and the percentage of tax which should be paid on slot machines, but the committee did not have any time which it could accord to the citizens of eight sovereign States when it came to a proposal to repeal by indirection the property laws of those States. We could not get any hearing on that matter.

The Senator from Texas happens to be the only member of the Finance Committee who comes from a community-property State. So, like the boy who stood on the burning deck, I was the only one who could not flee.

Mr. HATCH. We did not flee.

Mr. CONNALLY. I am talking about the other members of the Finance Committee. The Senator from New Mexico is not a member of the Finance Committee. So, Mr. President, I was alone able to beg and plead with the committee to postpone the matter and let it go over until the administrative bill shall be taken up this fall, but those supporting the proposal were so zealous, and they had such a passion for getting money out of our pockets, that they would not postpone the matter at all. But when it came to the joint return, which would have affected New York State, that rich State; or Illinois, with Chicago; or Michigan and automobile fortunes—"Why no; we cannot tolerate that. We will not tolerate that for a moment." The Finance Committee just dismissed that proposal and said, "Oh, well, that matter can wait for some future bill. Putting everybody in the same boat, and having a joint return for a woman's millions in New York, along with her husband's millions—we will not tolerate that, we will not think about considering that question at this time."

As soon as they had disposed of that matter very quickly and efficaciously they called up for the attention of the guillotine—and the guillotine has returned to modern life, at least in Paris—the nine community-property States.

My excuse for discussing this matter in the Senate is that this is the only place where we can obtain a hearing. The Senator from Pennsylvania [Mr. DAVIS] knows that, because he is a member of the Finance Committee.

Mr. DAVIS. So is the Senator from Texas.

Mr. CONNALLY. I am and, as I say, the Senator from Pennsylvania knows that this is the only place where we have had a hearing.

While I am looking at the Senator from Pennsylvania, I wish to tell him that if he wishes to tax the property of the women and poor folks of my State in the name of somebody else, it will not be long before the millionaires of Pittsburgh will be including the income of their wives in their own returns, and paying a single tax on it. We have some votes. That is not a threat, but simply a little side remark which may or may not be considered in the future.

Mr. President, I have been a member of the Finance Committee for 12 years. During that time I have been through a fight on this question every time a tax bill has been before us. We used to work under the Republicans. The Republicans never imposed such a tax. They never endeavored to do so, except as a sort of gesture. We argued the question with them, and reasoned it out with them. They saw the reason of it, and abandoned the effort.

But under the Democratic administration the present Secretary of the Treasury, Mr. Morgenthau, from New York, has reversed the public policy with regard to this matter, and is out gunning for Texas, Louisiana, New Mexico, Arizona, California, Nevada, Washington, Idaho, and Oklahoma. Most of those States voted the Democratic ticket in the last election. The theory of the Secretary of the Treasury seems to be that if possible we should drive them back into the Republican Party at the next election.

The Secretary of the Treasury undertakes to reverse the policy of my State, which it has had in its constitution and its statutes for more than a hundred years. While the present Secretary of the Treasury was still in the great womb of the unborn my State had this doctrine and this policy. The men who fought the Battle of San Jacinto, before they wiped the blood from their swords, put this doctrine into the Constitution of the Republic of Texas. They said, "In this republic of ours we recognize a marital partnership. The earnings of that marital partnership shall belong half to the husband and half to the wife."

That principle went into the constitution of my State. When Texas came into the Union it came with that clause in its constitution. If the Union did not want us why did it not turn us down? We did not surrender our rights. We did not agree to wipe out our constitution. We did not agree to repeal our statutes for the privilege of giving up our sovereignty as a republic among the states of the world. We thought that our constitution and our laws would be respected. They have been respected in this particular at least until the present Secretary of the Treasury advocated the reversal of the policy.

They are now having a conference in a little room, and before we can act on this matter we must obtain the consent of some little fellow in the Treasury Department. That is why I am speaking today.

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

Mr. CONNALLY. I yield.

Mr. GEORGE. I think the Senator is speaking entirely out of order in making such a statement.

Mr. CONNALLY. What statement?

Mr. GEORGE. The statement which the Senator has just made, that a conference is now being held in a little room, and that we must obtain the consent of some little fellow in the Treasury Department before we can act on this matter.

Mr. CONNALLY. Is not a conference in progress?

Mr. GEORGE. Yes; but in good faith, because of the Senators from community-property States, who are looking to a possible avoidance of the issue at this time so as not to prolong the debate on a bill which ought to be passed.

Mr. CONNALLY. Very well. I accept the Senator's statement.

Mr. GEORGE. I do not want the Senator to accept it in that way.

Mr. CONNALLY. I do not know a thing about the conference. I suppose the Senator does, because he says it is going on. I have no disposition to criticize the Senator. I am glad it is going on, because I am hopeful that it may result in some good.

Mr. GEORGE. I do not think the Senator's statement is fair when by clear inference and implication he suggests that the committee and the Senate are awaiting a decision by someone on the outside.

Mr. CONNALLY. Very well. I will withdraw the statement.

Mr. GEORGE. I hope the Senator will.

Mr. CONNALLY. I know we are waiting.

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

Mr. CONNALLY. I yield.

Mr. HATCH. The statement was made by the Senator from Georgia that perhaps this controversy may be eliminated in order that the debate may not be prolonged. That reminds me that it has been suggested to those of us who come from the community-property States that we have no right to prolong the debate, and that we should not talk, lest we be accused of filibustering on a very important measure of this kind when each day the debate is prolonged millions of dollars in excise taxes are lost. Of course the Government does not collect the taxes so long as the debate is prolonged. We do not want to be charged with filibustering, if that is the imputation just made.

Mr. GEORGE. No, Mr. President. If Senators want this matter to go straight through to a final issue the chairman of the Finance Committee is ready to carry it through. I have made no charge that there is any filibuster. In perfect good faith I had a conference this morning with three Senators from community-property States in the hope that we might let this particular matter go over until a subsequent tax bill comes before the Senate.

There has been no suggestion of filibuster. On the contrary, the frank statement has been made by me and by Senators from the community-property States that they have the right to discuss the issue and are expected to do so. Some of us desire to bring the debate to a conclusion at the earliest possible time, consistent with fair discussion. There has been no suggestion of filibuster, or any intention on the part of anybody to filibuster.

Mr. HATCH. There has been no suggestion on the floor, but it has been made. It has been made to me.

Mr. GEORGE. Mr. President, I ask the Senator to wait a moment. It has not been made on this floor.

Mr. HATCH. No; it has not.

Mr. GEORGE. I have not made it, and I have not intimated it.

Mr. OVERTON. I wish to say, in justice to the chairman of the Finance Committee, that I was in the conference this morning, and he very frankly stated to us that he knew the deep interest the citizens of the several community-property States have in this amendment, and that he expected any or all Senators who have the honor of representing such States to present to the Senate a discussion of the amendment, and he did not feel that in doing so we would be undertaking any filibuster.

Mr. HATCH. I am very glad to have that statement. I was not at the conference.

Mr. OVERTON. I was, and I desire to say that the chairman of the Finance Committee was very nice about it. He did not express any desire that we should withhold any argument we might have to make, and which he realized we would have to present upon the floor. I think he rather expects us to present our views upon the floor, and he did not suggest to us that we should curtail our speeches.

It is true, as the Senator from Georgia has stated, that he would like to see as prompt a disposition of the bill as possible, but he realizes that this amendment is one which vitally concerns the eight community-property States, and that each Senator from each of the eight community-property States is vitally interested in this amendment, is strongly opposed to it, and should have the opportunity of presenting his views upon the floor.

I desire to say that the chairman of the committee treated us very nicely in the conference we had. Let me say further that I realize what the Senator from New Mexico said awhile ago, that there is a rumor of an intention to filibuster. I think I can speak for the Senators from Texas, the Senators from New Mexico, the junior Senator from Louisiana, my colleague, and the Senators from California, Washington, Nevada, Idaho, and Arizona, in saying that there is no intention on the part of any of these Senators to filibuster, but in the event this amendment should be adopted they do not propose to go back to their States and have their constituents say to them, "Well, the Senate forced this income-tax amendment on our people. What have you to say about it? What fight did you put up?" "Well, I did not say anything."

I do not intend to be placed in that attitude, and I am sure the Senator from New Mexico does not. I have certain views to express about the question. Louisiana is, I think, the oldest community-property State in the Union. We had that system in colonial days. We came into the sisterhood of States with that system of property ownership, and, of course, I desire to say something about it at the proper time.

I thank the Senator for yielding.

Mr. HATCH. I merely desire to say that I did bring out in the open the question of filibustering, because it had been charged—not on the floor—that we were going to filibuster on a bill which involved a great national emergency. I think we shall discuss the bill. So far as I am concerned, I think I can say in 15 minutes all I have to say on the bill. Other Senators may have different views, but when the Congress is asked to legislate for the State of New Mexico and to change property rights of the citizens of my State I do not propose to be here while that goes on without saying some word. If I do not get through in 10 minutes, and if I desire to take 20 minutes, or an hour, or 2 hours, I shall do so. I thank the Senator.

Mr. CONNALLY. Mr. President, I desire to say to the Senator from Georgia particularly, and to other Senators, that in my rather sharp remarks about the Treasury I meant no stricture whatever on the Senator from Georgia. I very greatly appreciate his attitude and his conferences. I am very happy that he is the chairman of the Finance Committee. I feel honored in being able to serve under him, and I have always undertaken to show him every consideration, as he has always accorded every consideration to me.

So far as I am concerned, if the Senator from Georgia desires to postpone consideration of this matter to some future time, of course, that will be entirely agreeable to the Senator from Texas, and I am sure it will be agreeable to all Senators who are similarly affected. I probably showed a little heat, but I was not talking about the Senator from Georgia. I was talking about the time the Treasury Department always gets before the committee—and it is proper that it should get time—to explain its views on everything before us, whereas we were not accorded any opportunity of a hearing on this particular proposal.

Mr. HAYDEN. If I may interrupt, the Senator is well aware that there are able lawyers and others in the community-property States who would insist upon appearing before the Committee on Finance in order that the problem might be thoroughly understood. They are entitled to a hearing; and I am satisfied that if the committee heard the case completely, the result would be as it has been in previous years—the amendment would not be reported from the committee.

Mr. CONNALLY. I thank the Senator.

Mr. HATCH. Mr. President, will the Senator yield at that point?

Mr. CONNALLY. I yield.

Mr. HATCH. I desire to say that I am so confident of the accuracy of what the Senator from Arizona has just said that I feel sure that if the Finance Committee understood the community-property law as it exists in my State and in his State, the committee never would report this amendment. I feel that way about the chairman of the committee. I have such high regard for his legal ability and his integrity that I think that if he thoroughly understood the law as it is in New Mexico, he himself would be here opposing this amendment. I certainly think that if the committee is going to attempt to do something to us—something which this bill would do—the members of the committee should afford us the opportunity of having lawyers and other persons from our States appear before it so that we might at least have our views presented to the committee.

Mr. HAYDEN. There are just two points to be considered, which appeal to me. One is that the doctrine of community property was adopted long before Congress was enabled by constitutional amendment to enact an income-tax law. In the part of the United States which originally belonged to Spain, and then to Mexico—that is, California, Nevada, Texas, Arizona, and New Mexico—and in Louisiana, which came by way of France, under the Code Napoleon that precedent was established.

Mr. HATCH. If I may interrupt the Senator, the practice began in the twelfth century.

Mr. HAYDEN. But the constitutions of those States and all the laws enacted in those States were enacted long before Congress had power to pass an income-tax law; so that this is no newly devised scheme to evade the law.

Mr. McCARRAN. Mr. President, will the Senator yield there?

Mr. HAYDEN. Yes.

Mr. McCARRAN. Let me say, in addition to what the Senator has just said, that the community-property laws, which originally were fundamental in the constitutions of the States carved out of the territory referred to, were approved in the first instance, and the enabling acts passed by the Congress of the United States contained this special provision with respect to each of the constitutions of the respective States referred to. In other words, there were in these organic laws provisions regarding community property, and Congress acquiesced in those provisions.

Mr. HAYDEN. The other point is that the Supreme Court of the United States in numerous decisions has held that the taxpayer who owns the property should pay the tax. There is no question about who owns community property; it belongs one-half to the husband and one-half to the wife. That very issue has been passed upon by our Supreme Court; and my judgment is that if this tax is enacted, and if it is taken to the Supreme Court, the net effect will be that it will have to be refunded with interest at 6 percent. It will not stick if the Supreme Court of the United States is in any manner bound by its numerous precedents.

Mr. HATCH. Mr. President, will the Senator yield there?

Mr. HAYDEN. I yield.

Mr. HATCH. The Senator refers to the ownership of income. This bill does not.

Mr. HAYDEN. I understand that, but the Supreme Court has decided that he who owns the property shall pay the tax.

Mr. HATCH. No; but the bill starts a brand-new theory. Ownership is not involved. It does not make any difference who owns the income; this bill says that in the community-property States the one who earns the income shall pay the tax.

Mr. HAYDEN. That does not conform to the decisions of the Supreme Court in numerous instances.

Mr. HATCH. Who earns the Senator's income? I will withdraw that question for fear it might embarrass the Senator.

Mr. HAYDEN. I hope the Senator will.

Mr. HATCH. I say it is a brand-new theory of taxation. I do not think any committee ever before devised a scheme which eliminated the question of ownership altogether and provided that whoever earns the income must pay the tax. I thank the Senator from Texas.

Mr. CONNALLY. Mr. President, I shall be glad to yield if the Senator desires to proceed further.

On the point that is suggested by the Senator from Arizona and the Senator from New Mexico, this bill undertakes to say that, no matter if the wife does own half the community income and the husband owns the other half, he shall pay a tax on all of it.

Mr. HATCH. No, no; the bill does not say that. It says the person who earns the income must pay the tax.

Mr. CONNALLY. That is the theory of the Senator, that the husband is to be taxed not only for his interest in the income but also for his wife's interest in the income. The Supreme Court of the United States has passed on this question; it passed on it in a case from Wisconsin, which is not a community-property State.

Mr. HATCH. May I interrupt the Senator again?

Mr. CONNALLY. I am glad to yield.

Mr. HATCH. There is another rule which is laid down which is a little different. It is this:

> (b) Income derived from property of the marital community (except such property as constitutes either income derived from the separate property of either spouse or property acquired therewith) shall be considered as the income of the spouse who has the management and control thereof under the law of the jurisdiction in which the marital community exists.

So that is another test which is laid down. It is not a question of ownership but a question of who has the management and control.

Mr. CONNALLY. I thank the Senator. I was going to suggest that the Supreme Court of the United States in a number of cases has held that the Senator from New Mexico cannot be taxed for the income of somebody else, nor can the income tax of the Senator from New Mexico be measured by comparing it or adopting as a standard somebody else's income.

Mr. HATCH. If the Senator will yield further, I merely wish to illustrate what complications the Internal Revenue Bureau will have with this sort of language in a tax bill. There are certain instances under the laws of New Mexico when the wife becomes the head of the community and has the management and control thereof. In those cases, then, the wife will pay on the entire return. Who is going to determine who earns the income? Who is going to determine who is the manager and person in control of the community property? Is some agent from Washington going out into my State and look at me and say, "I do not think you earned that income"—and I doubt it myself many times—"I think your wife earned it." These thoughts keep coming to my mind, and I can hardly refrain from expressing them.

Mr. CONNALLY. I am always delighted to meet a mind so fertile as that of the Senator from New Mexico, who can advance new suggestions and new ideas which would never occur to some of us who lead more prosaic lives.

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

Mr. CONNALLY. I yield.

Mr. McFARLAND. Inasmuch as the question of who earns the income is being discussed I should like to know who would make the return in case of a man living on a farm who goes out in the morning and works in the field while the wife works at home, takes care of the children and the chickens and takes the butter and eggs off to town and sells them. Who is going to make the return then? They are both working on the farm; they are in partnership according to the laws of Texas, Arizona, and other States. Who will make the return under this proposed law?

Mr. CONNALLY. I will say to the Senator from Arizona I hope we will never have to determine that question, but if this amendment should be adopted, I believe that some clerk in a department in Washington would decide who is the manager of the chicken farm or ranch in Arizona.

Mr. McFARLAND. How is it going to be possible to separate the returns from chickens and those from cows and make a separate return for each? The wife takes care of the chickens and the husband takes care of the cows. Is the income to be combined or how is it going to be done?

Mr. CONNALLY. I can only speak of the purpose of this amendment. The purpose of this amendment is to throw both incomes into one income so that a higher rate of tax will be obtained. To be frank, that is what is being sought.

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

Mr. CONNALLY. I yield.

Mr. HATCH. I should like to ask the Senator a question. He has already mentioned the fact that the committee has very jealously guarded the income from the separate estate of the married woman in the States of New York, Pennsylvania, and other States. The committee says that is her separate property, so she may file a separate return. That situation has been taken care of very nicely, but in the Senator's State and in my State the wife's part of the community property is just as much her separate estate as is the income of the married woman in New York from her separate property. Is not that correct?

Mr. CONNALLY. Yes.

Mr. HATCH. So we have in the other States a special favor. Much is said about our receiving special favors, but the married women in those States may make their own separate returns as to their separate property. In my State, however, they cannot do that, because the honorable Committee on Finance of the Senate of the United States says there must be a different rule in the community-property States than in other States of the Union.

Mr. OVERTON and Mr. McCARRAN addressed the Chair.

Mr. CONNALLY. I wish to say a word further, and I shall be glad to yield. Let me say to the Senator from New Mexico that the Treasury has complained to the committee—I do not know how strong the complaints were—that in other States men of great fortune have voluntarily transferred to their wives half their property; the wives have then made separate returns, and the husbands have made separate returns. The Treasury have complained at that and wanted something done in this bill to penalize them for doing that, but, of course, in those cases where the income has been divided in that fashion the situation cannot be corrected retroactively now, as I see it. But that is what has happened in many States. A rich man says, "I will give my wife half my property and thereby get a reduction in my income tax." That can happen in the case of a separate estate, but it cannot happen under this amendment in any State which is a community-property State, because, regardless of what happens to the income after it is received, if it is community income, under this bill it has got to pay under a single return.

Furthermore, let me point out that a prosperous man in New Mexico—and there are many of them in New Mexico——

Mr. HATCH. Not so many.

Mr. CONNALLY. Might make a million dollars, and half of that million dollars would belong to his wife.

Mr. HATCH. And it is absolutely her property. It becomes a vested interest in her.

Mr. CONNALLY. That is correct. Here is what the Supreme Court says: It agrees with the Senator from New Mexico, as I am sure it often does.

The Supreme Court of the United States, in *Hopkins, Collector,* v. *Bacon* (282 U. S.), held that the wife's income in the community amounted to "a present"—not a future, not a contingent, but a present—"vested interest equal and equivalent to that of her husband."

So the moment it is earned, under the Supreme Court decision, it vests directly in the wife. But let me carry the illustration further.

This man in New Mexico makes a million dollars in community—he and his wife. Immediately upon the acquisition of that million dollars, half of it belongs to his wife. The other half belongs to him. They move to the State of New York and take their money with them. The moment they cross the boundary of New York and acquire residence she can return her income from her half in a separate return; he can return his income in a separate return; but if they remain in New Mexico they have to make one return and pay on an income from a million dollars.

That is what this amendment proposes to do. That is what it will do. That is what it does do. That is what, by the grace of God, I hope it will not do.

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

Mr. CONNALLY. I yield.

Mr. OVERTON. In that connection, talking about the absurd conclusions to which this Senate amendment leads, let me give an illustration or two.

Under the law of the community-property States the income of each spouse falls into the community.

Mr. CONNALLY. That is correct.

Mr. OVERTON. Under subsection (a) of the pending amendment the Federal Government says, "No; in spite of what the law of your State says, we are not going to treat the income as community income. It is going to be separate income; and if the wife is earning $3,000 it does not, for Federal income taxation, go into the common pot, although it is in reality community income. We are going to disregard the State law, and the wife must make a separate return and pay a tax on it."

Now, I desire to go a step further. Then we go to subsection (b) of the amendment. The wife has earned $3,000. The Federal Government has collected a tax from her on that amount as her separate income. She invests the $3,000 in revenue-producing property. Under the law of the community-property States the capital invested by the wife, earned by her during her marriage, is community property, and the revenue from it falls into the community. The Federal Government does not say, "We will collect a tax from you on the returns of this earned money that you invested in property," but it says, "We are going to treat this investment, made by you out of your own earnings, as community property. The husband is the head and master. We will add the income from your investments to his separate income, and he will have to pay a tax upon the total."

One moment the Federal Government, under this amendment, absolutely disregards and ignores the State law of ownership; and the next moment it picks it up and says, "We are going to recognize the State law"; and why? Because it adds more and more to the amount that has to be paid by the taxpayer.

Not only that, if the Senator will pardon me for going a little bit further, let me show how unjust and unreasonable the Senate committee amendment is.

Mr. CONNALLY. I am very glad to hear the Senator.

Mr. OVERTON. I say this with all due respect to the Senate Finance Committee, for whose members we all entertain the highest regard, and, I may add, with all due respect to the Treasury Department.

Mr. CONNALLY. All due respect. [Laughter.]

Mr. OVERTON. Yes; with all due respect.

The husband is making, say, $5,000 a year. He invests that money in property bought in his own name. In the common-law States it becomes his property; but in the community-property States, when he buys the property, even in his own name, it falls into the community. One-half belongs to the wife and the other half to the husband.

The wife dies. The husband has a million dollars' worth of property that he has accumulated out of his earnings during marriage. In the common-law States, if the wife dies, the husband's ownership is not interfered with. But, under the Federal inheritance-tax law Uncle Sam says to the husband, "One-half of that property standing in your name was bought during the marriage, and one-half belongs to your wife. Her estate must pay an inheritance tax upon that property acquired by you; we are going to collect a Federal inheritance tax." The State will, also, collect a State inheritance tax upon it.

Now let us go further. If the wife wills to the husband her half interest in the property which was acquired in his name—which would be his in a non-community-property law State—if the wife wills it to her husband then before the husband can take possession of it, under the Federal inheritance-tax law he will have to pay an inheritance tax upon $500,000, which would be one-half of the million dollars' worth of property that had been bought in his name and out of his own earnings during the existence of the marital partnership.

Do you not see to what absurdities this amendment carries the whole principle of community-property rights?

When the Federal Government undertakes to ignore the local State laws of title and ownership, and applies varying rules of taxation, income and inheritance, it does what leads to confused thinking and hopeless confusion.

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

Mr. CONNALLY. I will yield in a moment. Let me suggest to the Senator from Louisiana that in the non-community-property States, when a man gives his wife property he gets an exemption of $40,000 before any possibility of a gift tax attaches; but in the community-property States, if that $40,000 is a part of the community, full tax must be paid on it under this amendment.

I now yield to the Senator from Nevada.

Mr. McCARRAN. Mr. President, I wanted to draw to the attention of the able Senator from Louisiana and the able Senator from Texas a further thought, and that is that in a community-property State the husband cannot divest himself by will or bequest or devise of one-half of the property acquired during coverture. He can dispose by testamentary disposition of only the one-half which the law says belongs to him. The other half, however much he may attempt to dispose of the property by testamentary disposition, nevertheless remains the property of the wife, to be disposed of by her as she may see fit.

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

Mr. CONNALLY. I yield to the Senator from Arizona.

Mr. McFARLAND. The particular provision I had in mind a few moments ago, when I referred to raising chickens and pigs and cattle on the farm, was subsection (a) of section 29 under "community income," which states that—

> Income earned by each spouse (whether or not treated as community property under the State law) shall be considered as the income of the earner thereof.

Under our laws and under the laws of Texas, the income belongs half to the wife and half to the husband but, regardless of our law, this amendment would say that it shall be treated as the property of whichever one earned it, regardless of our laws. Then the amendment goes on to say that—

> Income derived from property of the marital community (except such property as constitutes either income derived from the separate property of either spouse or property acquired therewith) shall be considered as the income of the spouse who has the management and control thereof under the law of the jurisdiction in which the marital community exists.

It is my contention that these provisions were put in the bill to get around our community-property laws, but they have not been made broad enough, because they do not cover the situation of the wife who takes care of chickens and sells the chickens and gets a little money, and the man who takes care of pigs. Who is to make the return?

Mr. CONNALLY. Let me say to the Senator that of course the intent of the amendment is that in that case they will tax all of that income on the theory that the husband is the manager and in control and charge. That is the purpose.

Mr. McFARLAND But subdivision (a) says that whichever one earns it pays.

Mr. CONNALLY. I understand.

Mr. McFARLAND The wife certainly earns the income when she takes care of the chickens and sells them.

Mr. CONNALLY. However, the theory of the amendment is that the husband, being in most States the legal head of the family, will pay the tax not only on his half of the community property, but on his wife's half. That is the purpose of the amendment.

Mr. McFARLAND I understand the purpose of the amendment is to compel a joint return.

Mr. CONNALLY. That is correct.

Mr. McFARLAND But I say the provision is not well written, that it is not complete, and cannot be made complete to meet the situation where the laws of a state provide that the property belongs half to the husband and half to the wife. We in Arizona in a way followed Texas. We were the last State to be admitted to the Union. We regard the husband and wife as partners. I get along just a little better by treating my wife as a partner. Some, perhaps the Secretary of the Treasury, may want to go back to the old common-law rule, under which the husband and wife are one, and the husband is the one. But I find that I get along a little better by treating my wife as a partner. Those of us from the community-property States recognize that principle, and all we ask is that our State laws be not interfered with, that our laws be respected, just as the laws in the noncommunity-property States have been respected. That is my contention, and I say an attempt has been made here to get around our law, but it has not been made complete.

Mr. CONNALLY. I thank the Senator from Arizona. He has made a very enlightening statement, which will be helpful.

The Senator from Louisiana [Mr. OVERTON] in his well-chosen remarks a little while ago, adverted to the origin of the doctrine of community-property theories. Louisiana, of course, belonged to France, but it also at one time belonged to Spain. Can the Senator inform us as to whether or not in the instant case of Louisiana that doctrine was adopted from the Spanish law, or from the French law? Both being Latin, I suppose the law may have been the same. I do not know.

Mr. OVERTON. The community-property law originated in Spain quite a number of centuries ago. My recollection was that it was in the seventh century, but the Senator from New Mexico said it was the twelfth century. At any rate, centuries ago the policy of the community-property system was adopted in Spain. The French adopted the community-property system of the Spaniards. At one time the State of Louisiana was under French domination, then under Spanish domination for a while, then back under French domination. It adopted the community-property system; what we know as the community of acquetes and gains, and what is commonly known as the marital partnership, from the French law, under the Code of Napoleon, which in turn got its inspiration from the Spanish law. So that long before the State of Louisiana was admitted into the Union we had the marital partnership, back in the old colonial days. Long before the United States effected the Louisiana Purchase we had the marital partnership. Long before the embattled farmers fired the shot heard round the world, long before the Declaration of Independence was written, we had the marital partnership. It is embedded in our tenure of property—real, personal, and mixed. In my opinion, the State of Louisiana would not surrender that method of acquisition, and ownership, and tenure of property under any circumstances. It has worked most satisfactorily.

Mr. HATCH. Mr. President, will the Senator permit a remark?

Mr. OVERTON. I yield.

Mr. HATCH. It is the most progressive system and the fairest system that has been devised.

Mr. OVERTON. It is the most progressive system and the fairest system, and I will state why I think so. It is because it recognizes the wife as a copartner of the husband. It recognizes the wife as a helpmeet to the husband.

Mr. HATCH. I wish to make this distinction. I agree wholeheartedly with the Senator, of course, that it is a fair system. It comes from the Spanish law. The common law puts the married woman in what class?

Mr. OVERTON. Originally married women were recognized only as chattels; but they have gradually progressed.

Mr. HATCH. As to property rights, the wife was placed in the same class with incompetents, minors, and I think it said insane persons. Is that correct?

Mr. OVERTON. That is correct.

Mr. HATCH. That is the common law. That is the difference. In our States we say that the wife is the full partner, and we have removed the disabilities which apply to married women under the common law.

Mr. CONNALLY. Let me suggest to the Senator this question, Was it not true that under the common law a wife who possessed property and chattels and estates prior to her marriage, upon marriage had to turn over that property and the husband became not only the possessor of her person, but of her property? And did not the law further provide that he had a right to whip her whenever he desired, provided he did not use a switch larger than his thumb? That is the old common law.

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

Mr. CONNALLY. I yield.

Mr. HATCH. Because we have been progressive, because we did recognize the rights of the wife to be equal with those of the husband, now it is proposed that we pay a penalty for that fairness. Is not that correct?

Mr. OVERTON. That is what is proposed.

Mr. HUGHES. Mr. President, will the Senator yield to me to ask the Senator from New Mexico a question?

Mr. CONNALLY. I yield.

Mr. HUGHES. I have a document before me which makes this statement as to New Mexico:

> In New Mexico when the husband dies he may leave his one-half of the community property to whomever he pleases, but on the other hand, unless a wife outlives her husband, it is a general rule that she cannot leave a dollar of her half to anyone, not even to her own children.

Is that correct?

Mr. HATCH. I wish to say to the Senator from Delaware that he has pointed out one of the defects in the system in New Mexico, which does give the husband a little more right than it gives the wife. But we are so far ahead of Delaware that I do not think the Senator should point out that slight defect. [Laughter.]

Mr. OVERTON. Let me make this observation: So far as Louisiana is concerned, the wife has a vested interest in one-half of the property acquired during marriage, whether it is acquired in her name or in her husband's name, and upon her death her one-half interest goes to her heirs at law, or to her legatees under her last will and testament, and her husband can do nothing about it.

Mr. HUGHES. Let me say to the Senator from New Mexico that he is a little unjust to Delaware. [Laughter.]

Mr. HATCH. I withdraw the remark I made.

Mr. HUGHES. Woman has been emancipated in Delaware to a very great extent. A woman can hold property, she can engage in business, she can also make a will, which the Senator's State does not permit.

Mr. HATCH. She can make a will in my State. In Delaware she could file her separate return as to her separate property under the amendment pending, but under the amendment she could not do so in New Mexico.

Mr. HUGHES. But a husband cannot bequeath his property without his wife joining him.

Mr. HATCH. He cannot in New Mexico, either.

Mr. HUGHES. In some of the community-property States he can.

Mr. HATCH. I doubt that. I doubt that there is any State in the Union where the husband can convey the community property without the consent of the wife. That is what the Senator from Delaware said could be done.

Mr. HUGHES. In the same document from which I have read it is stated, referring to California:

> Although California passed a law in 1917 requiring the signature of the wife to a sale of community real estate, the courts hold that the 1917 enactment does not prevent a husband from now conveying without his wife's consent such real estate as was acquired before 1917, or after 1917, if paid for with community money previously earned.

So, California has a different rule from that of the other of the community-property-law States.

Mr. HATCH. Mr. President, I know nothing about the California laws.

Mr. OVERTON. Mr. President, I may make the observation that under the California statute, however, a husband cannot dispose of the property in fraud of the wife's rights, and he cannot in any way jeopardize the interests of the wife in and to her moiety of the community property. So, that if in California a husband disposes of the property, one-half of the avails of the sale belongs to the wife and one-half to the husband.

Mr. HUGHES. When we speak of progress, and all that kind of thing, I may say that in the State of Delaware the husband cannot deed over his property, individual or otherwise, unless the wife joins in the deed.

Mr. OVERTON. Whether it is a separate property or not?

Mr. HUGHES. It does not make any difference. Nor can the husband put a mortgage on the property unless the wife joins with him in doing so.

Mr. HATCH. Mr. President, will the Senator from Texas yield to me?

Mr. CONNALLY. I yield.

Mr. HATCH. I desire to propound an inquiry to the Senator from Delaware, for he is a very able lawyer, and I know he understands the law of partnership. He has attempted to criticize the California law because the husband can convey property of the community. He sees that as a some sort of a vicious practice. But I will ask him this question: Cannot one partner convey the property of the partnership, and can he not bind the partnership?

Mr. HUGHES. Yes. Because of the fact that one partner could do that thing is the reason why we in Delaware came very near abandoning the partnership arrangement, and took to incorporating businesses, and so forth.

Mr. HATCH. The Senator from South Carolina [Mr. SMITH] has just observed under his breath that the conclusion of the whole matter, so far as this com-

mittee amendment is concerned, is "Do not have a wife." [Laughter.] I am very serious about that. The committee imposes a penalty upon the marital relationship. The committee imposes a penalty which does not apply to the other kind of partnership.

Mr. SMITH. That is correct.

Mr. DOWNEY. Mr. President, will the Senator from Texas yield to me?

Mr. CONNALLY. I yield.

Mr. DOWNEY. I desire to make a brief statement directed largely to the chairman of the Finance Committee [Mr. GEORGE] concerning the increased tax on wine, which is one of the most important commodities produced in our State. The Senate Finance Committee very markedly increased the rate on wine over that fixed by the House Ways and Means Committee, in fact the Finance Committee increased the rate so much that it resulted in an average increase of 100 percentage rate on wine. I personally believe the committee increased it to such an extent that it will be a serious burden upon our grape growers, who are just beginning to see daylight ahead, and to such an extent that it might defeat the very purpose of the tax bill that is the raising of additional revenue.

Mr. President, I am not now going to raise any issue upon this particular question upon the floor of the Senate. I merely appeal to the distinguished chairman of the Finance Committee carefully to consider the rights and equities of our grape growers upon this particular issue. The matter will come up in conference. We believe that the rate fixed in the House was a reasonable and fair one. We hope it will be accepted by our conferees. Our 30,000 grape growers would cheerfully pay that, or any other reasonable amount, but I should like to point out to the distinguished chairman that the increased rate on wine went far beyond the increase upon any other commodity. Indeed there is no other commodity in which the increase was anywhere near equal to the increase on wines. As I have said to the chairman of the committee, I do not desire to burden him at this time with any further argument. I am merely appealing to him that the whole question again be carefully considered when the issue is considered by conferees of the House and the Senate.

Mr. GEORGE. Mr. President, the question will be in conference as between the tax rates fixed by the Senate and the tax rates fixed by the House bill, and I can assure the Senator from California that the matter will be given consideration, and it will be very carefully considered, I have no doubt. The House conferees very likely will insist very strongly on the House rates, and the whole question can be examined in conference in the light of all the facts brought before the conferees.

Mr. DOWNEY. I thank the Senator from Georgia very much. Now I thank the distinguished Senator from Texas, who has allowed me for a brief time to intrude upon his argument. I wish to state that I enthusiastically approve the very able argument that he has been making upon the community-property tax.

Mr. CONNALLY. I thank the Senator.

Mr. DOWNEY. I join with him in appealing to the Senate carefully to consider this question which has been raised here. The rights of the people of California, I believe, are identical with the rights of the people of Texas, and I hope the Senate will support the position taken by the Senator from Texas.

Mr. CONNALLY. I thank the Senator from California for his very generous remarks. I may add at this point that California and Texas historically have some very intimate relationships. California was still slumbering in the bosom of Mexico when, as the result of the admission of Texas into the Union, the Mexican War was provoked in 1846 to 1848, and one of the results of that successful war won by the United States was the treaty of Guadalupe Hidalgo, which resulted in bringing California under the jurisdiction of the Federal Government, and later in 1850, as I recall, it was incorporated into the Union as a State.

Mr. President, I rejoice to strike hands across the space which lies between us, with the Senator from California, a representative of the great State which Texas had some small part in bringing into the Union. I am glad that he reciprocates those sentiments of ours, and that we have adopted and retained all these years the very beneficent and progressive recognition of the rights of wives and womanhood. We believe that a woman who is worthy to bear our sons is worthy to have half the revenue produced by our hands. I am glad to share with California that progressive, forward-looking, and, I almost said altruistic, doctrine giving to the women half of the earnings of the marital partnership.

Mr. DOWNEY. Mr. President, will the Senator again yield to me?

Mr. CONNALLY. I yield.

Mr. DOWNEY. I wish to express my appreciation of the courteous remarks made by the distinguished Senator from Texas. I realize well that the genesis of our State is closely connected with the historical development of the great State of Texas. We are proud and happy that we have developed as one of the Commonwealths of the United States as the result of the movement initiated by the great State of Texas. I might also say that hundreds of thousands of our most sturdy sons are descendants of one-time residents of Texas who left that beautiful empire to go to the even more marvelous State of California.

Mr. CONNALLY. I thank the Senator. If I have any criticism to make of his remarks, it is that he referred to thousands of our sons. He meant, of course, to include the daughters.

Mr. DOWNEY. That is correct.

Mr. CONNALLY. We have not only sent many sturdy sons, but we have sent to the stages of Hollywood many attractive women from our State who have lifted the standards of the stage away beyond former levels.

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

The PRESIDING OFFICER (Mr. KILGORE in the chair). Does the Senator from Texas yield to the Senator from Georgia?

Mr. CONNALLY. I yield.

Mr. GEORGE. I myself have not been able to meet with the Finance Committee, and, of course, would not disturb the Senator from Texas, who was addressing the Senate. However, a majority of the committee has considered this matter, and has considered postponing this particular amendment——

Mr. CONNALLY. The Senator means taking it out of the bill. We could not very well postpone it.

Mr. GEORGE. Yes. I mean eliminating it from the bill.

I take it that, as the Senator from Texas said in the beginning of his address, Senators who oppose the amendment would offer no objection to its elimination, with the understanding that in the administrative or any other tax bill which may come before us a hearing will be had on this question, and the committee will again consider whether it will report favorably to the Senate the so-called community-property income tax.

The committe has decided that in the interest of expeditious action upon the bill, and without any criticism of Senators from community-property States, but in full recognition of the fact that Senators from those States have the right to present their case to the Senate and to the country, the committee is willing to eliminate this particular recommendation from the pending bill and will expect, after hearings, again to consider whether it shall be brought to the Senate in some subsequent bill.

That is all I have to say. I hope the Senator realizes, as I am sure he does, that the Finance Committee has no disposition not to grant hearings. This matter has been the subject of frequent and long discussion before the Ways and Means Committee and the Finance Committee. I think at one time a similar bill passed the House and was defeated in the Senate. I know that during my period of service such a bill was once reported to the Senate but was defeated in the Senate. In view of those circumstances we thought that the committee had fair knowledge of the facts and could present the matter to the Senate for discussion.

There is no disposition whatever to lodge the slightest criticism against Senators from community-property States; and I feel certain that if, after hearing, the committee again reports this amendment on a subsequent bill the matter will then be debated in the Senate. If that should happen, the Senate would have some opportunity to express itself on the merits of the proposal.

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

Mr. CONNALLY. I yield.

Mr. BARKLEY. Inasmuch as the Senator from Georgia did not leave the Chamber, as he has already explained, he asked me to get together as many members of the Finance Committee as could be reached on short notice. A

majority of the membership of the committee, without regard to party, assembled and considered this matter.

I think it is due the committee to say that in reaching the conclusion that, under all the circumstances, this matter should be eliminated from the bill and the consideration of it postponed until the next tax bill comes before us the committee members did not wish to be understood as changing their views on the fundamental question involved in the amendment.

Mr. CONNALLY. Mr. President, I hope the Senator will not be ungracious.

Mr. BARKLEY. I am not trying to be; but I think it is due the members of the Finance Committee to say that they have taken this attitude from a desire to be fair to the Senators and the people of the States involved. I do not think there was any desire on the part of the Finance Committee to do otherwise, even when it considered the matter the other day. The Senator from Texas, who now occupies the floor, made a more able argument before the committee against the amendment than could all the lawyers in Texas who might be brought here to discuss it. No one in Texas could make an abler argument against it than the Senator made before the committee.

Mr. CONNALLY. I thank the Senator. The elimination of the amendment would not benefit the Senator from Texas. I am a single man.

Mr. BARKLEY. I understand that. I would not, even by inference, attribute to the Senator from Texas any personal motive in his attitude.

It is true that the House of Representatives passed such a bill in 1921. The Senate committee reported a similar measure in 1934, and it was defeated in the Senate. So the subject has been before the Congress for a long time. However, the membership of committees changes, and it is difficult to expect new members of a committee in either House to go back and dig up dusty hearings held years ago on a subject that is now before the committee or before the Senate, and read them.

In order to be fair, and not to have even the appearance of unfairness to the community-property States, even the majority of the members who voted for the amendment in the committee felt that it was fair to eliminate it from this bill with the understanding, as the Senator from Georgia has said, that either in connection with the administrative bill—which we think is on its way—or some other revenue bill, which must originate in the House, the Senate committee reserves the right to go into the matter in full hearings and then reach its determination at that time as to what should be done.

Mr. CONNALLY. I thank the Senator from Georgia and the Senator from Kentucky for their statements. However, I wish to say that they qualify the matter by saying that Senators on the Finance Committee have not changed their minds. Let me say that we have not changed our minds and do not expect to change our minds. Senator say that the amendment may be eliminated with the understanding that a certain thing will be done. I am not agreeing to any understanding. That is up to the majority of the Finance Committee. The majority of the Finance Committee can consider this matter whenever it wishes to do so. I do not wish to be put in the position of voluntarily agreeing to be assassinated. [Laughter.] I want it to be involuntary.

Mr. BARKLEY. I appreciate that. I think the Senator from Texas will agree that, in view of the vote on this matter in the committee on two or three different occasions in connection with this bill, the members who are now willing to eliminate the amendment ought not to be put in the attitude of having abandoned their position.

Mr. CONNALLY. No. That is "good stuff." The newspapers will note it. That is the Japanese doctrine of saving face. It is all right. I am trying to save mine. What I meant was that whenever a majority of the Finance Committee wishes to do so it can take the matter up. We cannot complain. I shall not complain, because that is the right of the committee. On the other hand, I wish to make it clear that we reserve the right, when and if the matter comes up in another form, to resist it and oppose it by all proper means. I think the Senator will accord me that privilege.

Mr. BARKLEY. Of course. Let me say to the Senator from Texas that no member of the Finance Committee who voted to eliminate the amendment expected the Senator from Texas or other Senators from community-property States to change their attitude on the subject.

Mr. CONNALLY. With that statement, I am perfectly agreeable to the elimination of the amendment from the bill so that we may pass the bill and go home.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 32, beginning in line 4.

The amendment was rejected.

Mr. McCARRAN subsequently said: I ask unanimous consent to have inserted in the RECORD, immediately following the statement of the chairman of the Committee on Finance with respect to the then-pending amendment on community-property income, a statement of the law on the subject.

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

CONSTITUTIONAL AND LEGAL ASPECTS

1. The committee amendment on page 32 (sec. 119 of the bill) will be clearly held unconstitutional under the fourteenth amendment to the Constitution for the following reasons:

A. The laws of the State courts are final as to property rights, and these alone shall determine the ownership of property, rights attaching thereto, etc. (*Blair* v. *Commissioner* (300 U. S. 5); *Spindle* v. *Shreve* (111 U. S. 542); *Uterhart* v. *United States* (240 U. S. 598); *Poe* v. *Seaborn* (282 U. S. 101); *Freuler* v. *Helvering* (291 U. S. 35).)

(a) In *Blair* v. *Commissioner* the Supreme Court cites with approval the foregoing cases, and in referring to the question of ownership of property, beneficial interest therein, etc., states that: "The decision of the State court upon these questions is final."

B. The sixteenth amendment confers on the Federal Government the right to tax income without regard to geographic population.

(a) That income taxable has been consistently held to be a tangible increment, or the beneficial interest therein, ownership of the "thing," or ownership of the beneficial interest being the determining factor on who shall pay the tax.

C. The Supreme Court has held in a long line of cases that the wife's vested interest in and to one-half of the community increment to the marital relation in community-property States is property in the constitutional sense, and that she cannot be divested of that property without compensation by reason of the fourteenth amendment. (*Warburton* v. *White* (176 U. S. 484); *Arnett* v. *Read* (220 U. S. 311); *Buchser* v. *Buchser* (231 U. S. 157).)

(a) Moreover, in the so-called income-tax cases dealing with community property, decided in 1930, the Supreme Court clearly establishes that ownership of the income is the basis of assessment under the sixteenth amendment, and that such ownership is determined by local State laws. (*Poe* v. *Seaborn* (282 U. S. 101); *Goodell* v. *Koch* (282 U. S. 118); *Hopkins* v. *Bacon* (282 U. S. 122); *Bender* v. *Pfaff* (282 U S. 127).)

1. In all these cases the decision is rested on the ground that only one-half of the community income belongs to the husband, the other half being his wife's, and therefore the husband cannot be taxed on the income of the wife.

2. In that connection, consider the case of *Hoeper* v. *Tax Commission of Wisconsin* (284 U. S. 206). That case involved a Wisconsin statute providing that the husband or head of the family should add the income of his wife and each child under 18 years to that of his own before computing his income tax to the State of Wisconsin.

3. In holding this statute unconstitutional (1931) the Supreme Court, speaking through Mr. Justice Roberts, said:

"Since, then, in law and in fact, the wife's income is in the fullest degree her separate property and in no sense that of her husband, the question presented is whether the State has power by an income-tax law to measure his tax, not by his own income but, in part, by that of another."

"We have no doubt that, because of the fundamental conceptions which underlie our system, any attempt by a State to measure the tax on one person's property or income by reference to the property or income of another is contrary to due process of law as guaranteed by the fourteenth amendment. That which is not in fact the taxpayer's income cannot be made such by calling it income."

4. And, in *Heiner* v. *Donnan* (285 U. S. 312), dealing with a gift tax, the Supreme Court states that a course of action prohibited to the States by the fourteenth amendment is prohibited to the Federal Government by the fifth amendment.

The Hoeper case is emphatic and is in line with other cases cited that there is a constitutional barrier to the enactment of a Federal law which would join together and tax as a unit incomes which, under State law, are owned by the husband and by the wife.

D. But it is said by the committee, and expressed in the bill, that because the husband in community States controls or manages the community property, he is practically the owner thereof, and therefore subject to tax as the owner.

1. There is no doubt of ownership—one-half being in the wife ab initio.

2. Therefore, the committee is not content to declare management and control by the husband equivalent to ownership, but even more—it is asserted that for Federal income-tax purposes management and control by the husband shall be superior to ownership by the wife.

3. Yet, in *Warburton* v. *White*, the Supreme Court held that the management and control

in community States given by statute to the husband, is not a property right vested in the husband and can be taken from him without compensation notwithstanding the fourteenth amendment.

4. Thus the committee is seeking to base an income tax upon something which the Supreme Court has held is not property—and at the same time the committee proposes to disregard something which the Supreme Court has said is property, namely, the vested right of the wife in and to one-half of the community property.

E. In legal contemplation the vested right of the wife in and to one-half of the community property is as inviolate as the separate property of the wife in the so-called common-law non-community-property States.

(a) In non-community-property States the separate property of the wife is not now, and will not be taxed to the husband even though he have exclusive management and control over that property.

(b) Contrasted to this fact it is now contended by the committee, however, that because the husband in community States exercises control or management over the wife's one-half of the community property he should therefore be taxed on her property.

(c) It therefore develops that the committee wants to tax the husband in community States on income which belongs to his wife, by treating that income as if it were his—notwithstanding the fact that (1) he cannot dispose of it in fraud of his wife's property rights, even though he wants to; (2) he cannot spend it to improve his separate property if he wants to; (3) he cannot use it to pay his separate debts if he wants to; (4) he has no right or power to have it descend to his heirs; (5) if he is a bad manager or careless, he may lose the administration of it by court order; (6) he will automatically lose the administration of it upon divorce or death of his wife; (7) when he loses the administration of it he must deliver all such property to his wife's heirs; (8) and, in many community States, if it is willed to him by the wife, he takes it not as owner but by inheritance, and is therefore compelled to pay both a State inheritance tax and a Federal estate tax for the privilege of receiving it.

1. Where the husband may do none of these things in community States, he may do all of them in common-law States with respect to income acquired during the marital relation because he is by State law in those States the owner in fact of such property.

F. The effect of community property law in eight States adhering to the community system is to create an involuntary partnership. This partnership comes into being by operation of law upon the taking of the marital vows.

(a) In some 21 States, husband and wife are permitted to incorporate, or form a voluntary partnership, under which the wife as copartner is entitled to one-half of the earnings thereof and on which the husband, as other copartner, may not be taxed for income purposes.

(b) The proposed section 119 of the pending bill would therefore require the husband to pay an income tax on the earnings of his copartner, notwithstanding that such partnership is involuntary on his part; whereas in noncommunity States, even though husband and wife form a voluntary partnership with intent to defraud the Federal Government of income tax, the husband is not required to pay an income tax on the earnings of his copartner.

(c) Thus, it is seen that contrary to the expression of the committee that this provision will equalize taxes in all States of the Union, section 119 is but another attempt to discriminate against the community property States and if enacted, will place a burden on these 8 States that is not, and will not be also placed on the other 40 common-law States, so-called.

Mr. LA FOLLETTE subsequently said: Mr. President, with all this material going into the RECORD in opposition to the amendment, I ask unanimous consent to have inserted in the RECORD the portion of the majority committee report on the subject of community-property income, together with the tables. I think the existing situation with reference to community-property taxation constitutes one of the greatest injustices in the whole tax structure. It has existed for 27 years, and should be fought out and eliminated now. I had intended to speak at some length in favor of the committee's position on the taxation of community-property income; but I am refraining from doing so. I do not desire to violate the habit of the Senate of not debating matters after they are settled. However, I do desire to make at least a feeble gasp of expression of sentiment in favor of the position of the majority of the committee. So I ask unanimous consent that that portion of the majority report of the committee dealing with community property, including the tables, may be inserted in the RECORD following the discussion of that subject this afternoon.

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

4. Community income: Ever since the advent of the income tax, the disparity in the taxation of income in the community-property States as compared with that in the non-community-property States has caused considerable concern. This situation has become more accentuated as the graduated surtax rates have been increased from time to time. Married persons in the community-property States under existing law are able to effect substantial tax savings as compared with married persons in the other States. Remedies for this inequitable situation have been frequently recommended to the Congress by the Treasury Department and by various other tax experts. With the substantial increases in the surtax rates contained in the bill, these inequities become more apparent and their termination more desirable.

Consequently, your committee bill provides a method whereby taxpayers in community-property States are placed on a parity with all other taxpayers and will pay the same amount of tax as do individuals similarly situated in the non-community-property States.

The following tables shows the Federal income-tax benefits which accrue to the earner of income in a community-property State as compared with the earner of income in a non-community-property State:

Tax on specified earned net incomes

Earned net incomes	Tax under Finance Committee bill	Tax if equally divided between husband and wife	Tax savings in community-property States
$3,500	$186	$186	
$4,000	249	234	$15
$5,000	375	330	45
$6,000	521	441	80
$7,000	687	567	120
$8,000	873	693	180
$9,000	1,079	819	260
$10,000	1,305	965	340
$12,000	1,817	1,297	520
$15,000	2,739	1,855	884
$18,000	3,819	2,493	1,326
$20,000	4,614	2,985	1,629
$25,000	6,864	4,355	2,509
$30,000	9,339	5,988	3,351
$50,000	20,439	14,448	5,991
$60,000	26,509	19,443	7,066
$80,000	39,294	30,153	9,141
$100,000	52,704	41,763	10,941
$150,000	87,189	72,973	14,216
$250,000	157,659	140,913	16,746
$500,000	345,084	316,383	28,701

Tax on specified earned net incomes—Con.

Earned net incomes	Tax under Finance Committee bill	Taz if equally djvided between husband and wife	Tax savings in community-property States
$750,000	537,569	501,823	35,746
$1,000,000	732,554	691,308	41,246
$2,000,000	1,522,539	1,466,278	56,261
$5,000,000	3,922,524	3,846,248	76,276

It will be noted that an individual with a net income of $10,000 saves $340 Federal tax solely by reason of being a resident of a community-property State. An individual with an income of $5,000 saves $45. An individual with an income of $30,000 saves $3,351, and an individual with an income of $500,000 saves $28,701.

There are only a few persons in the community-property States who derive any Federal tax benefit out of the community-property system. This is shown by the following tables:

Returns filed in community-property States in 1938

	Total number of returns	Community-property returns	Percent of total
Arizona	20,447	713	3.49
California	523,696	22,859	4.36
Idaho	13,223	411	3.11
Louisiana	59,019	3,776	6.40
Nevada	8,969	339	3.78
New Mexico	13,690	608	4.44
Texas	205,254	13,375	6.52
Washington [1]	106,472	3,336	3.13
Total	950,770	45,417	4.78

[1] Includes Alaska.

Net income shown on returns filed in community-property States, 1938

State	Total net income, all returns	Net income, community-property returns	Percent of total
Arizona	$56,359,000	$6,832,000	12.12
California	1,569,974,000	274,429,000	17.48
Idaho	34,180,000	3,489,000	10.21
Louisiana	191,541,000	43,137,000	22.52
Nevada	27,989,000	3,712,000	13.26
New Mexico	39,211,000	5,472,000	10.50
Texas	683,096,000	162,973,000	23.86
Washington [1]	275,061,000	30,775,000	11.19
Total	2,877,411,000	530,819,000	18.45

[1] Includes Alaska.

Source: Statistics of Income 1938.

Comparison of number of community-property returns filed in 1938 by net-income classes to total number of returns filed in the 8 community-property States

Net-income class	Total number of returns filed	Community-property returns	Percent community-property returns to total returns
Under $5,000	858,882		0
$5,000 to $10,000	69,789	30,534	43.75
$10,000 to $15,000	10,907	7,384	67.70
$15,000 to $25,000	6,461	4,381	67.81
$25,000 to $50,000	3,487	2,331	66.85
$50,000 to $100,000	969	636	65.63
Over $100,000	275	151	54.91
Total	950,770	45,417	4.78

Source: Statistics of Income, 1938.

Not only does this tax saving benefit only a few individuals in the community-property States, but, as shown by the following table, less than 1 percent of the total returns filed in the country represent community-property returns.

Individual returns with net income (excluding fiduciary returns), 1938, by sex and family relationship; number of returns, net income, and percentages

Family relationship	Returns		Net income	
	Number	Percent of total	Amount (thousands of dollars)	Percent of total
Joint returns of husbands, wives, and dependent children, and returns of either husband or wife when no other return is filed	2,866,026	46.60	10,001,384	53.60
Separate returns of husbands and wives:				
Men	152,654	2.48	1,593,939	8.54
Women	153,143	2.49	693,027	3.71
Heads of families:				
Single men and married men not living with wives	395,073	6.42	1,040,372	5.58
Single women and married women not living with husbands	210,143	3.42	472,994	2.53
Not heads of families:				
Single men and married men not living with wives	1,418,385	23.06	2,611,197	13.99
Single women and married women not living with husbands	909,935	14.79	1,717,196	9.20
Community-property returns	45,417	.74	530,819	2.85
Total, individual returns with net income	6,150,776	100.00	18,660,929	100.00

Source: Statistics of Income, 1938.

Mr. ADAMS. Let me ask the Senator from Georgia if it is agreeable to him for me to submit at this time the amendment I proposed to offer yesterday.

Mr. GEORGE. Mr. President, it is agreeable to me to have the amendment considered at this time, I will say to the Senator from Colorado.

I should like to renew the statement I made, that the Senator's amendment is an administrative matter and, the committee having decided not to incorporate such matters in the bill, it is very doubtful whether the House or the House conferees would be disposed to consider an administrative measure or amendment about which there might not be any real dispute or controversy.

Mr. ADAMS. I will say to the Senator that of course I have such abounding confidence in the ability and persuasiveness of the chairman of the Finance Committee and the chairman of the conference committee that I feel quite sure that a meritorious amendment will be retained. But of course whatever hazard there is in that has to be taken.

Mr. GEORGE. I do not desire to be put in the attitude of rejecting or opposing all administrative amendments, if I consent as chairman of the committee to consider any of them; but the Senator has a right to offer the amendment, and I frankly say that the amendment is meritorious. I am advised and believe that the Treasury Department itself would desire to correct the particular condition covered by the amendment which arises by reason of Supreme Court decisions. But I had hoped that it might be passed over until we come to the consideration of an appropriate bill.

If the Senator desires to offer it, of course it may be offered at this time.

Mr. ADAMS. I submit the amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. At the proper place in the bill it is proposed to insert the following:

SEC. —. Deductions from gross income.

Section 23 (a) (1) of the Internal Revenue Code is amended by inserting after the words "taxable year" the words "in caring for and conducting the business of the taxpayer."

Mr. ADAMS. Mr. President, a very brief word in explanation. As the law stands it provides for the deduction, in ascertaining net revenue, of—and I quote:

All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

The Supreme Court, in at least two cases—one, the case of *United States* v. *Pyne* (61 Sup. Ct. 894), which is a very recent case; and in a prior case, *Higgins* v. *Commissioner* (312 U. S. 212)—held that such deductions were limited to expenses incurred in a somewhat narrow definition of doing business. They excluded from deduction any expenses incurred by an executor, for instance, in conserving the business of the estate, in the payment of attorneys' fees, and in protecting the estate. They excluded the expenses paid by a man whose property consisted of bonds and stocks and real estate. He may have employed people to look after his investments, to collect his dividends and coupons, to make out his income-tax returns; but the Court held that that was not the carrying on of a business.

Under the law as it stands a man of whom we heard yesterday, in a Western State, who was the proprietor of an establishment with a large supply of slot machines, could employ operators and collectors and could deduct the expenses of their employment, while, on the other hand, a widow whose funds consisted of bonds and securities, who was buying defense bonds, and who had to employ a bookkeeper, could not deduct the expenses incident to having her business looked after, because it was her personal business.

What I have sought to do by this amendment is to correct what I think is an obvious error, and to propose what the Senator from Georgia says is a meritorious suggestion, so that there may be deducted the bona fide, legitimate, and necessary expenses incurred by anyone in conserving his own business affairs, even though he be not engaged in a particular line of business. That is to say, if he has stocks, if he has bonds, and if he requires the employment of a clerk in an office he certainly is as much entitled to a deduction for such expenses as is the other man who is trafficking in stocks. So the amendment simply would add the right to deduct expenses necessary to the conserving of the individual business affairs of the taxpayer.

Mr. GEORGE. Mr. President, as I have already stated, I think the amendment is a proper amendment and is meritorious, and I am perfectly willing to accept it.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Colorado [Mr. ADAMS].

The amendment was agreed to.

Mr. LA FOLLETTE. Mr. President, I offer an amendment on page 109, in line 11. I propose to strike out the entire line, which reads as follows:

"(1) Motor vehicles—$5.

This provision was in the bill as it came from the House and was retained by the Finance Committee. It imposes a flat $5 tax on the user of every automobile.

In my opinion, this bill is already loaded down with regressive taxes which violate the sound principle of ability to pay; but this is the most regressive and most unjustified single item in the bill.

In the United States there are 32,000,000 motor vehicles. The annual revenue yield from this tax, assuming complete collection, will be $160,000,000.

As I have said, I regard this as one of the most regressive taxes ever proposed to be imposed upon a long-suffering people, because this proposal, Mr. President, has absolutely no relation to the ability of the taxpayer to carry the burden; it has absolutely no relation to the value of the article that is to be taxed nor the degree of use. A jalopy 5, 6, or 7 years old, worth $15 and driven only 500 miles a year, will pay exactly the same $5 tax as a long-nosed, specially constructed, Le Baron-bodied Cadillac. Mr. President, if Senators can defend that, let them take it home and discuss it with the taxpayers of their States. I venture there will be much to explain when the people of the country finally understand the job that has been done in this and other provisions of the bill.

Approximately $135,000,000 of the $160,000,000 revenue under this tax will come from the 27,000,000 passenger motor vehicles, and about $25,000,000 from the 5,000,000 motor trucks.

Let the farmer of Vermont or any other State get behind a double or triple hooked-up truck job while driving his jalopy to market; let him realize that the Congress of the United States has "soaked" him $5 for the privilege of running his Ford, or whatever other kind of car he uses to travel back and forth to the community where he does business; let him realize the truck pays only the same $5 tax; and then try to justify that when you get home, if you can.

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

Mr. LA FOLLETTE. I yield.

Mr. TOBEY. I will tell the Senator what the farmer will say. He will say, "There ain't no justice."

Mr. LA FOLLETTE. He is going to say that over and over again as to almost every one of the taxes imposed by this bill; and especially will that be true when he finds out that most of the money taken out of his pocket will be used to help bloody Joe Stalin.

Mr. President, how does this tax on automobiles in the pending bill compare with State registration fees? The Federal Works Agency of the Public Works Administration has published the following statistics for the calendar year 1939:

The State governments for that year collected a total—mark this figure—of

$353,000,000 from registration fees, of which $236,000,000 came from registration fees on passenger vehicles and $117,000,000 from the registration fees on trucks. In effect, therefore, the proposed tax increases the registration fees on cars of all makes and models combined by an average of 57.2 percent, and on trucks by 21.3 percent. Of course, it should be noted that an average percentage increase of 57.2 percent on all cars does not indicate the real burden on the smaller and cheaper motor vehicles, for most of the States use a graduated scale for motor-vehicle registration. My own State imposes very high fees for automotive registration, but, at least, it recognizes the principle that the smaller car should not be required to pay as great a tax as the larger car. By the same token we have applied the same principle of taxation to the utilization of our highways for motortruck transportation. A similar policy prevails in most of the States; but the Federal Government now proposes a flat fee, a flat tax, which has no relationship to the size of the car or the value thereof, or to the size of the truck or the tonnage thereof. Actually, the increase on certain smaller vehicles paying the lowest registration fee and on certain special classifications provided in some States, such as farm vehicles, is more than a 100-percent increase. That applies to the States which recognize that the farmer has been in a desperate situation and have reduced the registration fee or relieved him of the necessity of paying a license fee on the truck used in hauling his products to market. This bill, of course, makes no such exception.

A detailed tabulation of the Public Roads Administration shows that the States of Arizona, California, Colorado, Georgia, Idaho, Kansas, Massachusetts, Montana, Nebraska, Nevada, North Dakota, Oregon, South Carolina, Utah, Washington, and Wyoming, will, in effect, have large percentage increases, due to this tax, because the registration fees in those States are comparatively low.

I believe, Mr. President, without any invidious comparison intended, that the proposed tax is comparable to a poll tax. It is probably more regressive than any other major tax in our entire tax structure, Federal, State, or local, because approximately 55 percent of all the automobiles are owned by persons earning less than $30 a week.

I base that statement on the published data of the American Automobile Association, and, insofar as I have been able to ascertain, there is no reason to question their approximate accuracy. Even under a sales tax, a general Federal sales tax, this group, that is, the group earning $30 a week or less, would pay only 37 percent of the total burden. That statement is based on one of the T. N. E. C. monographs on taxation No. 3, entitled "Who Pays the Taxes?" So, what we are really proposing to do, Mr. President, by this tax is to take from a group in the United States that earns $30 a week or less 55 percent of the $160,000,000 which is to be raised by this tax or 18 percent more than would be taken if a general sales tax were imposed to yield the same amount of revenue.

Let me not be misunderstood. I am not in favor of a sales tax. I have fought a sales tax in season and out, ever since I have been a Member of this body, and I intend to continue to do so as long as I am a Member of it but I am simply pointing out that the incidence of this tax will hit hardest those who are in the lower-income groups, and more so than a sales tax.

Now let me return for a moment to the yearbook of the Automobile Manufacturers' Association in relation to this tax and its impact upon the farmers of the country.

According to the yearbook of the Automobile Manufacturers' Association, 41.2 percent of all motor vehicles are registered in farms and villages under 2,500 in population. According to surveys made by this trade association, 65 percent of the mileage traveled by these automobile owners on the farms and in small villages is done for business purposes—a much larger percentage than is the case with the average urban driver. Generally, too, as we all know, because of the economic conditions which have prevailed upon the farms of the country ever since the last mad adventure in Europe, the farmer has the oldest and cheapest motor vehicle, on which many of the States allow special and lower registration fees, but which, under the proposal in this bill, would be taxed at the same rate as the super-motor-vehicle freight van.

Mr. President, it is an erroneous conception to impose this tax on the theory that the utilization of motor vehicles in the United States in the year 1941 is for the purpose of pleasure or luxurious transportation. The contrary is true. I assert without fear of successful contradiction that the motor vehicle has become a highly essential vehicle of transportation.

Take the case of the city of Washington, for example: What do you think would happen to the functioning of the Federal Government if the use of private automobiles for the purpose of transporting Government workers back and forth from their offices to their homes were completely stopped? The Government would be paralyzed. It would be scrambled even more than the defense program is scrambling it.

Apply that situation to any urban community in the United States. Take the case of the city of Cleveland, for example, which has a development along the lake shore. It is a long city. It has had excellent public transportation; but I venture the assertion that if the people who work in the offices and factories and stores and other economic enterprises in the city of Cleveland, Ohio, were debarred from the use of their automobiles, the entire economy of the city would be seriously impaired, because public transportation could not possibly expand to take care of the actual going to and from work of the people who work in that community; and that is true in every community in the United States.

So, Mr. President, this tax cannot be justified on the ground that it is designed to tax luxuries.

Furthermore, I ask Senators to pause and consider what is likely to happen if we acknowledge the principle that the Federal Government may impose a use tax. If we may put a $5 tax on the use of automobiles in the United States under Federal law, we may put a $25 tax on it. If we may put a $5 tax on a motor vehicle, we may put a $5 tax on a farmer's tractor; we may put a $5 tax on a housewife's sewing machine.

Mr. President, I do not wish to take any further time. I think it has been amply demonstrated in all the hearings before both the House Ways and Means Committee and the Senate Finance Committee that the users of automobiles, motor vehicles, and trucks, are probably the highest-taxed group in the United States, if we take into account all the taxes they are required to pay. But if it were desired to obtain more revenue from the same general source, then an increase in the excise tax on new automobiles would certainly be a much more justifiable tax than is this, although I wish it to be understood that I am not advocating such an increase.

Everyone knows that there is to be a drastic curtailment of the production of automobiles and other motor vehicles in this country. It is generally accepted that the curtailment will be somewhere around 50 percent; and if the slide-rule artists get busy here some Saturday night we may wake up to find out that it is to be 75 percent. But, in any case, it is perfectly obvious that the supply of new automobiles will be inadequate to meet the demand. This inevitably will result in an increase in price unless some way is found, which has not yet been enacted, to prevent it. Undoubtedly there will be enough consumers to meet this increased price, so that, whatever the output, it will be taken off the market, even with an increased excise tax. Therefore, with an increased excise tax, the Federal Government at least would be getting some benefit from the increased price which the consumer inevitably will have to pay for his automobile in any case.

Mr. President, I desire to sum up:

First of all, this is a regressive tax. It has absolutely nothing to do with ability to pay.

Secondly, this tax is not justified, because it falls upon a type of vehicle which is absolutely essential to the functioning of our economy.

Thirdly, it is not justified, because this particular group of taxpayers, namely, the users of motor vehicles in the United States, are already tremendously burdened.

The motor-vehicle users of the United States now pay out $353,000,000 a year in registration fees. This $5 use tax, will cost them $160,000,000 additional.

Mr. President, there is one other point I desire to make. Much has been said about the unfortunate diversion by the States of gas taxes which were primarily intended for the purpose of building and maintaining highways. There has been criticism that the Federal Government is now in the business of diverting part of the gas tax, originally applied for the purpose of making road appropriations, to general Treasury expenditure purposes. I call attention to the fact that here is another $160,000,000 which is to be taken out of the long-suffering users of motor vehicles in the United States and diverted for general purposes.

Finally, I wish to quote briefly from Mr. Sullivan, the Assistant Secretary of

the Treasury, on the cost of collecting this tax:

The proposed tax must be collected from 32,000,000 taxpayers located throughout every State and county in the country. This would require an additional personnel in the Bureau of Internal Revenue of at least 3,800 new employees.

I hasten to add they are all under civil service, because I do not desire to hurt the amendment.

The administrative cost is estimated to be $9,600,000, or approximately $6 per $100 of tax collected, which is more than five times the average cost of collecting other excise taxes.

Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. GEORGE. Mr. President, in the first place, the amendment does not apply to any automobiles owned by the Government or the States or the municipalities. No publicly owned automobile would be affected.

In the second place, reliable statistics indicate that about 18.8 percent of the passenger cars are owned by persons whose incomes are under $1,000; 51.8 percent, cumulative, are owned by those whose incomes are under $2,000; 74.3 percent are owned by those with incomes are under $3,000; 91.4 percent are owned by those whose incomes are under $5,000, and so on.

The House inserted this provision in the tax bill. The Senate Finance Committee approved it without amendment, and the House evidently inserted the provision because of a conflict between other taxes which were suggested. In other words, the House had the choice, and I say very frankly the Senate now has the choice of increasing the tax on gasoline if if does not want this tax, because the elimination of this tax will reduce the amount to be raised by the bill to less than $3,500,000,000; and I, as chairman of the Committee on Finance, would not want to do that, and I am satisfied that the committee as a committee would not desire to see that result.

The automobile users in my State went into this question with some care—I do not know whether a like inquiry has been made in other States—and they found on careful consideration that the owner of an average passenger car would pay more than $5 a year through a simple increase of one-half cent per gallon on gasoline. They therefore said, "We will support this tax." In my judgment, they reached a very sane conclusion, because, say what we please about it, the person who is able to own an automobile is able to pay some tax, and this tax is on the average less than would be required through an increase of half a cent per gallon on gasoline.

The House Committee on Ways and Means and the Finance Committee were of the opinion that it was not desirable to increase the Federal gasoline tax by a cent or by half a cent. One-half a cent increase on gasoline would produce about $128,000,000—nearly as much as the tax under discussion. The House also thought it was not wise or advisable to increase the manufacturer's sales tax on automobiles beyond 7 percent. Finally, it was recommended that it be increased to 15 percent, but the House fixed the tax on the manufacturer's selling price at only 7 percent, which is double the present rate. So the committee, having found a tax which may be objectionable when looked at alone, in considering the problem of attempting to raise an amount of money which will safeguard the integrity of the Treasury of the United States, is called upon to pass merely upon the tax from the standpoint of every criticism which can be aimed against it.

Of course, this would be a hard tax on some people, it is true, but so would it be hard to impose a tax of 15 percent on the manufacturer's selling price of every automobile in this country. Fifteen percent on a $1,000 car would be $150. The House thought it better to put a tax of $70 on a $1,000 car. The House thought it wise not to tax gasoline any further, not to increase the tax even by one-half cent, because very much is involved in the gasoline tax. State securities and bonds have been issued upon the amortized value of the gas tax by certain States. The gas tax alone in my State produces some $24,000,000 a year. It is essential to the State not to restrict further by additional taxes the use of things from which the State itself derives revenue.

Every man who is able to own a car is able to pay a tax, and the House fixed this tax at $5. It is true it is applicable to any kind of a car, but the bill contemplates that it must be a motor vehicle used on the highways of the country and expressly excepts from its operation publicly owned cars.

There is the problem. I can stand here and offer amendments proposing other taxes in the various categories and Senators can have the privilege of choosing between them. If they do not want this one, I will offer others until we see whether we are willing to meet the acid test of making good the enormous appropriations we have made in the name of national defense, proclaiming that we were glad to make such appropriations.

Mr. President, if the yeas and nays were not ordered on the amendment, I ask for the yeas and nays.

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. GEORGE. Very well.

Mr. DANAHER. Mr. President, in the first place, I should like to associate myself of record with what I deem to be the excellent argument of the Senator from Wisconsin [Mr. LAFOLLETTE] applicable to the pending question. I am in agreement with him implicitly. But there is a further question, if I may take the time of the Senate for a few moments to point out what we are asked to do. Imposing a use tax is invading a field which as a matter of policy is taking us back to a program which was rejected in this country when Jefferson became President. The name of Jefferson may not have the significance in these days that it once had, when many of those who went to the polls every 4 years thought they were still voting for him, but the fact remains that between 1794 and the time of Jefferson's accession to the Presidency we had this kind of a tax, but it did not apply then to farm vehicles, it applied only to carriages. When Jefferson became President the use tax on carriages was repealed. There was no similar tax until 1815, when in an effort to meet the burden of the cost of the War of 1812, use taxes were again imposed, only to be repealed in 1817.

Mr. President, here is where the vice arises, now, as then, for with the constant and ever increasing encroachment of the Federal Government into the field of taxation open to the States, in a search for revenue, a tax was placed not only on the use of carriages but on silver service, and taxes were placed on other items of personal property of individuals within the States; in other words, it was claimed that there was a use of various objects of refinement and culture and civilization to which a tax would adhere, and that the Federal Government had the right to pursue within the State and to the individual the source of that tax, and to take from the people a tax based on use and proportionate, it was said, to their ability to pay on the items which they were able to own, and hence to use.

Mr. President, the Senator from Wisconsin has very ably observed that if we can put a tax of $5 on the use of an automobile this year, we can make it $20 next year; we can make it $50 or $100 thereafter. You can put such a tax on the use of every single object of furniture, if you please, or every type of equipment, within the home, or elsewhere.

The question involved here is not simply a matter of getting $160,000,000. The question is one of policy, whether the Congress is to pursue objects of personal property within the States, items of personal property, which are already on the rate lists of the States and subject to tax there.

Mr. President, just so soon as we embark upon that course as a matter of policy, for the first time in 124 years, just so surely will we gradually decrease the sources of the revenue open to the States. In turn this will cause a greater dependence by the States upon the Central Government, and cause the States for their part to look to the Central Government to maintain their services, the more surely because the Federal Government will be said to possess this broader tax base, this broader taxing power as a source for the maintenance of State services.

Mr. President, if this principle shall be applied it will result in gradually extending the tax to the use of personal objects other than automobiles. In principle, as Federal taxing power increases, the tendency will be to reduce the States to the status of mere counties, if you choose, in the Central Government, which will become all-powerful by virtue of its possession of the power to apply this principle. Indeed, it can be carried to the length of destroying the use of the object taxed.

Mr. President, this tax is not merely a tax unequal in application, it is not merely a tax which, it can be argued, violates the first article of the Constitution. It is not merely a tax which applies unevenly to the poor as distinguished from the rich and the respective ability to pay. There is a deeper question of principle involved here. It is that to which I refer, and it is whether Congress is now going to stand for the adoption of a policy which will invade the State lines, and attach a tax upon the use of personal

property within the State. That is the question which is involved here, with all the consequences attendant upon that result.

I respectfully suggest that if it had to be an excise tax on gasoline, or any other item properly subject to such an excise tax, it would be far better than to seek merely a source of revenue, as is said of this particular item. What I say applies alike to a tax on the use of an amusement machine. It applies alike to a tax on the use of the motorboat.

Mr. President, do you not see that the moment we approve an attempt to attach a tax upon the use of articles of personal property there is no limit whatever to the lengths to which the Federal Government can go to tax the last object of personal property of individuals within the States?

I respectfully commend to the attention of the Senate the seriousness of the question of policy and principle thus involved. I believe that the argument and the offer of amendment made by the Senator from Wisconsin is just and sound, and I am glad to associate myself with what he has said. For the reasons advanced by him, as well as those I have mentioned and upon which I will not further elaborate, I believe the amendment should be adopted and that use taxes should be stricken from the bill.

Mr. LA FOLLETTE. Mr. President, I wish to say one word in conclusion. The Senator from Georgia [Mr. GEORGE] has stated that the question involved, if the amendment shall prevail, is the problem of finding some other tax. So far as I am concerned, there is not any tax in the bill, or one that has been proposed, that is worse in principle or application than the one now under consideration.

Furthermore, I should like to point out that the Senate, by more than a 2-to-1 vote, on yesterday refused to raise the rate on estates, which would have produced $202,000,000, considerably more than the provision now in question will produce.

I also wish to point out that, over my protest, a majority of the Finance Committee agreed to abandon the fight on taxation of community-property income. When that item was eliminated practically by unanimous consent—I think I was the only one who voted against it on the viva voce vote, or, if not the only one, at least there were only a few who voted against it—about $50,000,000 in revenue was cut out of the bill, and no one rose to say that we had to consider what kind of taxation should be imposed in order to take its place.

Mr. President, I think my record will show that through all the years I have been a Member of this body, and a member of the Finance Committee, I have fought as hard as anyone to obtain increased revenue for the Government, but there is a point beyond which the Senate and the House and the Treasury Department should not go in imposing taxes which violate all sound principles of taxation and all principles of equity and of justice. We certainly have not reached that point.

We have turned down the Treasury's recommendations on excess profits. We have turned down the Treasury's recommendation on the taxation of estates. We have turned down the Treasury's recommendations with respect to depletion allowances for taxation purposes. We have now turned down the Treasury's recommendation for taxation on community property. The House of Representatives turned down the Treasury's recommendation on joint returns.

If we are going to turn down all the proposals which are based on sound principles of taxation, which are based on the principle of ability to pay, if we are going to close our eyes to the justice of the matter, of course, ultimately we will be driven to the imposition of such taxes as these. But let me say to my colleagues in the Senate, in all sincerity and with no design to reflect upon anyone, that when the people of this country find out what kind of a tax bill the Congress has imposed upon them, Members of Congress are going to hear from them, and the sooner the better, so far as the maintenance of the Republic is concerned.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. LA FOLLETTE] on page 105, to strike out line 11. On this question the yeas and nays have been ordered. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. CHANDLER]. I do not know how he would vote. I transfer my pair to the senior Senator from Ohio [Mr. TAFT], who I am advised would vote as I shall vote. Therefore I am at liberty to vote. I vote "yea."

Mr. McNARY (when his name was called). I have a pair with the senior Senator from Tennessee [Mr. MCKELLAR]. I transfer that pair to the junior Senator from South Dakota [Mr. GURNEY], and will vote. I vote "yea."

The roll call was concluded.

Mr. HOLMAN. I have a general pair with the junior Senator from Tennessee [Mr. STEWART]. I understand that if he were present and voting he would vote "nay." If I were at liberty to vote I should vote "yea."

Mr. THOMAS of Utah (after having voted in the negative). I have a pair with the senior Senator from New Hampshire [Mr. BRIDGES]. I transfer that pair to the senior Senator from Oklahoma [Mr. THOMAS] and allow my vote to stand.

Mr. HILL. I announce that the Senator from Washington [Mr. BONE], the Senator from Virginia [Mr. GLASS], the Senator from North Carolina [Mr. REYNOLDS], and the Senator from New York [Mr. WAGNER] are absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is absent on a defense-inspection tour.

The Senator from Mississippi [Mr. BILBO], the Senators from Missouri [Mr. CLARK and Mr. TRUMAN], the Senator from Georgia [Mr. RUSSELL], and the Senator from New Jersey [Mr. SMATHERS] are detained on business in various Government departments.

The Senator from New Mexico [Mr. CHAVEZ], the Senators from Tennessee [Mr. MCKELLAR and Mr. STEWART], the Senator from New York [Mr. MEAD], the Senator from Utah [Mr. MURDOCK], the Senator from Florida [Mr. PEPPER], the Senator from Oklahoma [Mr. THOMAS], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

Mr. AUSTIN. I announce the following general pairs:

The Senator from Minnesota [Mr. SHIPSTEAD] with the Senator from Virginia [Mr. GLASS];

The Senator from Minnesota [Mr. BALL] with the Senator from Missouri [Mr. TRUMAN];

The Senator from Indiana [Mr. WILLIS] with the Senator from New Mexico [Mr. CHAVEZ]; and

The Senator from Kansas [Mr. REED] with the Senator from New Jersey [Mr. SMATHERS].

The result was announced—yeas 32, nays, 35, as follows:

YEAS—32

Aiken	Downey	Nye
Brewster	Eastland	O'Daniel
Brooks	Gillette	O'Mahoney
Bulow	Kilgore	Peace
Bunker	La Follette	Rosier
Burton	Langer	Schwartz
Butler	Lodge	Thomas, Idaho
Capper	McCarran	Tobey
Clark, Idaho	McNary	Wallgren
Danaher	Maloney	Wiley
Davis	Murray	

NAYS—35

Adams	George	McFarland
Andrews	Gerry	Overton
Austin	Green	Radcliffe
Bailey	Guffey	Smith
Bankhead	Hatch	Spencer
Barbour	Hayden	Thomas, Utah
Barkley	Herring	Tunnell
Brown	Hill	Tydings
Byrd	Hughes	Vandenberg
Caraway	Johnson, Colo.	Van Nuys
Connally	Lee	Walsh
Ellender	Lucas	

NOT VOTING—29

Ball	Johnson, Calif.	Smathers
Bilbo	McKellar	Stewart
Bone	Mead	Taft
Bridges	Murdock	Thomas, Okla.
Chandler	Norris	Truman
Chavez	Pepper	Wagner
Clark, Mo.	Reed	Wheeler
Glass	Reynolds	White
Gurney	Russell	Willis
Holman	Shipstead	

So Mr. LA FOLLETTE's amendment was rejected.

Mr. BUTLER. Mr. President, on behalf of the Senator from Alabama [Mr. BANKHEAD], the Senator from Mississippi [Mr. EASTLAND], and myself, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Nebraska will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert the following:

TITLE VIII

FATS, OILS, AND GREASES

SECTION 1. Paragraph 1 of the Tariff Act of 1930 is amended by inserting at the end thereof the following: "Fatty acids and salts derived from one or more of the oils named in paragraph 53 or 54, from inedible animal oils, fats, and greases, not specially provided for, from fish and marine animal oils, not specially provided for; all the foregoing, 6 cents per pound."

SEC. 2. Paragraph 52 of such act is amended to read as follows:

"PAR. 52. Oils, animal and fish: Sod, 5 cents per gallon; herring and menhaden, 3 cents per gallon; whale and seal, 6 cents per gallon; sperm, crude, 10 cents per gallon; sperm, refined or otherwise processed, 14 cents per

gallon; spermaceti wax, 6 cents per pound; shark oil and shark-liver oil, including oil produced from sharks known as dogfish, 10 percent ad valorem; edible animal oils, fats, and greases, 3 cents per pound; wool grease containing more than 2 percent of free fatty acids, one-half cent per pound; containing 2 percent or less of free fatty acids and not suitable for medicinal use, 1 cent per pound; suitable for medicinal use, including adeps lanae, hydrous or anhydrous, 3 cents per pound; all other animal and fish oils, fats, and greases not specially provided for, 3 cents per pound."

SEC. 3. Paragraph 53 (relating to duty on seed oils) of such act is amended by striking out "rapeseed, 6 cents per gallon" and inserting in lieu thereof "rapeseed, 1½ cents per pound; kapok seed, 1½ cents per pound; perilla seed, 1½ cents per pound; sunflower seed, 1½ cents per pound; corn oil, 6 cents per pound."

SEC. 4. Paragraph 54 of such act is amended to read as follows:

"PAR 54. Coconut oil, 2 cents per pound; cottonseed oil, 6 cents per pound; babassu oil, 6 cents per pound; peanut oil, 6 cents per pound; palm oil, 6 cents per pound; palm-kernel oil, 3 cents per pound; inedible sesame oil, 1½ cents per pound; all other sesame oil, 6 cents per pound; soybean oil, 6 cents per pound."

SEC. 5. Paragraph 57 (relating to mixtures of oils) of such act is amended by striking out "25 percent ad valorem, but not less than the rate applicable to the component material subject to the highest rate of duty" and inserting in lieu thereof "6 cents per pound."

SEC. 6. Paragraph 762 of such act (relating to duty on oil-bearing seeds and nuts) is amended by striking out "sunflower seed, 2 cents per pound" and inserting in lieu thereof "sunflower seed, 1.725 cents per pound"; by striking out "soybeans, 2 cents per pound" and inserting in lieu thereof "soybeans, 1.098 cents per pound"; and by striking out "cottonseed, one-third of 1 cent per pound" and inserting in lieu thereof "cottonseed, 1.155 cents per pound; babassu nuts, 3.891 cents per pound; copra, 3.891 cents per pound; hempseed, 1.668 cents per pound; kapok seed, 1.326 cents per pound; palm nuts, 2.865 cents per pound; palm-nut kernels, 2.865 cents per pound; rapeseed, 2.295 cents per pound; perilla seed, 2.409 cents per pound; sesame seed, 2.865 cents per pound."

SEC. 7. Paragraph 1732 of such act (relating to free importation of inedible oils) is amended by striking out "palm-kernel, rapeseed, sunflower, and sesame."

SEC. 8. Paragraph 1727 of such act is amended to read as follows:

"PAR. 1727. Tung nuts; rubber seed; seeds and nuts, not specially provided for, when the oils derived therefrom are free of duty."

SEC. 9. Paragraph 703 of such act is amended by striking out "lard compounds and lard substitutes, 5 cents per pound" and inserting in lieu thereof the following: "lard compounds and lard substitutes, 6 cents per pound."

SEC. 10. Paragraph 701 of such act is amended by striking out "tallow, one-half of 1 cent per pound" and inserting in lieu thereof "tallow, 3 cents per pound."

SEC. 11. (a) Paragraph 730 of such act is amended by inserting at the end thereof the following new sentence: "Fish scrap, fish meal, marine animal scrap, marine animal meal, three-tenths of 1 cent per pound."

(b) Paragraph 1780 of such act is amended by striking out "fish meal."

SEC. 12. Section 2491 (d) of the Internal Revenue Code (relating to import tax on oil-bearing seeds) shall not apply to any article imported or withdrawn from bond for consumption or use after the date of the enactment of this act.

SEC. 13. (a) Section 2470 (a) (1) of the Internal Revenue Code (relating to processing tax on oils) is amended by inserting at the end thereof the following new sentence: "The rate provided in this paragraph shall be 6 cents per pound if the article is produced in or from materials the growth or production of the Philippine Islands or any other possession of the United States."

(b) The amendment made by subsection (a) shall apply only to articles brought into the United States from such possessions after the date of enactment of this act.

TITLE IX

JUTE AND JUTE PRODUCTS

SEC. 21. Paragraph 1001 of the Tariff Act of 1930 is amended by inserting "(a)" before "Flax" and by inserting at the end thereof the following new subparagraph:

"(b) Jute, jute butts, waste bagging of jute, waste sugar sack cloth of jute, and jute waste not specially provided for, all the foregoing, 4 cents per pound."

SEC. 22. Paragraph 1617 of such act is amended to read as follows:

"PAR. 1617. Waste bagging, not of jute, and waste sugar sack cloth, not of jute."

SEC. 23. Paragraph 1684 of such act is amended by striking out "jute, jute butts."

SEC. 24. Schedule 10 of such act is amended by inserting at the end thereof the following new paragraph:

"PAR. 1024. All the articles enumerated or described in this schedule (except in paragraph 1001 (b)) shall be subject to an additional duty of 5 cents per pound on the jute contained therein."

TITLE X

STARCHES

SEC. 31. (a) Paragraph 83 of such act is amended by inserting after "Starch:" the following: "Sago, crude, and sago flour, 2½ cents per pound; tapicoa, tapicca flour, and cassava, 2½ cents per pound."

(b) Paragraphs 1753 and 1781 (relating to free importation of sago, tapioca, and cassava) of such act are repealed.

SEC. 32. Paragraph 84 of such act is amended by inserting at the end thereof the following new sentence: "Dextrines made from sago or tapioca, 3½ cents per pound."

TITLE XI

GENERAL PROVISIONS

SEC. 41. The amendments made by this act shall be effective notwithstanding the terms of any foreign trade agreement heretofore or hereafter entered into under section 350 of the Tariff Act of 1930.

SEC. 42. The amendments to the Tariff Act of 1930 made by this act shall apply to articles which, after the day following the date of enactment of this act, are imported into the United States or withdrawn from bond for consumption or use.

Mr. BUTLER. Mr. President, by reason of the action of the Finance Committee, as announced by the chairman of the committee, there was removed from the bill this afternoon one item which it is estimated would produce approximately $50,000,000 or $60,000,000 of revenue. The amendment which I have offered would restore approximately that amount to the bill.

The amendment submitted by me for myself, the Senator from Alabama [Mr. BANKHEAD], and the Senator from Mississippi [Mr. EASTLAND] is an attempt to provide or increase protection of certain branches of American agriculture against competitive imports from tropical countries, to stimulate production of dependable supplies of certain foods and raw materials within our own boundaries, and to raise revenue to meet the increased costs of our defense program. By the terms of this amendment duties are levied against four main groups of commodities, namely, oils and fats, jute and jute products, tropical starches, and fish and marine-animal scrap and meal. In addition, the amendment attempts to systematize the rather complicated and patchwork set of protective devices against foreign fats and oils by bringing existing duties and excises together into a somewhat more orderly arrangement.

The fats-and-oils section of this amendment may seem complicated, although the net result of the changes proposed is to bring about a simplification. Legislation embodying these provisions has been under consideration in the House since April, and the rates have been rather carefully worked out and checked by tariff experts. Briefly, this title would bring the combined duty, plus excise, plus processing tax, on most competitive fats and oils to a uniform level of 6 cents a pound. Levies on imported oil seeds would be scaled in proportion. To bring about this uniform arrangement it is necessary to raise some duties and lower others, although the general level of duties is, of course, raised.

It is expected that the duties prescribed in this amendment would result in exclusion of substantial quantities of competitive oils and oilseeds, though not necessarily all competitive oil imports would be kept out. If a foreign oil were distinctly superior for any purpose to any domestic oil which could be produced, it could be imported over the 6-cent duty, which is hardly enough to cover the difference between the cost of production and the standard of living in this country and those in the tropical foreign countries in which such oils are produced. Such oils as might come in would thus help to defray the increased costs of our defense program.

The result of exclusion of these oils would be to improve the domestic market and domestic prices for butter, lard, cottonseed, soybean, peanut, and other oils. It is expected that better prices for domestic oils would stimulate production of some of them on idle acres in the United States, thus relieving the pressure of surpluses of such crops as wheat and corn.

The duties on jute are expected to result in displacement of jute by cotton in many uses and in the collection of considerable revenue for the National Treasury on the jute and jute manufactures for which cotton or other domestic fibers are not suitable substitutes and which therefore continue to come in.

The duties on tropical starches are expected to result in increased utilization of domestic raw materials, such as corn and sweetpotatoes, for starch, instead of the tropical products at present imported. Duties on fish and marine-animal scrap and meal would also be levied by this amendment, since these products are competitive with our domestic tankage and other domestic feeds.

Mr. President, I am sure that many Senators, as well as others interested in the progress of the defense program and in the national economic welfare, must have come to realize during the last few months the perilous position in which we have placed the national welfare by continuing to depend on foreign sources for so many of the raw materials and foods vital to our national welfare. We have discovered in the past few months just how vulnerable is our national economy as foreign sources of supply are cut off and as shortages begin to appear in one commodity after another. In many

cases ample supplies of some commodity may be piled up on the docks at some distant foreign port, but the ships simply are not available to carry the goods here, and there is no probability that the ships will be available, either soon or for several years to come, if the wars continue. In determining which products shall be brought here in the few ships available, the Maritime Commission must naturally put first things first, and shipping which might be used to bring starch, for example, or tropical oilseeds or jute, must be diverted to the carriage of those commodities of which such a severe shortage has already occurred that industry is rationed, and of which it appears there may not be enough even for direct defense needs, to say nothing of indirect defense needs and civilian consumption. Rubber, tin, copper, and many other commodities might be cited as products of which we are sorely in need and for which we simply cannot get the shipping to supply ourselves. In fact, Members of this body know that the Commission has been severely criticized—and I believe justly so—for permitting ships to continue to carry even restricted quantities of agricultural raw materials which we, ourselves, could produce; but as time goes on and as the shipping shortage grows more and more acute, while our needs for foreign metals and the like expand, there will be no possibility of bringing in even restricted quantities of agricultural raw materials which we can possibly do without or which we, ourselves, can produce.

It is therefore essential that we begin to prepare for the future. We shall have to expand production of domestic oils and fats, fibers, and starches. We have no alternative. But the production of agricultural commodities cannot be expanded overnight. Before lard production can be increased pigs must be raised. It takes time to introduce crops like peanuts and soybeans into new areas. In some cases new processing plants may have to be built, or old ones reorganized or provided with new machinery.

For the same reason it is impossible to cut down productive capacity suddenly, particularly in the case of agricultural commodities. Once the farmer has increased his swine numbers, or has expanded his acreage of some oil or starch crop it is equally difficult for him suddenly to restrict again if the threat of competitive imports returns at the conclusion of the war. The necessity for protection against these imports is perhaps temporarily less, but we cannot expect the farmer to grow the larger crops to meet our needs unless we give him some kind of assurance that after the war is over the greater quantities will still find a market. That is what this amendment proposes to do. Many Senators remember what happened after the last war, when farmers who had plowed up new acreage to meet war demands were suddenly confronted with the fact that their war markets had disappeared and that they had no place to dispose of their surpluses. Prices dropped disastrously, bringing a flood of bankruptcies in their train; and the agricultural problem, as we have lived with it ever since, was first created on a large scale. We do not want that to happen again.

This amendment is not a sectional bill. It is not designed to help only the farmer in Nebraska or in the Middle West. It is intended to improve the prices and markets of crops in every section of the country, and to help farmers, who have had to curtail production, to find alternative crops in every part of the Nation.

I shall not burden this debate with a great many figures. I have prepared statistical tables covering, I believe, every important phase of this question, which I ask to have inserted in the RECORD at this point.

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

The tables referred to are as follows:

Fat, oils, and oil-bearing materials: United States tariff rates and excise taxes adjusted in accordance with this amendment

[In cents per pound unless otherwise indicated]

Material	Tariff paragraph	Rate of duty	Excise tax	Total, duty and tax under amendment
Hempseed oil	53	1½	4½	6.
Rapeseed oil, inedible: For use in rubber substitutes and lubricating oil	1732	Free	Free	Free.
Other, inedible	1732	do	4½	6.
Other	53	6 cents per gallon	4½	6.
Kapok oil	53	20 percent ad valorem	4½	6.
Perilla oil	1732	Free	4½	4½.
Sunflower oil	53	20 percent ad valorem	4½	6.
Do	1732	Free	4½	6.
Corn oil	53	20 percent ad valorem	Free	6.
Coconut oil:				
Product of Philippines; or other United States possession.	54	Free (quota)	3	6.
Other	54	2	5	7.
Cottonseed oil	54	3	Free	6.
Babassu oil	1,732	Free, T. A.	do	6.
Peanut oil	54	4	do	6.
Palm oil:				
For tinplate or terne plate	1,732	Free, T. A.	do	Free.
Other	1,732	do	3	9.
Palm-kernel oil	54	½	3	6.
Do	1,732	Free, T. A.	3	6.
Sesame oil	54	3	Free	6.
Do	1,732	Free	4½	6.
Soybean oil	54	3½, but not less than 45 percent ad valorem.	Free	6, but not less than 45 percent ad valorem.
Combinations and mixtures	57	25 percent but not less than rate applicable to the component material subject to the highest rate of duty.	Various [1]	6 but not less than 45 percent ad valorem.
Fatty acids	1	25 percent ad valorem	Various [2]	6.
Do	1, 558	20 percent ad valorem	do	6.
Sunflower seed	762	1,725	Free	1,725.
Soybeans	762	1,098	do	1,098.
Cottonseed	762	1,155	do	1,155.
Babassu nuts	1727	3,891	Free, T. A.	3,891.
Copra	1727	3,891	Free	3,891.
Hempseed	1727	1,668	do	1,668.
Kapok seed	1727	1,326	do	1,326.
Palm nuts	1727	(3)	Free, T. A.	(3).
Palm nut kernels	1727	2,865	do	2,865.
Rapeseed	1727	2,295	Free	2,295.
Perilla seed	1727	2,409	do	2,409.
Sesame seed	1727	2,865	do	2,865.
Lard compounds	703	6	Various [2]	Various. [2]

[1] These adjusted rates are based:

(*a*) On a total tax of 4½ cents per pound applying to perilla oil, 7 cents per pound to non-Philippine coconut oil, and 6 cents per pound to each of the other oils shown in the table, except rapeseed oil used in the manufacture of rubber substitutes and lubricating oil, and palm oil used in the manufacture of tin and terne plate, the tariff and excise tax status of the exceptions remaining as now provided by law;

(*b*) On the substitution of tariff duties for excise taxes now imposed on the processing of palm and palm-kernel oils; and

(*c*) On calculations for rates on oil-bearing materials on the bases of their

a. Oil content;
b. The proposed tax on the corresponding oil;
c. Oil-cake content;
d. The present tax (0.3 cent per pound) on oil cake; and
e. The elimination of all excise taxes on the oil bearing materials listed in the table.

[2] Rate would depend on component oils.

[3] Rates not calculable on the basis of crushing experience in the United States inasmuch as no palm nuts have been imported for this purpose.

"T. A." indicates that the tariff or excise treatment shown is provided for in trade agreements.

Fats, oils, and oil-bearing materials: United States tariff rates and excise taxes adjusted in accordance with this amendment

Fats or oils, or combinations or manufactures thereof, and oil-bearing materials	Duty [1]	Total tax on imports into the United States (per pound)
Animal fats and oils:		
Tallow	½ cent per pound	6 cents.
Inedible animal oils, fats, greases, n. s. p. f.	3 cents per pound	Do.
Fatty acids or salts of above	do	Do.
Butter	14 cents per pound	14 cents.
Lard	5 cents per pound	6 cents.
Oleo oil and oleo stearin	1 cent per pound	3 cents.
Wool grease:		
Containing over 2 percent free fatty acids	½ cent per pound, T. A.	Do.
Containing 2 percent or less free fatty acids	1 cent per pound, T. A.	Do.
For medicinal use	2 cents per pound, T. A.	Do.
Edible animal oils, fats, or greases, n. s. p. f.	3 cents per pound	Do.
Marine animal and fish oils:		
Sod oil	3 cents per gallon, T. A.	Do.
Herring and menhaden oils	3 cents per gallon	6 cents.
Whale (other than sperm) and seal oils	do	Do.
Shark oil and shark-liver oil, including oil produced from sharks known as dogfish, n. s. p. f.	10 percent ad valorem, T. A.	3 cents.
Fish and marine animal oils, n. s. p. f.	3 cents per pound	6 cents.
Fatty acids or salts of above	do	Do.
Cod-liver and cod-oil	Free	None.
Sperm oil:		
Crude	2½ cents per gallon, T. A.	2½ percent.
Refined	7 cents per gallon, T. A.	1 cent.

[1] Source: Oil, Paint, and Drug Reporter.

"T. A." indicates that the tariff or excise treatment shown is provided for in trade agreements.

Imports of specified fats, oils, and oil-bearing materials (in terms of crude oil), United States, 1937–40

[In thousands of pounds]

Item	1937	1938	1939	1940 [1]
Animal fats and oils:				
Butter	11,111	1,624	1,107	1,385
Grease, wool	4,694	1,786	4,178	2,877
Lard	247	2	1	[2]
Oleo oil	2			
Stearine, animal, edible	3,745	400	[2]	[2]
Tallow, edible	10,652	75		[2]
Tallow, inedible	3,851	1,229	1,496	[3] 1,464
Fish-liver oil	66,641	62,175	66,242	19,461
Fish oil	1,243	528	960	718
Marine mammal oil	54,864	22,072	20,289	22,258
Total, animal	157,050	89,891	94,273	48,163
Vegetable oils:				
Babassu oil	330	[2]	650	891
Cashew-shell oil	1,742	1,585	1,947	4,772
Coconut oil	337,376	363,941	336,796	370,683
Corn oil	32,926	22,242	13,965	426
Cottonseed oil [4]	207,049	83,331	31,617	12,936
Linseed oil	402	123	49	11
Oiticica oil	3,631	5,301	18,867	15,537
Olive oil, edible	48,343	71,086	62,866	50,080
Olive-oil foots	22,101	22,356	28,180	24,480
Olive oil, inedible	4,870	5,444	11,304	5,136
Palm-kernel oil	139,356	2,569	2,236	
Palm oil	411,112	271,325	288,603	225,037
Peanut oil	[5] 53,255	[5] 15,553	3,779	3,119
Perilla oil	43,361	31,821	51,284	11,347
Rape oil	5,854	5,960	9,321	12,919
Sesame oil	39,020	7,040	3,520	63
Soybean oil	22,259	[5] 2,856	4,126	4,849
Sunflower oil	479	77	194	[2]
Teaseed oil	27,492	11,855	5,384	4,315
Tung oil	174,885	107,456	78,718	97,049
Vegetable tallow	8,098	274	2,564	283
Other [6]	800	3	1	50
Total, vegetable	1,584,971	1,032,198	955,971	843,983
Total, all fats and oils	1,742,021	1,122,089	1,050,244	892,146
Raw materials (oil-equivalent):				
Babassu nuts and kernels (63 percent)	34,519	32,021	71,717	61,912
Castor beans (42 percent)	61,660	47,910	68,297	99,871
Copra (63 percent)	338,782	323,201	270,934	387,682
Flaxseed (33 percent)	518,027	283,919	296,200	218,534
Palm nuts and kernels (45 percent)	39,731	10,953	3,713	13,171
Perilla seed (37 percent)	74	1	2,406	[2]
Sesame seed (45 percent)	4,979	3,067	4,525	6,569
Total, raw materials	997,772	701,072	717,792	787,739
Grand total	2,739,793	1,823,161	1,768,036	1,679,885

[1] Preliminary.
[2] Less than 500 pounds.
[3] Includes 96,000 pounds of oils, fats, and greases, n. e. s.
[4] Crude plus refined converted to crude basis, dividing by 0.93.
[5] Excludes free for export.
[6] Includes castor oil, hempseed oil, and kapok oil.

Compiled from Foreign Commerce and Navigation of the United States and Monthly Summary of Foreign Commerce of the United States.

Mr. BUTLER. I can summarize this whole proposition by saying that my amendment, if adopted, will improve markets and prices of all the domestic oils and fats, of cotton and other fibers, of sweetpotatoes and corn, and of high-protein feeds; that it will encourage production of alternative crops to take the place of those which relied on foreign markets that have now been lost, and that it will give this Nation a dependable supply of raw materials and foods which are now scarce because of our past reliance on undependable foreign suppliers.

Mr. President, in closing my remarks, I wish to say that, as a permanent policy, our Nation must sooner or later—and the sooner the better—adopt a policy of production rather than one of restriction, and we must protect the American market for the American producer. At the conclusion of any remarks which other Senators may care to make, I intend to ask for the yeas and nays on the amendment.

Mr. BANKHEAD. Mr. President, I wish to address myself briefly to the amendment which has just been presented by the junior Senator from Nebraska [Mr. BUTLER]. I was invited by him and the junior Senator from Mississippi [Mr. EASTLAND] to participate with them in offering this amendment. The amendment is similar to a bill that was prepared by Representative FULMER, chairman of the House Committee on Agriculture, and now pending in that body.

I regard this as one of the most important measures in the interest of American agriculture that have been presented at the present session of the Congress. I have no illusion, Mr. President, about the final action on this amendment; I recognize the difficulties, looking at it from the standpoint of usual legislative procedure, regardless of the merits of the amendment; but, in my judgment, if this amendment could become a part of the law, it would afford additional markets at a better price to American farmers than any other form of tariff protection which could be extended to them.

I am sure that all of us realize the tremendous quantity of edible fats and oils used by American consumers. At the same time, our fats and oils must meet the competition of foreign cheap labor as a result of the importation of oils and fats to the staggering amount of more than 1,000,000 pounds a year. I got

the figures this morning from the Department. Three items alone amount to more than a billion pounds of imported oils and fats in competition with the American farmers in their production of food necessities.

Mr. LUCAS. Mr. President, will the Senator yield for a question?

Mr. BANKHEAD. I yield.

Mr. LUCAS. What portion, if I may inquire, of the fats and oils comes from South American countries?

Mr. BANKHEAD. I think the Senator from Nebraska has the figures on that subject. I do not have them before me. Can the Senator from Nebraska furnish that information?

Mr. BUTLER. Will the Senator from Illinois kindly repeat the question?

Mr. LUCAS. I asked the Senator from Alabama what portion of the fats and oils covered by the amendment comes from the countries of South America?

Mr. BUTLER. I have a short statement relative to the effect of the amendment on inter-American trade which I should like to put in the RECORD, if the Senator from Alabama will permit me.

Mr. BANKHEAD. It is agreeable to me, of course.

Mr. BUTLER. A particular effort has been made in drawing up this amendment to avoid placing bars on inter-American trade beyond what were absolutely necessary to provide protection for the American producer. I believe that Senators know I am in sympathy with all efforts toward protecting American farmers against competitive imports from Latin America of such products as meats, sugar, hides, wool, and grains. In this particular amendment, however, I have made a special effort to soothe those who might oppose it on grounds of hemispheric solidarity or the good-neighbor policy. Thus, I have deliberately refrained from including provisions giving protection to some products which ought to be protected, and I hope some day will be protected. For example, flaxseed and linseed oil do not receive any additional protection by this amendment. There is no duty provided for on the new drying oils from Brazil, such as oiticica and castor. Latin American countries are not important suppliers of any of the oils mentioned, with a few minor exceptions, nor of jute, nor of tropical starches, nor of fish meal.

The principal foreign suppliers for these products are:

Oils: The Philippine Islands and the Dutch East Indies.

Jute: British India.

Starches: Dutch East Indies.

Fish meal: Japan.

The amendment as presented is an exact copy of one which was presented in the House. It has been carefully studied and, as I have said, purposely avoided covering articles which come from South American countries, because we did not want to do anything that would upset the policy of hemispheric solidarity.

Mr. BANKHEAD. Mr. President, I am glad, indeed, the Senator has made that contribution, because I am sure that all of us are interested in our relations, particularly at this time, with the South American countries. There are sometimes, of course, prices which must be paid which we cannot afford to pay if such prices are necessary to continue friendly relations.

Mr. ADAMS. Mr. President, will the Senator yield to an inquiry?

Mr. BANKHEAD. I do.

Mr. ADAMS. My inquiry is as to the rates. I notice a provision with reference to the tariff rate on jute. Is that an increase on the present rate?

Mr. BANKHEAD. There is now, as I understand, no tariff rate on jute. The junior Senator from Georgia and the senior Senator from Alabama have on several occasions during the last 2 or 3 years endeavored to get a tariff rate fixed on jute, but we have been unsuccessful.

Mr. ADAMS. The rates contained in the amendment are increases?

Mr. BANKHEAD. They are all increases and intended for the purpose of protecting the American farmers in the matter of the commodities set out in the amendment.

Take copra. From August 1, 1940, to August 1, 1941, we imported 555,991,000 pounds of copra.

Of coconut oil, during the same period, we imported 371,916,000 pounds.

Of palm oil we imported 253,151,000 pounds. Those three items together—and there are many other oils not included in this list—amount to 1,191,058,000 pounds.

Mr. President, if the lard producers of this country, the peanut-oil producers, the soybean producers, the cottonseed-oil producers, had the advantage of a market in this country for that additional amount of farm production, of course at a better price than they are now enabled to get for their production because of these excessive imports of the products of cheap labor; if, I say, we could establish American farmers upon the basis of the elimination of that competition, I know of no legislation that would be more beneficial to American agriculture and more profitable to American farmers. It is a great field that could be supplied at a reasonable profit by our farmers in all sections of America if they could only be relieved of the burden of these tremendous imports of the products of cheap labor in other countries.

There are other items in this amendment, such as a tariff on sago and tapioca, which come here from the Netherlands. If a tariff could be placed upon the imports of these communities, we are assured that a great sweetpotato starch industry would be developed in this country.

Mr. GILLETTE. Mr. President, will the Senator yield for an inquiry?

Mr. BANKHEAD. Yes.

Mr. GILLETTE. I have just been glancing through the amendment. It deals entirely, does it not, with customs duties, amending the Tariff Act in regard to customs duties rather than excise taxes? There is no attempt to change any excise taxes?

Mr. BANKHEAD. No; the amendment is merely intended to put an import tax on these various products.

Mr. GILLETTE. It changes the present Tariff Act by changes in the customs duties?

Mr. BANKHEAD. That is correct. It increases the rates, primarily, and adds some rates where there are now none at all.

Take the subject of jute, which we have discussed here many times, which is produced in India by the cheapest labor in all the world in competition with American cotton. As the result of the generosity of Members of Congress from all sections of the country, our farmers have been obliged to call upon the Government to finance their surplus production of cotton, which has been costly to our Government and troublesome to our cotton farmers. Great quantities have accumulated; and, notwithstanding that, we are forced to compete with the cheap-labor producers of jute in India, whereas if it were excluded, or a satisfactory tariff were placed upon it, it would permit an additional consumption of cotton equivalent to at least 2,000,000 bales a year, and in a very short time we would entirely eliminate the surplus pile of cotton now accumulated at the expense of the taxpayers of the country. But still, although most agricultural commodities are protected by a tariff—wheat, corn, barley, oats, butter, eggs, beef, chickens, and nearly everything else—we have been unable to get any sort of protection for cotton against cheap jute; so jute is included in this amendment.

I shall not take more time in the discussion of this subject; but, as I said, it is one that is close to my heart, one that appeals to my judgment, and it ought to become the fixed policy of this country. We ought to protect our American farmers in the sale and consumption of American-produced agricultural commodities.

That is all I have to say. I should like very much to see this amendment go to conference and receive further consideration and discussion.

I ask unanimous consent to have printed in the RECORD at the end of my remarks a detailed statement of imports of oils and oilseeds during the past 4 years, separately.

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

The statement is as follows:

Imports	1937-38	1938-39
Oils and oilseeds:		
Oilseeds.....1,000 lb...	566, 651	467, 470
Flaxseed.....1,000 bu...	17, 861	18, 744
Rapeseed.....1,000 lb...	7, 368	9, 860
Sesame seed	4, 072	9, 424
Oils	12, 302	14, 275
Coconut oil	344, 738	379, 643
Olive oil, edible	58, 665	65, 664
Olive oil, inedible	17, 015	38, 447
Palm oil	373, 222	272, 248
Peanut oil	21, 303	15, 978
Perilla oil	41, 025	39, 312
Rapeseed (colza) oil	939	991
Soybean oil	12, 137	2, 526
Tung oil	129, 351	96, 460

Imports of principal agricultural products into the United States

	1938-39	1939-40	1940-41
	1,000 lbs.	*1,000 lbs.*	*1,000 lbs.*
Copra	467, 470	559, 683	555, 991
Flaxseed (bushels)	18, 744	13, 212	11, 198
Rapeseed	9, 860	6, 742	4, 359
Sesame seed	9, 424	15, 485	9, 220
Coconut oil	379, 643	319, 544	371, 916
Palm oil	272, 248	246, 178	253, 151

Source: Table 660 (Agricultural Statistics, 1940).

Mr. WILEY. Mr. President, I shall vote in favor of the particular amendment which is now under discussion.

Months ago, speaking in the Senate, I suggested that the Congress could best serve the Nation by passing a realistic tax measure which would at least take care of a part of the overhead of government. I also suggested in those remarks that Congress should insist that our public managers in Washington cut down on nondefense items. Those remarks were made in the opening days of the present session. The third suggestion I made at that time was that Congress insist that the President require collateral security for the property and credits which he extends to other nations. The fourth suggestion I made was that the Senate should become realistic and insist that the Government get value received for the money being spent on the defense program.

Several weeks ago there appeared in the newspapers of the Nation a statement indicating that the President had received from the British some $500,000,000 in American securities, deposited as security or collateral for advances. The Congress and the people of the country are entitled to know what the true situation is in relation to the money spent under the Lease Lend Act. I hope that information will soon be definitely before Congress. I also hope the suggestions made by the Senator from Virginia [Mr. BYRD], by Mr. Baruch, and others will soon bear fruit, to the end that government will cut down on nondefense items, and that waste by government will be cut out of the picture.

Mr. President, there are some things about the pending tax bill which, of course, I do not entirely approve; but I believe it attempts to meet one of the tests which I suggested months ago; namely, that we adopt a realistic tax program. Therefore, in spite of what have been called the inequities of the bill, in spite of its violating some of the principles of taxation which were adhered to at the time of the formation of our Government—in spite of all these and other factors, recognizing that it is imperatively necessary that funds be obtained, I personally shall support the bill.

Mr. President, I supported the committee amendment reducing the exemptions on single persons from $800 to $750, and on married persons from $2,000 to $1,500 for the following reasons:

First. It will increase the number of income-taxpayers by 2,256,000, making 13,181,000 of our citizens subject to taxation. In England, single persons are entitled to an exemption of $325, and married persons to an exemption of $560. Canada allows an exemption of $750 for single persons and of $1,500 for married persons, and each married person has an additional $400 exemption for each child or dependent.

Second. This reduction will produce additional revenue to the Government of $304,000,000, but out of that amount only $49,000,000 will come from the new taxpayers, and out of the $49,000,000 only $10,000,000 will come from those who for the first time will file returns. This indicates that there is nothing inequitable about this provision so far as it relates to the new taxpayers.

Third. The new taxpayers, 2,256,000 in number, will pay on the average a little over $3 apiece. For the first time it will be brought home to them that they are paying a direct tax to their Government for the support and defense of their Government.

Fourth. This lower-income group is not squawking. The single man who makes $1,500 a year net is not squawking if he has to pay $63 of it to the Government in this period as a defense income tax, especially when his own brothers are out in the camp getting $21 a month, and the married man with no children who makes $2,000 a year is not squawking when he has to pay $39 tax to his Government. He knows that in the payment of that tax he is not only contributing toward the maintenance of his job and his property, but he is building a defense for those great American freedoms which everyone in America possesses equally.

Fifth. I am supporting the committee amendment because to return to the old exemptions would relieve me of an additional tax of $126, and would prevent the Government from collecting $304,000,000 which it sorely needs.

In relation to inheritance taxes, I voted in favor of reducing the estate exemptions from $40,000 to $25,000 and the insurance exemptions from $40,000 to $25,000 because I felt that the Government's great need for funds justified this reduction as an emergency measure.

Mr. President, I desire to compliment the Senator from Georgia [Mr. GEORGE], the new chairman of the Senate Finance Committee, on his effective and brilliant presentation of this measure The Nation is fortunate in having the services of this great public servant.

On April 24, 1941, the Treasury Department presented its revenue plans before the Ways and Means Committee of the House. Hearings were held on the measure, and were concluded on May 28. The measure was reported to the House by the committee on July 24, 1941, exactly 3 months after the Treasury Department first presented its plans to the committee.

At the time the Treasury Department made its initial recommendations Treasury Department officials estimated that it would need three and one-half billion dollars to finance two-thirds of the Government's defense operating costs for the fiscal year of 1942.

In the 3-month interval that the committee deliberated on this measure defense expenditures had risen sharply. By July 24, 1941, when the bill was reported to the House, it was estimated that the original proposal of the Treasury Department would meet only about 60 percent of the expenditures.

Then, as we know, the House whittled $300,000,000 from the total by its elimination of joint income-tax returns. No effort was made to recoup this amount; and the bill as it came to the Senate Finance Committee proposed to raise only about $3,200,000,000.

The Treasury tax experts appeared before the Senate Finance Committee on August 8 and testified that the bill was inadequate "even before it is passed." At that time the appropriations and authorizations over the Budget had increased about $14,000,000,000 since the measure was first considered by the House.

The Treasury Department early in August recommended a bill which would raise about three and a half billion dollars, and it proposed taxes for $4,000,000,000, though we know that if we are to finance two-thirds of the expenditures of the defense program, as was originally intended, it would require a tax program which would raise about $5,400,000,000.

By August 14, 1941, the Treasury Department was studying higher social-security taxes, as they might possibly serve to halt the inflationary spiral.

Today we consider at long last the pattern of tax legislation which has evolved from the various conflicting tax policies of the Federal Reserve System, the Office of Price Administration and Civilian Supply, the Congressional Joint Committee on Internal Revenue, the Treasury Department, the Chief Executive, and various congressional leaders.

Today we consider a measure which provides for an unprecedented $3,672,400,000 revenue—approximately $456,000,000 more than was voted by the House.

There are several conclusions which are inescapable as we study this legislation in its hectic history of some 4 months.

To begin with, we know that the cost of the defense program, as it is being planned at the present time, will exceed $50,000,000,000. The bill which the House passed on August 5 was more than $2,000,000 short. The present tax bill is inadequate. It missed its mark in the original Treasury recommendations; it missed its mark as it passed the House, and it will miss its mark as it passes the Senate, which means that more tax legislation will have to be considered.

This is a bill which was inadequate the day it was conceived, and it has been consistently out of date ever since. It is inadequate in meeting the rising defense costs, and it would be out of date in making inroads on our back wall of debt.

The broadening of the tax base was a belated afterthought. It was a tardy recommendation, because it was not made to the House Ways and Means Committee in time for them to make an intelligent broadening of the tax base correlated with the rest of the tax program.

The same thing is true of the recommendation to use taxes as a price check and the recommendation to broaden social-security taxes as a potential curb on inflation.

All along, it seems to me that every proposal for this tax measure has come as an eleventh-hour addition to an existing tax structure which is also out of date and whose antiquated foundations have long since needed a thorough overhauling.

This legislation of necessity has been hurried; and while some call it slipshod, jerry built, the worst tax legislation in our history, it does a pretty good job in that it gets results, but not enough results.

All this means just one thing. We are discussing today a tax bill which will have to be supplemented with more tax legislation. We know today that next year—yes; it may be this year—another tax bill just as big as this one or bigger will have to be drafted. On the other hand, we know that there have already been too many eleventh-hour attempts hurriedly to revamp this legislation.

We know that delay at this point costs the Treasury hundreds of millions of dollars in revenue. The Nation needs this revenue not merely because of defense expenditures but because of the reckless and profligate squandering of the past 8 years.

We know today that we need a substantial increase in the tax burden if we are realistic enough to face the facts, and if we are to maintain the credit of the Nation, and if we are to maintain our defense program.

The emergency defense appropriations add up to something like $43,000,000,000, and another $7,000,000,000 is contemplated. These expenditures may be greatly increased in the near future, and they will have to be added to the normal expenditures of an extravagant Government.

The past few years have been an orgy of extravagance, and the administration wastrels have spent as much as it cost the Federal Government in the first 131 years of our country's existence.

We have had a series of staggering annual deficits, and our national credit has been strained because these deficits have piled up a tremendous national debt. Today we are loaded down with a burden of taxation, largely in hidden taxes. This burden is actually 50-percent greater than under the World War Revenue Act.

The finances of the United States were in a critical condition long before this emergency began. It is well for us to speak of economy when we are considering a tax measure. There is little point in condemning high taxes as long as we permit extravagant spending. We cannot condemn a man for not trying to pay his bills, but we can condemn him for the extravagance which caused him to run up bigger bills than he could pay.

I keenly regret that the spending committees of Congress work at cross-purposes with the taxing committees of Congress. It is unbelievable that the spending and revenue-raising departments of Government are not correlated.

I am wholeheartedly in accord with the proposal of the junior Senator from Virginia [Mr. BYRD], calling for an investigation of nonessential Federal expenditures, together with recommendations for the reduction and elimination of some of these extravagances. I also agree with the purposes of his resolution calling on the Budget Director to submit curtailed budgets which might be possible for the current fiscal year, and supplying to Congress complete information as to items identified as defense and items identified as nondefense.

In the midst of all the involved discussion on this contemplated tax measure we must not forget the simple, homely truth that a dollar eliminated from the expenses of government is a dollar which we do not have to collect by taxation.

Mr. President, I feel that in view of the present critical situation there is almost no alternative to supporting the general objectives of tax legislation which attempts to bring revenues and expenditures closer together, though this measure may be a hopelessly inadequate stopgap, built on the shifting sands of day-to-day expendiency.

I think it is undeniable that if we had written an adequate tax bill this year, based on a thorough overhauling of our present revenue set-up rather than merely being superimposed on it, we could have avoided a great deal of fiscal trouble next year.

The record on this tax bill is clear. There has been consistent confusion and disagreement on the tax objectives of the administration, and these disputes have consistently overshadowed the major issues of the tax measure.

It cannot be denied that this bill falls short of an intelligent long-range program of fiscal planning. It cannot be denied that this bill does not evidence any close teamwork between the Executive, the Treasury Department, and congressional leaders.

Mr. President, I want to go on record as being emphatically opposed to a promiscuous program of hidden taxes which blackjack the poor man. The poor man has to spend more of his income, and concealed taxes consequently hit him hardest. That is one of the reasons why I have favored, as far as is possible, the elimination of concealed taxes and the consideration of an intelligent broadening of the tax base—not merely a last-minute effort to broaden the base.

I believe, incidentally, that an intelligent program of broadening the tax base, coupled with an elimination of hidden taxes, might actually, in normal times, involve a smaller tax payment for the "little fellow" than the present confiscatory sleight of hand involved in hidden taxes.

An intelligent broadening of the tax base would also achieve the desirable result of instilling a more widespread consciousness of the responsibilities for payment which government expenditures inevitably bring.

I feel that the tax programs of this administration have consistently interfered with normal recovery. I feel that the tax programs of this administration have been too much intrigued by the painless possibilities of extracting money by hidden taxes.

I feel that this administration has been afraid to let the bulk of the voters become conscious of the cost of the administration's programs. Consequently, there have been too many hidden taxes.

I also feel that the administration's program of taxation has been indifferent to the effect of taxation on small enterprises. To a certain extent the administration's program has penalized business enterprise and business expansion by taxing speculative and expanding business more than other investments.

In normal times taxation should be an economic lever to stimulate business expansion and the encouragement of reemployment, rather than a penalty to be imposed on business activity. In other words, taxation can be used to encourage venture capital.

We could tax improvements on land at a lower rate than the land itself is taxed, and in normal times we could devise a tax on idle capacity and idle funds.

There are no tax panaceas, but it should be possible for us to write a whole new tax philosophy which might serve as an economic stimulant.

In general, there is a great deal to be said for the so-called progressive taxes which have some relationship to ability to pay, as opposed to regressive taxes which have no relationship to ability to pay.

These are all questions, however, which should be ironed out in a unified, coordinated revenue program with the tax committees of the Senate and the House meeting together with the Appropriations Committees of both Houses and with Treasury and Budget officials. That would mean simply that the Appropriations Committees would not be independent of the taxing committees. That would mean that we would have a unified revenue system.

The glaring weakness in our present tax structure is that we have befuddled our citizens into believing that they are not paying taxes.

Today the United States must equip itself so that it can meet any emergency. Let us be realistic. We cannot evade the fact that this means taxation. We cannot borrow forever.

The bill for defense preparation must be paid. This is no time for political shilly-shallying. This is a time for realistically meeting the issue.

Our first job is to get preparedness. That preparedness must not be obstructed by a lack of financial resources. The problem is bigger than simply raising the money. We must know what effect these taxes will have on production, the accumulation of capital, the utilization of savings, and so forth.

We cannot, however, long evade the responsibility for analyzing our whole tax problem. It may be necessary to make a restatement of that problem in terms such as we have never known before.

Special taxes, excise taxes, luxury taxes, or war taxes are, of course, matters to be considered by the experts and applied so that they will release commodities and types of labor and types of equipment for the program.

As far as excess-profits tax legislation is concerned, I believe in a plan of excess-profits taxation, though I believe that it should not unduly discourage production. No economist has as yet devised an absolutely just excess-profits tax, but some kind of an excess-profits tax is vital as a necessary curtailment on defense and war profiteering.

I think we can concede at the outset, without any emotional appeal, that everyone is opposed to profiteering as distinguished from a fair and reasonable return on capital.

In order to write an excess-profits tax, it is self-evident that we have to determine what constitute excess profits. We know that in any system of free enterprise based on individual initiative, economic activity requires a certain operating level of profits. If profits are slashed below that level, production is crippled, and the incentive for management is destroyed. When profits are cut over that level, however, we are eliminating what we call excess profits.

No one has any quarrel with the Government's demand for these excess profits; but there is a difficult problem involved in determining the operating level above which excess profits occur. There are, obviously, many complicated factors which make this level difficult to determine.

We know that inflation brings excess profits. We know that monopolies may create excess profits, and we know that a distortion in the normal demand, such as we are experiencing today, may create excess profits.

We know, further, that we can control inflation to some degree, at least, by price controls and by a combination of taxation and borrowing in our defense financing. We know that we can tighten our control on monopolies; and, as a matter of fact, we are already doing so.

Our problem, then, is to cope with the excess profits which result from a distorted demand factor. We know that the supply factors of those goods for which there is an abnormal demand cannot be readily increased overnight. Likewise, the demand factor cannot be greatly altered, though we may attempt substitutions, synthetics, conservation, and economy in the use of goods whose supply is inadequate to the demand.

Because we cannot exercise complete control of the demand factor, it is reasonable to expect possibilities for excess profits. It is likewise perfectly reasonable for the Government to attempt to recover a substantial share of these excess profits, created in a large measure by the activities of government itself.

In conclusion, it is apparent that the alternative to inflation, or a complete system of price control, which would involve drastic and almost impossible alterations, is a program of intelligent taxation coupled with intelligent economy in government.

I do not feel that this measure represents a complete and adequate approach to the tax problem; but I repeat that the grave necessity for financing our defense efforts leaves Congress with little alternative other than to support the general objectives of any bill which seeks to bring revenues and expenditures into a closer relationship.

Mr. GEORGE. Mr. President, much as I should like to see placed upon imports some of the restrictions covered by the amendment offered by the Senator from Nebraska, and heartily as I have approved some of the tariff rates suggested in the amendment, I must very frankly say to the Senate that it is useless to take this amendment to conference. Not only that, but I must also say that this amendment was not offered to the Finance Committee, that nobody at all was given any hearing on it, and there is hardly an industry that is not affected by it. I know that from my past experience and from a hurried glance at the amendment. I know very well that if we were to take the amendment to conference the House would refuse to consider it, because in the case of the last tax bill they served repeated notice on the conferees that they would not consider a tariff item in a tax bill. They positively took that position, and they had very good reason for it. Tariff bills originate in the House. Every Member of the House has his pockets full of tariff bills, coming to the Ways and Means Committee every time a regular tax bill or revenue measure comes up. They will say, "No; we are not going to accept such an amendment on this bill; we have not time to give consideration to it; we do not know whether the proposal is right or whether it is wrong, and therefore we cannot agree to it."

We have been in the habit of adopting two or three amendments, which were tariff measures, and we fought very hard to get some of them accepted by the conferees, but by formal action the conferees have heretofore said to us, "We will not accept another amendment to the tariff law."

I do not know how well this amendment has been considered. I know there are a great many things in it, which I long ago advocated in this body. I tried to have a tariff put on jute, waste bagging, and so forth, when we were considering the 1929–30 tariff measure, and I know that I was completely overwhelmed. Every farmer in the West was against it, every producer of oats and wheat and potatoes said, "We must have this kind of cloth to make our sacks." There must be something to it, or Senators would not have voted as they did. All New England was against it because jute products are manufactured in New England. I could pick out half a dozen items in the amendment which would seriously affect industry of various kinds, whether justly or unjustly, I could not tell at the moment.

Then there is another most important consideration. With the countries which produce every one of these materials, we have reciprocal tariff agreements, which may affect this amendment. If the Senate wants to vote it into the bill, it will be all right with me, but I know what will happen to it. I should be bound, if the Senate adopted it, as long as there was any reasonable chance to get the House conferees to take it, but I do not know how many of the tariff treaties between this country and the other producing countries from which these materials and products come would be violated.

I am calling attention to these things, not because I personally oppose many of the rates suggested, for to the extent that I have any knowledge of what is dealt with in the amendment I would have the very greatest sympathy with it, and if it should come over from the House as an independent tariff measure, I should vote for it, and should be glad to vote for it. But I suppose there are, by and large, at least 10,000 amendments which various Senators wish to offer to the tariff law, and if this amendment were accepted there would be no more reason for opposing them than for opposing this amendment. I am not sure but that the entire Ways and Means Committee of the House has acted on this matter, independently of the conferees, because they have repeatedly insisted that they would not again consider pure tariff measures in a revenue act.

Not because I oppose the amendment, not because it may not be wholly meritorious—and to the extent that I am familiar with it at all I believe it to be meritorious—I am obliged to call the attention of the Senate to the situation, and to suggest that, in my judgment, it would be far better for the House to be finally compelled by the friends of the amendment to approve it there as a separate bill, and send it to us. Of course, if that were done, it would open up the whole tariff question, but perhaps the tariff should be reopened; I do not know, except that at this time, because of the international situation, we have not very much foreign trade anyway and, therefore, there might not be a very keen interest in tariffs generally.

Mr. BUTLER. Mr. President, it is not my intention to make any reply to the remarks made by the distinguished Senator from Georgia, except to remind him, and perhaps others in the Senate, that this has been a time of breaking precedents, and perhaps the conference committee, or our good friends in the other House, may be willing to break a precedent this time and give this very estimable amendment favorable consideration, for it certainly is to the best interests of our country as a whole, and I should like very much to see them have the opportunity of giving it consideration.

I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. The yeas and nays have been requested. Is the demand sufficiently seconded? In the opinion of the Chair, it is sufficiently seconded.

Mr. CONNALLY. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CONNALLY. How many Senators raised their hands?

The PRESIDING OFFICER. The Chair counted 14 hands raised. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HAYDEN (when his name was called). On this vote I have a pair with the junior Senator from Minnesota [Mr. BALL]. I therefore withhold my vote.

Mr. HOLMAN (when his name was called). I have a general pair with the junior Senator from Tennessee [Mr. STEWART]. I am not advised how he would vote, if present. I transfer my pair to the senior Senator from Ohio [Mr. TAFT], whom I am informed would vote "yea," and I shall vote. I vote "yea."

Mr. McNARY (when his name was called). Again referring to my pair and transfer, I shall vote. I vote "yea."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Washington [Mr. BONE], the Senator from Virginia [Mr. GLASS], the Senator from North Carolina [Mr. REYNOLDS], and the Senator from New York [Mr. WAGNER] are absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is absent on a defense-inspection tour.

The Senator from Texas [Mr. CONNALLY] and the Senator from Indiana [Mr. VAN NUYS] are detained in a conference at the White House.

The Senator from Mississippi [Mr. BILBO], the Senator from South Dakota [Mr. BULOW], the Senator from South Carolina [Mr. PEACE], the Senator from Nevada [Mr. MCCARRAN], the Senator from Georgia [Mr. RUSSELL], and the Senator from New Jersey [Mr. SMATHERS] are detained on business in various Government departments.

The Senator from New Mexico [Mr. CHAVEZ], the Senators from Tennessee [Mr. MCKELLAR and Mr. STEWART], the Senator from Utah [Mr. MURDOCK], the Senator from Florida [Mr. PEPPER], the Senator from Oklahoma [Mr. THOMAS], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

Mr. AUSTIN. The Senator from Pennsylvania [Mr. DAVIS] has a general pair with the Senator from Kentucky [Mr. CHANDLER]. He is detained on official business.

The Senator from Minnesota [Mr. SHIPSTEAD] has a pair with the Senator from Virginia [Mr. GLASS].

The Senator from Indiana [Mr. WILLIS] has a pair with the Senator from New Mexico [Mr. CHAVEZ].

The Senator from Kansas [Mr. REED] has a general pair with the Senator from New Jersey [Mr. SMATHERS].

The result was announced—yeas 31, nays 33, as follows:

YEAS—31

Aiken	Clark, Idaho	Nye
Andrews	Downey	O'Daniel
Austin	Eastland	Overton
Bankhead	Ellender	Smith
Brewster	Hill	Spencer
Bridges	Holman	Thomas, Idaho
Brooks	Johnson, Colo.	Tobey
Bunker	La Follette	Wallgren
Burton	Langer	Wiley
Butler	McFarland	
Caraway	McNary	

NAYS—33

Adams	Green	Murray
Bailey	Guffey	O'Mahoney
Barbour	Hatch	Radcliffe
Barkley	Herring	Rosier
Brown	Hughes	Schwartz
Byrd	Kilgore	Thomas, Utah
Clark, Mo.	Lee	Truman
Danaher	Lodge	Tunnell
George	Lucas	Tydings
Gerry	Maloney	Vandenberg
Gillette	Mead	Walsh

NOT VOTING—32

Ball	Hayden	Shipstead
Bilbo	Johnson, Calif.	Smathers
Bone	McCarran	Stewart
Bulow	McKellar	Taft
Capper	Murdock	Thomas, Okla.
Chandler	Norris	Van Nuys
Chavez	Peace	Wagner
Connally	Pepper	Wheeler
Davis	Reed	White
Glass	Reynolds	Willis
Gurney	Russell	

So Mr. BUTLER's amendment (for himself, Mr. BANKHEAD, and Mr. EASTLAND) was rejected.

Mr. BUTLER. Mr. President, I ask to have printed in the RECORD at this point a statement by myself on the subject of the bill under consideration.

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

Mr. President, the tax bill before us for consideration represents, I know, the hard and unremitting labor of many Members of this body and of the House of Representatives, particularly those who are members of the Senate Finance and the House Ways and Means Committees. The framing of a tax bill, or should I say the framing of a bill which raises rather than lowers taxes, is not the most popular task on earth. In fact, I suppose, from the public standpoint, those who write the taxes are hardly more popular than those who collect them, and we all know where the latter stand in the public estimation, all the way back to Biblical days, when "publicans"—the ancient term for tax collectors—were classed with sinners. Yet though the preparation of a tax bill is a hard job, it is a necessary job, and those who have given so unstintingly of their time and energy in the formulation of this bill surely deserve our gratitude, whether we like their work or not.

It is a necessary job because the bills we are running up must be paid. The old saying, "He who dances must pay the piper," has at last come home to us. Due to some of the past free spending and "dancing" which we have had, it becomes necessary for us to consider a bill, harsh in many respects, in order to face a great problem of national defense. It is futile to think that we can continue to appropriate billions for defense, billions for lease-lend aid, billions for loans in the name of hemispheric solidarity, billions for New Deal propaganda, billions for this, that, and the other, and then expect somehow to avoid tax increases. The Finance Committee merely takes up where the Appropriations Committee leaves off; once we have spent Government money, or appropriated it to be spent, there is nothing to do but to turn around and levy the taxes to pay our bills.

Much better would it have been had this body followed a program nearer to that of my own State of Nebraska and paid its bills as it contracted them. Then we would not have been faced with the necessity of financing a mammoth defense and aid program on top of a $50,000,000,000 deficit. However, this was and is not the case, and due to the present financial emergency, I am forced to support this bill even though it carries with it certain inequalities. It is upon this matter that I wish to comment briefly.

In the first place, I wish to say that I believe that this is only the beginning of a hard-boiled taxing program which every citizen of this country will feel before it is through. I do not want my people in Nebraska or the people in any other State to believe that this bill will take care of the expenditures that have been voted and are to be voted. The administration has committed itself to a finish fight, we hope and pray without military engagement, to destroy Hitlerism. It will cost more than this bill can ever raise. Thus more taxes will come as long as such a policy is continued.

The farmers whom I represent will naturally be hit harder by the taxes imposed under this bill than any other class. Their income is still very meager. They still are in a depression, compared with what they should be earning, and the boom in industrial areas seems likely to increase the disparity between agricultural and industrial incomes. When certain pending trade agreements are put over, their incomes—real incomes, I mean, not Government doles—will be still smaller. This bill, however, imposes taxes on automobiles, theater admissions, gas and electrical appliances, and a long list of other goods bought by farmers, and the taxes levied by this bill therefore fall disproportionately heavy on farmers and others whose ability to pay is small. This is, to my mind, the greatest inequity in this bill.

However, the bill carries one clause which is to be complimented and should be supported by every Member of Congress. Section VI provides for a committee to study the possibilities for reduced nondefense expenditures. And there are many such expenditures that can be reduced. I would venture to estimate that an amount equal to two-thirds of the revenue to be raised by the tax increases in this bill could be saved if the administration would really undertake an economy drive throughout all the departments and agencies. I am confident that the results of the committee's investigation will prove my statement.

I am in agreement with the committee in striking from the bill the proposal to increase the gasoline tax. Gasoline is already one of the most heavily taxed commodities there is, by both State and Federal Governments. It is a prime essential on the farm for the operation of farm machinery used in production of the Nation's food supply. In addition, it should be remembered that the gasoline user and automobile or truck operator is to pay greatly increased taxes by other provisions of this bill. Nearly $300,000,000 of the increased revenues are to be taken from the pocket of the automobile or truck owner or buyer.

I heartily approve of the exclusion of the mandatory joint income-tax provision. This proposal would have penalized married couples with separate incomes, and would be, in effect, a tax on marriage, while, at the same time, it would strike at the rights of women and undo at one stroke much of the progress toward equality that has been made by women in the last half century.

One tax in this bill which is difficult to justify is that on electric and neon signs. The committee has seen fit, wisely, I believe, to eliminate the objectionable tax on outdoor-advertising billboards. It is hard to understand why the electric and neon signs are still to be taxed when the corresponding tax on billboards has been removed.

One provision which has provoked much controversy and criticism from many quarters is the broadening of the income-tax base. I am sure we all regret the necessity for this move. It is not pleasant to ask those of small income to pay taxes; but Senators must remember that this is not the first tax on those less able to pay. For years we have had taxes on gasoline, beer and liquor, tobacco, and many other products, which fall heavily on those whose capacity to pay is small. The income tax simply taxes such people directly as well as indirectly. It will cause each individual to realize more fully his responsibility for our national welfare and to shoulder his share of the burden. I know every patriotic American is willing to bear his share of the load. In addition, we must beware of taxing private capital and the profit motive out of existence or to the point where it will cease to operate for the creation of national wealth. It used to be that the rich could pay the cost of Government, but now we have taxed them almost to the limit, and we have come to the point where everyone must contribute directly.

One possible source of revenue was completely ignored by the committee. I refer to the revenue to be raised from increased customs duties on imports of competitive commodities. Increasing tariff rates would not only give us added revenue at a time when we sorely need it but by providing needed protection to American agriculture, industry, and labor would increase the taxpaying ability of those groups and thus increase the yield from the existing taxes. At the present time we have the anomalous situation of Congress raising taxes while the State Department, through its trade-agreements program, is cutting down taxes on imports. Of course,

revenues from customs have increased slightly in recent months, because of the great increase in quantity of dutiable imports, but they are nothing like as great as they could be under a program of judicious taxation of imports, or as they would be if the State Department were restrained from cutting down these duties. This subject deserves further study, and I hope to give some time to it myself during the next few months and present my conclusions and suggestions to this body for consideration.

The present bill is not perfect in all respects. It is always a problem, in asking our citizens to take on added burdens, to apportion those burdens as equitably as possible, with due regard to the taxes already paid by various groups and to their relative capacities to pay. It is probably impossible to be fair in every respect, and, as I have pointed out, personally I would change some of the provisions of this bill materially, if I had the sole right of decision on it. No doubt every Senator in this Hall would likewise make some changes. Nevertheless, I think we must recognize that the committee has done a generally good piece of work and that, on the whole, the bill is about as fair and equitable as can reasonably be expected under the circumstances.

In conclusion, I wish to state that I hope the administrators of the money received under this bill will consider every expenditure most wisely and cautiously, for great sacrifices will have to be made to pay these taxes, and we owe it to our people to see that the load is not made heavier than is absolutely necessary.

Mr. BAILEY. Mr. President, I now wish to offer an amendment proposed by myself, which is printed, the effect of which is to transfer the tax of 10 percent on retail sales of jewelry to the manufacturer. I ask that the amendment may be read for the information of the Senate.

The PRESIDING OFFICER (Mr. McFARLAND in the chair). The amendment will be read.

The CHIEF CLERK. On page 93, after line 2, it is proposed to insert the following new paragraph:

"(11) Jewelry: All articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semiprecious stones, and imitations thereof; articles made of, or ornamented, mounted, or fitted with, precious metals or imitations thereof; watches and clocks and cases and movements therefor; gold, gold-plated, silver, silver-plated, or sterling flatware or hollow ware; opera glasses; lorgnettes; marine glasses; field glasses, and binoculars: 10 percent. The tax imposed by this paragraph shall not apply to any article used for religious purposes, to surgical instruments, to frames or mountings for spectacles or eyeglasses, or to a fountain pen if the only part of the pen which consists of precious metals is the point."

On page 93, strike out lines 14 to 25, inclusive; and page 94, strike out lines 1 to 4, inclusive.

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

Mr. BAILEY. I yield.

Mr. BROWN. As I understand, the Senator from North Carolina proposes a 10-percent tax on the manufacturer's price in lieu of a 10-percent tax on the retailer's sales price on jewelry. That matter has been the subject of considerable discussion. I am wondering whether the Senator would accept a modification of his amendment by which he would raise the tax from 10 to 15 percent, for the reason that a 10-percent tax on the retail price would yield considerably more than a 10-percent tax on the manufacturer's price, and in order to adjust the matter as nearly as it can be done—and I base my statement upon my recollection of the testimony which we heard in the Finance Committee—if we provide a 50-percent increase in the rate we would obtain approximately the same amount of revenue. I make that suggestion to the Senator from North Carolina.

Mr. BAILEY. Mr. President, the suggestion made by the junior Senator from Michigan is agreeable to me, and I ask leave to modify my amendment on page 1, line 9, by changing 10 percent to 15 percent.

The PRESIDING OFFICER. The Senator has the right to modify his amendment.

Mr. BAILEY. My object is not to reduce the revenue but to reduce so far as we can the nuisance and the vexation and expense of the retail sales tax. Probably the most obnoxious, difficult, and irritating of all taxes are taxes on retail sales, and I think as a principle we would be wise to follow the policy of avoiding the imposition of such taxes, and moving in the direction of manufacturers' excise taxes, so far as we possibly can.

In this bill there are three categories of retail-sales taxation—furs, cosmetics, and jewelry. I should like to strike them all out, because they are taxes on retail sales. I do not have to draw the picture for Senators of the clerk in the store and the merchant having to levy a tax on every customer. I have seen that in my own State, and I know what it means. Such taxes are properly called nuisance taxes.

Mr. President, I shall not engage in an elaborate discussion. I hesitated to include furs and cosmetics because I was afraid that if I should undertake to do so I might defeat the entire purpose. I believe this amendment will be favorably received by the Senate, the conferees, and the Congress. I know it will be favorably received by the country.

I am informed that there are about 50,000 merchants in our land selling jewelry. Each Senator can paint the picture for himself. Under the terms of the bill the establishments of 50,000 merchants would have to be inspected and their books would have to be looked into. All their customers would have to pay taxes as they went about their purchases, small and large. So I ask for favorable consideration by the Senate of my amendment.

Mr. SMITH. Mr. President, my attention has just been called to this matter. I know nothing about the jewelry business but, according to the terms of the bill now before us, everyone who sells any of the articles denominated as jewelry must pay the tax. That includes all the 5- and 10-cent stores and any merchants who may have any of such articles for sale. Think of the army of collectors who would be required. If the manufacturer of the jewelry were taxed, his books could be inspected. The number of such manufacturers is not large.

It seems to me that, from the standpoint of economy in collecting the tax, as well as from the standpoint of the revenue to be obtained, the tax on the manufacturers is preferable. Many merchants sell jewelry on credit; and, until they collect, the Government would be out its revenue, whereas the manufacturer sells for cash, and the tax could be immediately collected.

I suspect that there was some favoritism when the Treasury Department asked the Finance Committee to impose this tax on the retailer rather than on the manufacturer. The manufacturer represents big business, and has much influence. I suspect that that fact, rather than the element of economy, entered into the opposition of the Treasury Department to levying the tax on the manufacturer. Every element of economy, expedition, and return to the Government indicates that the tax should be on the manufacturer rather than on the retailer. If the tax were on the retailer it would be necessary to go over the country and hunt down every 5- and 10-cent store and every little shop which has any device which could be called jewelry. Think of the bootlegging that would go on. Many millions of dollars worth of jewelry would be secreted and the needle in the haystack never could be found.

I think this is the most economical, common-sense, and fair way to obtain the revenue if we are to impose a tax on jewelry. Whenever I go into a jewelry store I feel like holding up my hands and saying, "God have mercy!" [Laughter.] I do not know whether I am getting the real article or an imitation. From the standpoint of economy and efficiency the manufacturer is the one who should pay the tax, because he obtains his return immediately. His books are easily inspected, and the work is done. Otherwise, we shall have to go afield to a million places and attempt to collect the tax piecemeal.

Mr. HERRING. Mr. President, I wish to ask the Senator from North Carolina if he will accept an amendment to his amendment, on page 2, line 4, in the section relating to fountain pens, by adding the words "or other essential parts not used for ornamental purposes."

Mr. BAILEY. Mr. President, I understand that the particular item in question relates to fountain pens. The Senator's point is that under the terms of my amendment the gold band around the cap of the fountain pen might be considered as something in the nature of jewelry.

Mr. HERRING. That is correct.

Mr. BAILEY. But if, according to the Senator's suggestion, it is interpreted as being an essential part of the pen, it is not jewelry.

Mr. HERRING. That is correct.

Mr. BAILEY. I will accept the Senator's suggestion, and ask leave to modify my amendment in conformity with the language just stated.

The PRESIDING OFFICER. The Senator has the right to modify his own amendment.

Mr. LUCAS. Mr. President, I rise for the purpose of supporting the amendment offered by the Senator from North Carolina. I wish to take only a moment of the time of the Senate to place in the RECORD certain figures which seem to me to be rather conclusive in favor of his

amendment. I have no reason to doubt that the figures are correct.

The number of returns annually which would be necessary for the retailers to submit if the bill were passed in its original form would be 3,600,000. If the amendment offered by the Senator from North Carolina should prevail only 15,084 returns would have to be made by the manufacturers, the producers, and the importers of jewelry.

The average cost of collection, at $1.50 per return, would be something like $5,400,000 if the returns were made by retailers, whereas if the returns were made by the manufacturers the cost would be something like $22,626.

It is estimated that the loss by reason of inability to collect, to which the Senator from South Carolina [Mr. SMITH] has referred, would be in the neighborhood of $7,500,000 if the tax were paid by the retailers, while nothing would be lost if the tax were paid by the manufacturers.

It is further estimated, based upon the volume of business of 1941, that under the bill in its original form the retailers would sell approximately $500,000,000 of jewelry and with the rate at 10 percent a gross tax of $50,000,000 would be received. It is also estimated that the manufacturers, producers, and importers would receive for the volume of goods based on the 1941 base the sum of $280,000,000. Under the amendment before us a 15-percent tax would raise a gross amount of $52,000,000 or $2,000,000 more than in the original bill. No one will challenge the fact that the cost of collecting the tax is much less under this amendment. This legislation is in the interest of efficiency, the elimination of chaos, and I believe the return of more money.

Mr. GEORGE. Mr. President, I should be glad to accept the amendment if I could. I think I should explain to the Senate why I cannot accept it.

Originally I favored a manufacturers' sales tax on the three items on which it is proposed to impose a retail tax, namely, furs, jewelry, and cosmetics. I hoped that we might be able to work out the problem on that basis. However, I am advised by the Treasury Department that the manufacturers' tax on jewelry would have to be placed at 23.3 percent to produce the same revenue as that produced by a 10-percent retail tax.

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

Mr. GEORGE. I yield.

Mr. SMITH. What is the reason, if the retailer sells jewelry which the wholesaler sells to him? Why should the tax be higher?

Mr. GEORGE. The manufacturer sells the jewelry very much more cheaply than does the retailer. That is the main trouble. There is a tremendous mark-up in jewelry. If a manufacturer adds 5 cents or $5 to a particular article we can be perfectly sure that it will be marked up in some instances as much as 100 percent when the consumer buys it. The retailer figures his percentage on the total cost of his stock.

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

Mr. GEORGE. I yield.

Mr. TYDINGS. What would happen to the jewlery already manufactured and in the possession of the retailer? Would that escape the tax?

Mr. GEORGE. It would escape the tax unless we impose a floor-stocks tax.

The Treasury Department has pointed out another serious difficulty, and I am referring to it because I am in sympathy with getting rid of the retail tax. I think I should state why the committee as a whole was not able to do what it really wanted to do with respect to these three retail taxes.

Of course, many jewelers buy stones and rings and simply insert the stones into the settings and have the completed articles. Under a prior tax they were held by the Treasury to be manufacturers or producers, and it is difficult for the Treasury to ascertain who are the manufacturers thereof, because in practically every jewelry shop in the country there is some production of jewelry.

The Treasury advises us that whole suitcases filled with the works or parts of works of watches have been brought into the country, and watchcases have then been bought, and watches and parts of watches have been fitted into the cases by the local jewelers. It is difficult to police these transactions and to get the proper tax.

Mr. SMITH. Mr. President, according to that argument, every time a man puts a tire on an automobile he is manufacturing an automobile.

Mr. GEORGE. No.

Mr. SMITH. I should like to know why not.

Mr. GEORGE. He might be repairing it.

Mr. SMITH. Yes; but when a stone is put in a ring, the ring is made to receive the stone.

Mr. GEORGE. Exactly; and the stone is worth very much more than the ring, and, of course, both of them together are sold for more. Moreover, there are a great number of second-hand stones in the country. These are competing with stones actually manufactured or imported into the country.

Mr. SMITH. Exactly; and when I put a tire on my automobile, the automobile is worth more than it was before I put on the tire.

Mr. GEORGE. Mr. President, I am calling attention to the facts which were presented to the committee, and which persuaded me to vote contrary to the way I desired to vote. The Senate may vote as it pleases.

Mr. BROWN and Mr. BARKLEY addressed the chair.

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

Mr. GEORGE. I yield first to the Senator from Michigan, and then I will yield to the Senator from Kentucky.

Mr. BROWN. Mr. President, let me say first that there was submitted to the committee an amendment which it seems to me would cover the ruling or regulation of the Treasury construing one who attaches a diamond to a ring to be a manufacturer.

It appeared to me that that ruling was far beyond what the necessities of the case required; but the retail jewelers submitted this suggestion to the committee, and I am wondering if the Senator from North Carolina would consider a further modification of his amendment to eliminate the objection to which the Senator from Georgia has referred.

The language propcsed to be added at the end of the amendment reads as follows:

> For the purpose of this section, a retail jeweler who assembles two or more completely finished component parts of jewelry upon which the tax has been paid shall not be considered to be a manufacturer or producer.

I think, as does the Senator from Georgia, that unless something of that kind is included, a large number of retailers might be construed by the Treasury Department, in view of the Department's former ruling, to be manufacturers; and certainly in no ordinary sense of the word is such an assembler of goods a manufacturer.

If the Senator will accept that amendment, I think the major objection which influenced the Finance Committee to vote the other way on the matter will be eliminated.

Mr. BAILEY. Mr. President, I have not the slightest objection to the amendment.

Mr. GEORGE. Let me call the Senator's attention to the fact that the Treasury insists that it would take a tax of 23.3 percent to produce the same revenue, while the loss of revenue under the amendment would be about $23,000,000.

Mr. WALLGREN. Mr. President, will the Senator from North Carolina yield?

Mr. BAILEY. I have not the floor, but I wish to respond to the Senator's question.

Mr. GEORGE. I yield to the Senator from Washington.

Mr. WALLGREN. Under the amendment offered by the Senator from North Carolina, a tax on precious stones and manufactured articles already is provided. Any stone that is manufactured must first be cut; and when it is cut it becomes a manufactured stone, and thereby subject to a tax. On the other hand, a manufacturer of a ring setting would pay a tax on the setting under this amendment. Because a diamond setter sets a diamond into a ring setting, should he be asked again to pay a tax on the finished article, when a tax already has been paid on the mounting and a tax already has been paid on the stone?

Mr. BROWN. That would be covered by the language I read to the Senator from North Carolina.

Mr. GEORGE. There is no manufacturer's tax on jewelry.

Mr. WALLGREN. But the committee amendment provides a tax on precious stones and manufactured articles.

Mr. GEORGE. Not a manufacturer's tax; a retail tax. It is proposed now to make it a manufacturer's tax. But second-hand stones and stones already manufactured will escape the tax.

Mr. BAILEY. The object of my amendment was to impose a manufacturer's tax.

Mr. GEORGE. Yes; I so understand. I confess sympathy with the amendment,

as I see it, but I thought I should state the fact that over $20,000,000 in revenue will be lost unless we impose the rate at 23.3 percent, according to the Treasury estimates.

Mr. BARKLEY. If the Senator will yield, in response to the statement of the Senator from Washington, I desire to say that there is no tax on the manufacturer of precious stones.

Mr. WALLGREN. But such a tax is proposed in the committee amendment.

Mr. BARKLEY. But it is a tax on the retailer, not on the manufacturer; so in no case would the manufacturer pay a tax on a precious stone as such before a local retailer put the stone in a mounting and thereby produced a completed article. So the Senator's suggestion that the tax would already have been paid on the precious stone is not accurate because the amendment provides no tax on precious stones as such from the manufacturer's standpoint.

While I am speaking, if the Senator from Georgia will permit me, let me say that that was shown to the Senate Committee on Finance, and that is why the House Committee on Ways and Means made this a retail tax instead of a manufacturer's tax.

Mr. BROWN. Mr. President, will the Senator yield at that point?

Mr. GEORGE. I yield.

Mr. BROWN. The amendment offered by the Senator from North Carolina would put into the bill language which would levy an importer's tax on goods sold by the manufacturer. I read from page 88:

> There shall be imposed on the following articles, sold by the manufacturer, producer, or importer, a tax—

By putting in the amendment offered by the Senator from North Carolina there would be imposed a tax of 15 percent on the diamond brought into this country by an importer.

The Senator's amendment is lifted out of the retail sales tax section and put into the manufacturer's tax section.

Mr. BARKLEY. Yes; I understand that.

Mr. BROWN. And the tax would be imposed there.

Mr. BARKLEY. I was undertaking to explain why the House committee, the House, and the Senate committee also made an exception of this tax and made it a retail tax instead of a manufacturer's sales tax, on the ground, as the Senator from Georgia has stated, that it is very easy for the retail jeweler who desires to do so—I would not make this statement applicable to all or even to a majority of retail jewelers, but, unfortunately, there are some jewelers in some sections of the country, as we know, who would resort to the device—to purchase the mounting separately and purchase the stone separately, and I have been informed by men who know that in certain sections a local jeweler might go around the corner to someone who would put the stone and the mounting together—he is not a manufacturer; he does not pay any tax—and bring the article back to the retailer, who is not a manufacturer because he has not put it together, who sells it. By that sort of a device they can escape identification to the extent that nobody pays the tax.

Mr. BROWN. I will say to the Senator the tax on both those articles would, under the language on page 88 in the bill, be subject to a tax. It reads:

> There shall be imposed on the following articles, sold by the manufacturer, producer, or importer, a tax—

And the tax is set forth.

Mr. BARKLEY. Of course, that would not apply to second-hand stones which are sold in large quantities either after they get into this country or after they have been produced by somebody.

Mr. BROWN. I say that the tax would be paid once on the article, and that is all that is asked.

Mr. BARKLEY. Of course the main difficulty arises out of the effort to identify and thereby tax the manufactured product as an article of jewelry. A man may buy a watch case and may buy the mainspring and may buy all the parts separately, then put them together as a watch, and sell the watch to the retailer. If he is not required to pay the tax, or if he can escape the tax, as a manufacturer, on the ground that he is not a manufacturer, then, he escapes the tax and nobody pays the tax at all. There will be undoubtedly a great deal of money lost in revenue in that way.

Mr. BROWN. I do not think he could escape the tax unless he violated the law; and I think we can stop that.

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

Mr. BROWN. I yield.

Mr. GREEN. I understand the amendment suggested by the Senator from Michigan assumes that the sum total of the tax paid on the component parts is to be equal to the tax paid on the finished article. But is that so?

Mr. BROWN. I think the Senator makes a good point. Yes, it is true that the article would be worth probably a little more after it has been assembled.

Mr. GREEN. Would it not be worth a great deal more?

Mr. BROWN. I do not know any way we can get at that except by a retailer's tax. The Senator's amendment is 50 percent higher as a manufacturer's tax than was the retail-sales tax proposed by the bill, and that, it was hoped, would take care of the matter. I inquire if the Senator from North Carolina will accept the language I have suggested?

Mr. BAILEY. I have been looking for an opportunity to do so. Will the Senator yield to me?

Mr. BROWN. Yes.

Mr. BARKLEY. Mr. President, will the Senator permit me to read a paragraph from the testimony so that he may comment on it in connection with this amendment?

Mr. BAILEY. If the Senator will allow me to sit down while he reads, I shall be glad to have him read from the testimony.

Mr. BARKLEY. Certainly. This testimony was given before the committee by a jeweler by the name of Niemeyer. In response to a question propounded by the Senator from Wisconsin [Mr. LA FOLLETTE]:

> Senator LA FOLLETTE. Mr. Niemeyer, why has it proven so difficult to collect this tax in this particular industry?
>
> Mr. NIEMEYER. Because the retailer becomes a manufacturer, and the importing situation is very difficult. For example, diamonds are very difficult for any man to identify as taxable goods. An importer's diamond was taxable and a man who did not import a diamond, who got it second-hand, if you please, his diamond was not taxable. You would have a diamond that might be worth $500 in one case, that was taxable, that had a 10-percent tax on it, and a diamond competing with it that was not taxable. It was very difficult for the Internal Revenue Department to put their fingers on the tax obligation and on the value.

That is the substance of the representation made by the Treasury and by this man who is familiar with the jewelry business as the reason why it was difficult to trace the taxable and the nontaxable article or one that had been taxed and one that had not been taxed.

Mr. BAILEY. Mr. President, I should like to make a brief statement and come to a conclusion of this matter. I am accepting the amendment suggested by the junior Senator from Michigan and desire to have it incorporated in my amendment. I ask leave of the Senate to incorporate the language he has suggested in my amendment.

The PRESIDING OFFICER. Without objection, the amendment will be modified as suggested.

Mr. BAILEY. I wish to say a word about this argument. I want to know who levies the taxes in the United States of America. Is it done by the Treasury Department or is it done by the Congress? I have heard enough about "what the Treasury wants." I grow weary with the talk here about "what the Treasury wants." I know what the Treasury wants. It wants all the money in the United States. We are the representatives of the people; we are elected by the people; we are responsible to the people; and I do not intend to let the head of the Treasury Department or the clerks in the Treasury Department assume the prerogatives vested in me, because they cannot assume the responsibility. If they would go to North Carolina and subject themselves to a vote in North Carolina, I would feel better about it.

They are very good people, very respectable people; the Government is a coordinate government, and I am perfectly willing to work with the executive department; but I am not willing to have the executive department of the United States levy taxes. Taxes are levied by the Congress. Revenue bills originate in the House wholly because that is the popular branch of the Congress, according to the Constitution, and the Members of the House are frequently elected, which is for the purpose of emphasizing their responsibility.

If the Treasury Department officials should talk to me for a thousand years they could not convince me that it would not be less expensive to the Treasury to collect the manufacturer's tax than it would be to inspect all the jewelry stores in the United States. I was once a Treasury official; I had to collect "nuisance taxes," as a collector of customs in North Carolina, in the days of Woodrow Wilson,

and I know what it was. The Treasury is saying, "Why, somebody will beat around this tax." Well, somebody is going to "beat around" every tax we levy. The easiest tax on earth to "beat around" is the sales tax, but the Treasury is not saying anything about that.

I am advocating this tax because it delivers the people from a pestiferous nuisance; I am advocating this tax because it will be easy for the Federal Government to collect it and less irritating to the people; I am advocating it on the ground that it will be more economical to collect it. It is said it would be necessary to make the rate 23 percent wholesale to equal 10-percent tax retail. Well, that is a guess. I heard my friend, the senior Senator from South Carolina [Mr. SMITH], say that whenever he went into a jewelry store he felt like lifting his hands in prayer for help. I wish to say to him he ought to be careful with whom he goes into a jewelry store. To take a very pretty lady into such a store is one thing, but to go in by one's self is all right. I will say that in behalf of my friend from South Carolina.

Mr. President, that is all I have to say about it. The chairman of the committee has said that he is perfectly willing for the Senate to pass on the merits of this matter, and I am sure I am. I have the responsibility upon me, as one of the representatives elected by the people. I have the proper respect, I hope, for the clerks, the agents, the deputies, and whoever they may be in the Treasury Department; but I hope that the Members of the Senate will exercise their judgment, because they were elected to do so and they are going to be held accountable. In the day when they give their accounting they will not be able to find anybody in the Treasury Department with a microscope. So I ask for a vote.

The PRESIDING OFFICER. The question is on the amendment of the Senator from North Carolina [Mr. BAILEY], as modified.

The amendment, as modified, was agreed to.

Mr. GUFFEY obtained the floor.

Mr. BARKLEY. Mr. President——

Mr. GUFFEY. I was going to offer an amendment but I yield to the Senator from Kentucky.

Mr. BARKLEY. Mr. President, after consulting with the Senator from Georgia [Mr. GEORGE], in charge of the bill, I wish to advise the Senate that we hope to sit until we have disposed of the tax bill today. There are a few more amendments, more or less technical in nature. I do not know how long we shall take; but I ask the Senate to sit here until we can finish the bill, so that we may adjourn over at least until Monday, if not until Tuesday. Otherwise, we shall have to have a session tomorrow.

Mr. GUFFEY. Mr. President, I send to the desk an amendment which I ask to have stated.

The PRESIDING OFFICER (Mr. HILL in the chair). The amendment offered by the Senator from Pennsylvania will be stated.

The CHIEF CLERK. On page 70, after line 11, it is proposed to insert the following:

(f) Exemption of school entertainments. Section 1701 of the Internal Revenue Code, relating to exemption from admission tax, is amended by inserting at the end thereof the following new subsection:

(d) School entertainments. Any admission to entertainments conducted by public or parochial elementary or high schools.

Mr. GEORGE. Mr. President, there is already some confusion which I think ought to be cleared up in the exemptions from the admissions tax. I shall be pleased to accept this amendment, so that in conference we may be able completely to iron out the whole situation, if that is agreeable.

Mr. GUFFEY. That is agreeable to me.

Mr. BROWN. Mr. President, before action is taken, if the Senator from Georgia will yield to me, let me say that as the situation now is, with the acceptance of the amendment offered by the Senator from Pennsylvania, about the only matter upon which the conferees could not act would be the exemption of entertainments by religious institutions from the imposition of this tax. In other words, section 1701 as it now is would be entirely eliminated, and we would have an exemption of entertainments by parochial and public schools, agricultural fairs, and certain other kinds of entertainments; but the Senator from Georgia and the other Senate conferees would not have any opportunity to act with respect to a matter in which a good many of us have an interest, and that is the exemption on entertainments by religious institutions.

As the Senator recalls, I moved in the Finance Committee to retain the exemption relative to entertainments for purely religious purposes, and it seemed to me that the only way in which the matter could be left in conference would be to eliminate entirely section (d) on page 69 of the bill. By so doing, the entire subject matter would be open for action by the conferees.

Mr. GEORGE. Mr. President, I should not be averse to that. I think the matter should be considered as a whole.

Mr. BROWN. Then, Mr. President, I move——

Mr. GEORGE. Has the other amendment been adopted?

The PRESIDING OFFICER. The amendment offered by the Senator from Pennsylvania [Mr. GUFFEY] has not yet been adopted.

Mr. GEORGE. Let us act on that.

The PRESIDING OFFICER. Without objection, the amendment offered by the Senator from Pennsylvania is agreed to.

The Senator from Michigan now offers an amendment which will be stated.

Mr. BROWN. I move that subsection (d), relating to termination of exemptions of entertainments by charitable or religious institutions, and so forth, lines 14 to 18 of page 69 of the bill, be stricken out.

Mr. GEORGE. I have no objection to that.

The PRESIDING OFFICER. Without objection, the amendment offered by the Senator from Michigan is agreed to.

Mr. BROWN. I hope that when the conferees consider this subject matter they will give due consideration to retaining the exemption as to admissions to purely religious entertainments.

Mr. HAYDEN. Mr. President, late yesterday afternoon the Senate adopted an amendment offered by the Senator from Connecticut [Mr. DANAHER], which was accepted by the committee, which had the effect of repealing a provision in an appropriation bill which I reported to the Senate, and, as the language now stands, clearly leaves a very difficult situation, in that it makes $62,000,000 available for any purpose. I have talked to the Senator from Connecticut and agreed with him and the committee; and I desire to offer an amendment adding certain words at the end of the Danaher amendment, which is at the end of the bill.

The PRESIDING OFFICER. Without objection, the vote whereby the amendment of the Senator from Connecticut [Mr. DANAHER] was agreed to will be reconsidered. The clerk will state the amendment offered by the Senator from Arizona to the Danaher amendment.

The CHIEF CLERK. At the end of the amendment offered by Mr. DANAHER, it is proposed to insert the following words:

Inserting in said act the words "for the purposes described in the last paragraph of the part of this act relating to the Social Security Board."

Mr. HAYDEN. Mr. President, the language to which I refer now reads:

That in case any State employment service is found unable to render adequate service in connection with the fulfillment of this program, this appropriation shall be available, subject to the approval of such Administrator, for maintenance of special employment facilities and services.

The PRESIDING OFFICER. Without objection, the amendment of the Senator from Arizona to the amendment of the Senator from Connecticut is agreed to; and the amendment of the Senator from Connecticut, as modified by the amendment of the Senator from Arizona, is agreed to.

Mr. HAYDEN. Mr. President, I ask leave to insert in the RECORD a memorandum in regard to this matter, so that when it goes to conference it may be thoroughly understood.

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

The memorandum is as follows:

MEMORANDUM FROM THE SOCIAL SECURITY BOARD REGARDING DANAHER AMENDMENT TO PENDING TAX BILL

The actual effect of the Danaher amendment is far from clear since there would still remain in the appropriation bill the following language:

"*Provided further*, That such portion of this appropriation as may be necessary shall be available to the Social Security Board for all necessary expenses incurred by the Board, including personal services in the District of Columbia."

This is very broad language to be used in connection with an appropriation of $62,500,000.

It is highly desirable that the Danaher amendment be eliminated. However, if it is not eliminated, it certainly ought to be clarified.

It is very essential that the original proviso in the appropriation bill be retained in order that the national-defense program shall not be impaired due to the failure of the public employment office system to function properly. The Social Security Board makes grants to the States covering approximately 95 percent of the cost of administering their unemployment-compensation laws, which cost includes expenditures for the maintenance of a public employment office system. The Board has the power to withhold these grants if there is not proper and efficient administration but if it were not for the language contained in its appropriation bill would have no power to operate directly a public employment office system. This creates a very anomalous and serious situation, particularly because of the absolute necessity for the continuing to operate a public employment office system in every single State as a part of a Nation-wide employment service.

Because of a conflict between the Arizona law and the Federal Social Security Act it has been necessary for the Social Security Board to assume the direct operation of public employment offices in that State. The fact that the Social Security Board kept in mind the State interest in the matter is evidenced by the attached letter which the chairman of the Employment Security Commission of Arizona wrote to the executive director of the Social Security Board. Therefore, there is every reason to believe that the Social Security Board in taking any action necessary to expedite the national-defense program would bear in mind the State's interest.

It should be noted Senator DANAHER was mistaken in his statement that the proviso to which he objects was substituted in lieu of the following proviso which was found in the 1941 appropriation bill:

"*Provided*, That in case any State employment service is found unable to render adequate service in connection with the fulfillment of this program, this appropriation shall be available, subject to the approval of such Administrator, for maintenance of special employment facilities and services."

The foregoing language is also contained verbatim in the 1942 appropriation bill. However, inasmuch as the current rate of expenditure of the Board is in excess of $1,500,000, requiring a reduction in its present operations, the authority granted under that section is of no practical use.

JUNE 12, 1941.

Hon. PAT MCCARRAN,
United States Senate,
Washington, D. C.

DEAR SENATOR MCCARRAN: I appreciate very much your willingness to consider the proviso which I discussed with you this morning. I talked with Mr. Smith, as suggested by you, and he asked me to prepare a brief memorandum for him, which I have done. I am enclosing copy of this memorandum for your information.

Sincerely yours,
A. J. ALTMEYER, *Chairman.*

[Enclosure.]

The members of the Office of Production Management, the Federal Security Administrator, the Secretary of Labor, and the Social Security Board concur in the recommendation that there be included in that section of H. R. 4926 making grants to States for unemployment compensation administration, a proviso to the effect that such portion of this appropriation as may be necessary shall be made available to the Social Security Board for the operation of such employment office facilities and services as are essential to expediting the national-defense program.

Inasmuch as the Federal Government already makes grants which cover practically 100 percent of the cost of administration of unemployment compensation through public employment offices, there would be little if any increase in total cost to the Federal Government, but the Federal Government would have the authority to pay salaries of employees and other expenses of operation directly instead of through grants to the States in any cases where that was deemed necessary. This authority is considered necessary in order to make certain that the 1,500 employment offices shall function effectively and expeditiously as a Nation-wide employment service to meet the increasing labor shortages which are affecting the national-defense program.

Somewhat similar language is already contained in that portion of the bill making an appropriation of $1,500,000 to the Social Security Board for the selecting, testing, and placement of defense workers. However, inasmuch as the current rate of expenditure of the Board is in excess of $1,500,000, requiring a reduction in its present operations, the authority granted under that section is of no practical use.

The President has approved of this recommendation as essential to the national-defense program.

EMPLOYMENT SECURITY COMMISSION OF ARIZONA,
Phoenix, Ariz., July 30, 1941.

Mr. OSCAR M. POWELL,
Executive Director, Social Security Board, Washington, D. C.

DEAR MR. POWELL: On behalf of the Employment Security Commission of Arizona, I wish to express to you our genuine appreciation for the cooperative spirit which has prevailed throughout our recent negotiations to find a way in which to continue the operations of this agency, despite the apparently insurmountable obstacles presented by the provisions of recent State legislation.

Your sincere desire to do everything within your power to aid our State in finding a way out of its dilemma has been reflected, without exception, in the actions and representations of the entire staff of the Social Security Board, which has so conscientiously and competently worked out the details of the arrangement under which this commission has been enabled to continue the payment of benefits to the unemployed of Arizona.

It has been the pleasure of the commission members to work directly with Messrs. Lawson, Dillingham, Mangum, Hunter, Arneson, and Collins, and we have nothing but the highest commendation for the manner in which they have carried out and placed into efficient operation an extremely delicate assignment.

You will, I am sure, be pleased to know that Governor Osborn has expressed himself as gratified by the courteous and friendly attitude of those charged with the administration of the Social Security Board, United States Employment Service, and the competence they have already exhibited in the operation of that agency.

With cordial good wishes, I remain,
Sincerely,
DEAN S. SISK, *Chairman.*

Mr. GEORGE. Mr. President, I have a number of amendments to offer, which will not take very long, if I may proceed with them.

Mr. O'MAHONEY. Mr. President, will the Senator yield to me for a moment?

Mr. GEORGE. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. Mr. President, an examination of the motor-vehicle use tax which has just been adopted shows that it places upon the Post Office Department a great deal of extra work. On a previous occasion, when in the adoption of the Social Security Act, or an amendment thereto, similar work was placed upon the Post Office Department, a provision was adopted whereby the Post Office Department could be reimbursed for the necessary expenditures involved by such increased work. I have discussed with the chairman of the Finance Committee an amendment which I shall propose to make this bill uniform with the other.

I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. Does the Senator from Georgia yield for that purpose?

Mr. GEORGE. I yield for that purpose. There is no objection to the amendment.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Wyoming.

The CHIEF CLERK. It is proposed to insert, at the proper place in the bill, the following:

The Secretary of the Treasury is hereby authorized and directed to advance from time to time to the Postmaster General such sums as the Postmaster General may show shall be required for the expenses of the Post Office Department in performing, in the District of Columbia and elsewhere, all services required by this section.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. GEORGE. Mr. President, yesterday when the Senate was considering the admissions tax I think a number of members of the Finance Committee believed that by disagreeing to the Finance Committee amendments they were restoring the action taken in the Finance Committee before the 15-percent rate was agreed upon. The early Finance Committee action was to impose the tax on all admissions but to exempt children when the amount charged was less than 10 cents. As the bill now stands, all admissions of less than 10 cents are exempt.

On page 68, lines 5 to 8, I ask to reconsider the language contained in those lines; and I move to insert in lieu thereof the following language:

A tax of 1 cent for each 10 cents or fraction thereof, the amount paid for admission to any place, including admission by season ticket or subscription.

Second, I move to insert on page 69, line 1, after the period, the following:

No tax shall be imposed on the amount paid for the admission of a child under 12 years of age if the amount paid is less than 10 cents.

And, third, I move to agree to the committee amendment on page 69, lines 1 to 4, inclusive. That will restore the admissions tax as the House had it with the following exception made by the Finance Committee: A tax would be imposed on the first 10 cents, but in the case of children under 12 years of age, there would be no tax where the amount paid was less than 10 cents.

The PRESIDING OFFICER. Without objection, the amendments offered by the Senator from Georgia are agreed to.

Mr. MCFARLAND. Mr. President, I wish to offer an amendment.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 94, it is proposed to strike out lines 21 to 25, in-

clusive, and on page 95, to strike out lines 1 to 4, inclusive, and to insert in lieu thereof the following:

"(b) Beauty parlors, etc.: For the purposes of subsection (a) the sale of any article described in subsection (a) to any person operating a barber shop, beauty parlor, or similar establishment shall be considered a sale at retail; resale by such person shall be subject to tax as a sale at retail, but there shall be credited against the tax payable by such person with respect to such resale the amount of tax paid on the sale to such person.

Mr. GEORGE. Mr. President, the amendment has been considered, and it is not objectionable. It has the effect of considering a sale of cosmetics to local barber shops, so to speak, or beauty parlors, as a retail sale. This is to prevent the annoyance of beauty parlors or barber shops having to keep records to account for this tax.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. Mr. President, I have a number of purely administrative, technical amendments.

The PRESIDING OFFICER. The clerk will state the first amendment.

The CHIEF CLERK. On page 62, line 16, it is proposed to strike out "and brandy" and before the period in line 20, insert: "," and to strike out "(except brandy)."

Mr. GEORGE. That is a technical amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. I offer another amendment.

The PRESIDING OFFICER. The clerk will state the amendment.

Mr. GEORGE. The amendment which the clerk will now read is intended to put the tax on brandy floor stocks at $1.25. This is the difference between the rate of $2.75 under existing law and the $4 rate under the bill.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 63, line 16, after "$1", it is proposed to insert "(except that in the case of brandy, the rate shall be $1.25)."

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. Mr. President, I offer another amendment, which speaks for itself. It is intended to make certain that the general news ticker service is classed as part of the general press.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 80, lines 6, 7, and 8, it is proposed to strike out "news ticker services furnishing a general news service similar to that contained in the public press."

The PRESIDING OFFICER. In order that the amendment may be considered it will be necessary to reconsider the vote by which the committee amendment on page 80 was agreed to. Without objection, the vote by which the amendment on page 80, line 3, was agreed to is reconsidered, and the question is on agreeing to the amendment offered by the Senator from Georgia to the amendment of the committee.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The CHIEF CLERK. On page 81, lines 11 and 12, after the word "press", it is proposed to insert ", or a news ticker service furnishing a general news service similar to that of the public press,".

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. Mr. President, I offer another amendment, which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 101, after line 7, it is proposed to insert:

(d) Credits, and tax free sales of automobile radios: Section 3403 (e), section 3442, section 3443 (a) (1), and section 3444 (a) (1) and (2) of the Internal Revenue Code (relating to tax in case of sale of tires to manufacturers of automobiles, etc., and credit on sale) are amended by striking out "tires or inner tubes" wherever appearing therein and inserting "tires, inner tubes, or automobile radios"; and by striking out "tire or inner tube" wherever appearing therein and inserting "tire, inner tube, or automobile radio."

Mr. GEORGE. Mr. President, under the manufacturers' excise tax title of the Code, when a taxable article is sold for use in the manufacture or production of another taxable article, the first sale is either tax-exempt or a credit or refund is allowed the manufacturer of the second article. The only exception to this is in the case of sales of tires and inner tubes. When they are sold by the manufacturer of tires or tubes to a manufacturer of automobiles the first sale is taxable and on the sale of the automobile, a credit or refund is made on account of the tire or tube to the automobile manufacturer at the rate of tax applicable to automobiles. This is done for the reason that the tire and tube rate (approximately 17½ percent) is higher than the automobile rate. If the sale by the tire manufacturer to the automobile manufacturer were tax-free, the automobile manufacturer would be in effect selling a tire or tube on an automobile which would be taxed at a less rate than the sale of the tire or tube would be taxed if taxed separately.

The proposed amendment makes the same provisions as are applicable in the case of tires and tubes applicable to automobile radios when sold to automobile manufacturers for use in the manufacture of automobiles. The reasons prompting this change are the same as those in case of tires and tubes. Radios are taxed at 15 percent; automobiles at 7 percent. If the sale from radio manufacturer to car manufacturer were tax-free, then when the automobile was sold with the radio in it the rate of tax borne by the radio would be only 7 percent. This amendment proposes to collect that 8-percent difference in tax.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. I submit another amendment, and before it is stated from the desk, I should like to make a statement.

This amendment is designed first to prevent the distribution of taxable stock dividends out of pre-1941 accumulated earnings and profits from constituting new capital solely because of subsequent operating losses or because of subsequently accumulated but undistributed earnings and profits, and, second, to prevent money or property paid in from constituting new capital if such money or property merely takes the place of pre-1941 accumulated earnings and profits previously distributed after the beginning of the first taxable year which begins after December 31, 1940.

It will be remembered that a liberalizing provision has been made in the bill allowing a credit to those corporations operating on the invested capital basis of $1.25 for each dollar of new capital invested. This is an amendment which is made necessary in order to safeguard and protect the Treasury.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 47, line 13, it is proposed to strike out the quotation marks, and, after line 13, to insert:

(F) Reduction on account of distributions out of pre-1941 accumulated earnings and profits: The new capital for any day of the taxable year, computed without the application of subparagraph (E), shall be reduced by the amount which, after the beginning of the first taxable year which begins after December 31, 1940, has been distributed out of earnings and profits accumulated prior to the beginning of such first taxable year.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. Mr. President, I offer another amendment, which merely strikes out lines 3 to 5, on page 93, which is made proper by the adoption a few moments ago of another amendment.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. It is proposed to strike out lines 3 to 5 on page 93, as follows:

(b) Exemption if article taxable as jewelry: No tax shall be imposed under this section on any article taxable under section 2400 (relating to jewelry tax).

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. Mr. President, I next offer a series of amendments, which I will explain, and I ask that the reading of the amendments be dispensed with.

The effective date of the excise taxes has been changed from so many days after the effective date of the act to a definite date.

The PRESIDING OFFICER. Without objection, the reading of the amendments is dispensed with, and, without objection, the amendments will be printed in the RECORD as considered and as agreed to.

The amendments referred to are as follows:

Page 83, lines 2 and 3, in lieu of the matter proposed to be inserted by the committee amendment, insert "October 1, 1941."

Page 83, lines 11, 12, and 13, strike out "the first day of the first month which begins more than 10 days after the date of the enactment of this act" and insert "October 1, 1941."

Page 83, line 18, strike out "the effective date of this part" and insert "October 1, 1941."

Page 84, line 3, strike out "the effective date of" and strike out lines 4, 5, and 6 and insert "October 1, 1941, and the provisions of such subsection before its amendment by section 548 shall be applicable with respect to the period before October 1, 1941."

Page 84, lines 11 and 12, strike out "the expiration of 5 days after the effective date of this part" and insert "October 5, 1941."

Page 84, line 16, strike out "such effective dates" and insert "October 6, 1941."

Page 84, line 18, strike out "such effective date" and insert "October 6, 1941."

Page 93, lines 7 and 8, strike out "the effective date of part V of title V of the Revenue Act of 1941" and insert "October 1, 1941."

Page 97, lines 5 and 6, in lieu of the matter proposed to be inserted by the committee amendment insert "October 1, 1941."

Page 99, lines 11 and 12, strike out "the effective date of part V of title V of the Revenue Act of 1941" and insert "October 1, 1941."

Page 99, line 16, strike out "the effective date of this part" and insert "October 1, 1941."

Page 101, lines 17, 18, and 19, strike out "the effective date of part V of title V of the Revenue Act of 1941" and insert "October 1, 1941."

Page 106, lines 6 and 7, strike out "the effective date of part V of title V of the Revenue Act of 1941" and insert "October 1, 1941."

Page 106, lines 24 and 25, strike out "the effective date of part V of title V of the Revenue Act of 1941" and insert "October 1, 1941."

Page 113, lines 16, 17, and 18, strike out "the first day of the first month which begins more than 10 days after the date of the enactment of this act" and insert "October 1, 1941."

Mr. GEORGE. Mr. President, I desire to offer one amendment which is not a committee amendment. I wish to be entirely fair with the Senate about it. I wish the Senate to know what I am offering. It will be recalled that in the 1940 Excess-Profits Tax Act we provided for the amortization of new plants and facilities. Among the provisions was one requiring, first, a certificate of necessity, and then a nonreimbursement certificate. That was provided in section 124 (i) of the present Internal Revenue Code; and I am offering this amendment for the purpose of simplifying a condition which has become tremendously confused. Many certificates of necessity have been issued, but those who have gone ahead and made additions to their plants have not been able to secure the second certificate. The Army, Navy, and other interested agencies of Government have been trying to agree on some amendment which would simplify the situation and remove the confusion, but they have not been able to reach an agreement. I wish to offer this amendment so as to leave the matter open for consideration in conference.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. LA FOLLETTE. I wish to plead with the Senator not to offer that amendment. We had the matter up in the committee, as the Senator will remember. As the Senator states, it is in disagreement. It involves a very important question, and we acted in committee to postpone the consideration of this matter until there could be opportunity for hearings, and a chance for the committee and the Senate and the House to understand just what is involved. I plead with the Senator not to press the amendment at this time because it deals with a very important subject. It involves the question of the amortization of hundreds of millions of dollars worth of plants which have been constructed, and I believe that it would be very unfortunate if this action should be taken before there has been an opportunity at least for the committee to go into the question, and to understand exactly what is being done.

Mr. GEORGE. Mr. President, my whole purpose was to have the matter open in conference so that if an agreement were reached——

Mr. LA FOLLETTE. Mr. President, with all due respect to the conference committee—and I have great respect for both the House conferees and the Senate conferees—this amendment involves a matter of public policy which, it seems to me, should not be legislated upon in conference. I plead with the Senator from Georgia not to press that amendment, and to let the matter take its due course when it shall have been properly considered by the Congress, because literally hundreds of millions of dollars have been poured out of the Treasury in the construction of plants, and the whole subject matter is very important from the standpoint of public policy. We threshed the matter out, as the Senator remembers, last year, and now the various agencies administering the law are unable to agree, and that very disagreement, it seems to me, is an indication that there should be full congressional consideration. With all due respect to the members of the conference committee, I suggest that it is a matter of legislation which ought not to be handled in conference exclusively.

Mr. GEORGE. Mr. President, in deference to the Senator's request—he is, of course, one of the useful members of the Finance Committee of the Senate—I will not press the amendment, but he must realize that there is a necessity for clearing up this situation.

Mr. LA FOLLETTE. I agree with the Senator from Georgia.

Mr. GEORGE. Innumerable persons have been asked to invest in new enterprises. They have been given immediately a certificate of necessity, and have gone ahead, but thereafter have been wholly unable to get the second certificate of nonreimbursement, because it is actually impossible for the authorities to issue such a certificate intelligently, and entirely truthfully, in my judgment.

Mr. LA FOLLETTE. I agree with the Senator that the situation should be cleared up, and I shall not put any stone in the way of clearing it up, but because of the importance of the matter I believe it ought to go through the regular legislative channels.

Mr. GEORGE. I will not press the amendment, Mr. President.

The PRESIDING OFFICER (Mr. HILL in the chair). The amendment referred to by the Senator from Georgia is withdrawn.

Mr. GEORGE. Yes; that amendment is withdrawn.

Mr. LEE. Mr. President, I move that the Senate reconsider the vote by which the amendment to protect farm commodities, offered by the Senator from Nebraska [Mr. BUTLER] on behalf of himself and the Senator from Alabama [Mr. BANKHEAD] and the Senator from Mississippi [Mr. EASTLAND] was rejected, and on that motion I ask for the yeas and nays.

The PRESIDING OFFICER. The Senator from Oklahoma [Mr. LEE] moves that the Senate reconsider the vote by which the amendment offered by the Senator from Nebraska [Mr. BUTLER] for himself, the Senator from Alabama [Mr. BANKHEAD], and the Senator from Mississippi [Mr. EASTLAND], was rejected.

Mr. BARKLEY. Mr. President, I have no intention of moving that the motion be tabled, because I am perfectly willing to have the Senate pass on the motion to reconsider, but I hope that it will not be adopted for the reason stated by the Senator from Georgia [Mr. GEORGE] when the amendment was before the Senate awhile ago. After full discussion, the Senate voted upon the amendment, and while the vote was close, the amendment was defeated.

I think it is obvious to every Senator that this amendment really ought not to be put into a tax bill. The House has served notice on us that they will not agree to tariff amendments, and I think we might take it for granted in advance that this amendment would have to go out because the House of Representatives, and its Ways and Means Committee, and uniformly its conferees, have held and taken the position, with some justification, that the House is the tax-originating body of the Congress under the Constitution, and that a tariff bill particularly is within the exclusive province of the House of Representatives to originate.

An amendment such as this, offered on the floor, without the consideration of the committee, gives no one an opportunity to be heard. We postponed today an important amendment adopted by the committee, very largely because it was claimed that no hearing was given to those interested in that amendment. I think that, on the whole, was a wise action on the part of the Finance Committee and the Senate.

Mr. President, no one knows the effect the amendment in question would have if it were adopted, upon our defense program, upon the industries which depend upon the things in question to turn out materials for our defense program. Senators have gone on record on the question already, and, in view of the fact that even if it were put in the bill on the floor unanimously it could not remain in

the bill because of the historic attitude of the House on the subject of putting tariff legislation on a tax bill, I hope the motion of the Senator from Oklahoma will be rejected.

I express that hope for another reason. If we are to open up the bill on the floor, without hearings, and without any investigation, to an amendment proposed at the last minute because it happened to deal with a tariff on something in which someone is particularly interested, we certainly ought to have given an opportunity for anybody else who had a tariff amendment to offer, to offer it and to have it considered by the committee which deals with that subject.

Mr. President, I realize that the Senator from Oklahoma voted against the amendment. He has the right to make the motion, and I am not complaining about that at all. It is entirely proper for any Senator who voted on the prevailing side to move a reconsideration of the vote. However, in view of the certainty that it cannot be retained in the bill finally, and in view of the fact that a vote has already been had upon it, I believe that the Senate should not reconsider the vote.

Mr. LEE. Mr. President, I think 2 years ago the Senator from Texas [Mr. CONNALLY] was the author of such an amendment. We have debated the proposal today. I do not propose to continue the debate. I know what is involved in the amendment, and have fought for it all along.

I ask for the yeas and nays on my motion.

The yeas and nays were ordered.

Mr. RUSSELL. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. RUSSELL. As I understand, the question is on the reconsideration of the amendment of the Senator from Nebraska.

The PRESIDING OFFICER. The question is on the motion of the Senator from Oklahoma [Mr. LEE] to reconsider the vote by which the amendment offered by the Senator from Nebraska [Mr. BUTLER] on behalf of himself, the Senator from Alabama [Mr. BANKHEAD] and the Senator from Mississippi [Mr. EASTLAND] was rejected. Those who favor reconsideration of the question should vote "yea." Those who oppose reconsideration should vote "nay."

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

The PRESIDING OFFICER. The clerk will call the roll.

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

Adams	Byrd	Hayden
Andrews	Capper	Herring
Austin	Caraway	Hill
Bailey	Clark, Mo.	Holman
Bankhead	Connally	Hughes
Barbour	Danaher	Johnson, Colo.
Barkley	Downey	Kilgore
Bilbo	Eastland	La Follette
Brewster	Ellender	Langer
Brooks	George	Lee
Brown	Gerry	Lodge
Bulow	Gillette	Lucas
Bunker	Green	McCarran
Burton	Guffey	McFarland
Butler	Hatch	McNary
Maloney	Rosier	Tydings
Mead	Russell	Vandenberg
Nye	Schwartz	Van Nuys
O'Daniel	Smith	Wallgren
O'Mahoney	Thomas, Utah	Walsh
Overton	Tobey	Wiley
Peace	Truman	
Radcliffe	Tunnell	

The PRESIDING OFFICER. Sixty-seven Senators have answered to their names. A quorum is present.

Mr. RUSSELL. Mr. President, I shall not detain the Senate by any discussion of the amendment. Unfortunately, I was called out of the Chamber a few moments before the vote was taken when the question was first presented and did not have an opportunity to vote.

However, I was impressed by the statement of the majority leader that, without regard to the merits of the amendment, the Senate should vote it down because of the fact that the House would not accept it. I do not think that that is a cogent argument against this amendment or any other amendment. It may be that the House arrogates to itself the right to fix tariff schedules; but certainly the Senate, as a coordinate branch of the Government, has the right, when a tax bill comes to the Senate from the House, to offer, to support, and to send back to the House for consideration any amendment it sees fit relating to taxation, whether it be by way of tariff or otherwise. The fact that some Member of the coordinate branch of the Congress may have served notice that he will not accept any tariff amendment from the Senate is no reason for voting against this proposal.

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

Mr. RUSSELL. I yield.

Mr. BARKLEY. I was merely reiterating one of the very strong arguments made by the Senator's colleague [Mr. GEORGE] when the amendment was before the Senate on its merits.

Mr. RUSSELL. When the Senator from Kentucky refers to my colleague he quotes a very much better authority than he usually does. Nevertheless, I cannot agree with him.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Oklahoma [Mr. LEE] to reconsider the vote by which the amendment offered by the Senator from Nebraska [Mr. BUTLER] for himself, the Senator from Alabama [Mr. BANKHEAD], and the Senator from Mississippi [Mr. EASTLAND] was rejected. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HAYDEN (when his name was called). Making the same announcement as before with respect to my pair, I withhold my vote.

Mr. HOLMAN (when his name was called). Making the same explanation of my pair and its transfer which I made on the original vote, I will vote. I vote "yea."

Mr. McNARY (when his name was called). I have a pair with the senior Senator from Tennessee [Mr. MCKELLAR]. If he were present he would vote "nay." If I were at liberty to vote I should vote "yea."

Mr. NYE (when his name was called). On this question I have a pair with the senior Senator from New Jersey [Mr. SMATHERS]. If I were at liberty to vote I should vote "yea." I understand that if the Senator from New Jersey were present he would vote "nay."

Mr. THOMAS of Utah (when his name was called). I have a general pair with the Senator from New Hampshire [Mr. BRIDGES]. I transfer that pair to the Senator from Iowa [Mr. HERRING] and will vote. I vote "nay."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Washington [Mr. BONE], the Senator from Virginia [Mr. GLASS], the Senator from North Carolina [Mr. REYNOLDS], and the Senator from New York [Mr. WAGNER] are absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is absent on a defense-inspection tour.

The Senator from Idaho [Mr. CLARK], the Senator from Iowa [Mr. HERRING], the Senator from New Jersey [Mr. SMATHERS], and the Senator from Arkansas [Mr. SPENCER] are detained on business in various Government departments.

The Senator from New Mexico [Mr. CHAVEZ], the Senators from Tennessee [Mr. MCKELLAR and Mr. STEWART], the Senator from Utah [Mr. MURDOCK], the Senator from Florida [Mr. PEPPER], the Senator from Oklahoma [Mr. THOMAS], the Senator from Washington [Mr. WALLGREN], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

Mr. AUSTIN. The Senator from Pennsylvania [Mr. DAVIS] is absent on official business. He has a general pair with the Senator from Kentucky [Mr. CHANDLER].

My colleague the Senator from Vermont [Mr. AIKEN] is paired on this question with the Senator from New York [Mr. WAGNER]. If present my colleague would vote "yea." He is absent attending a funeral.

The Senator from Indiana [Mr. WILLIS] has a general pair with the Senator from New Mexico [Mr. CHAVEZ].

The Senator from Kansas [Mr. REED] has a general pair with the Senator from North Carolina [Mr. REYNOLDS].

The result was announced—yeas 30, nays 33, as follows:

YEAS—30

Andrews	Caraway	Lee
Austin	Connally	McCarran
Bankhead	Downey	McFarland
Bilbo	Eastland	O'Daniel
Brewster	Ellender	Overton
Brooks	Hill	Peace
Bunker	Holman	Rosier
Burton	Johnson, Colo.	Russell
Butler	Kilgore	Smith
Capper	Langer	Wiley

NAYS—33

Adams	Gillette	O'Mahoney
Bailey	Green	Radcliffe
Barbour	Guffey	Schwartz
Barkley	Hatch	Thomas, Utah
Brown	Hughes	Tobey
Bulow	La Follette	Truman
Byrd	Lodge	Tunnell
Clark, Mo.	Lucas	Tydings
Danaher	Maloney	Vandenberg
George	Mead	Van Nuys
Gerry	Murray	Walsh

NOT VOTING—33

Aiken	Herring	Smathers
Ball	Johnson, Calif.	Spencer
Bone	McKellar	Stewart
Bridges	McNary	Taft
Chandler	Murdock	Thomas, Idaho
Chavez	Norris	Thomas, Okla.
Clark, Idaho	Nye	Wagner
Davis	Pepper	Wallgren
Glass	Reed	Wheeler
Gurney	Reynolds	White
Hayden	Shipstead	Willis

So Mr. LEE's motion to reconsider was rejected.

Mr. TYDINGS. Mr. President, I send to the desk the amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Maryland will be stated.

The CHIEF CLERK. At the proper place, it is proposed to insert:

Section 533 is amended by adding the following:

(e) Section 2800 of the Internal Revenue Code is amended by adding at the end thereof a new subsection lettered (j) reading as follows:

"(j) The Commissioner shall, upon the filing of a claim therefor, make refund of the distilled spirits tax, imposed by section (a) (1) hereof, at the rate of $1 per proof gallon, to any person who subsequent to the effective date hereof has used distilled spirits, produced in a domestic registered distillery or industrial alcohol plant, in the manufacture or production of an article intended for use for nonbeverage purposes, upon proof by him to the satisfaction of the Commissioner that such distilled spirits (1) were produced in a domestic registered distillery or industrial alcohol plant; (2) were fully tax-paid; (3) were used by him in the manufacture or production of an article intended by him for use for nonbeverage purposes and such article was sold by him for such purposes; and (4) that he has not shifted to others to any extent the burden of that portion of the tax included in such claim for refund. Such claim shall be filed with the Commissioner within 90 days from the date the applicant sells the product for nonbeverage purposes.

"The Commissioner, with the approval of the Secretary, is authorized to make such rules and regulations as may be necessary to carry out the provisions of this subsection."

Mr. TYDINGS. Mr. President, a brief explanation of the amendment is that it is intended to put the increase in tax on products using industrial alcohol which are food products or medicinal products. That is all there is to the amendment.

The Finance Committee, I believe, was inclined to adopt the amendment when it was considered there, but the Treasury Department pointed out that it would be a difficult amendment to administer.

Under the amendment as drawn the tax would be paid, and then the taxpayer would be permitted to file an application for refund if he were able to demonstrate that the alcohol was used either in a food or in a medicinal product.

I have taken up the amendment with the chairman of the committee, have worked it out with the tax experts, and I feel that the amendment has merit, aside from their approval.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. TYDINGS. I will yield in a moment. Let me point out first that if a man were to buy $1,254 worth of alcohol the present tax on it would be $21,000. I hold in my hand an invoice showing that such a tax has already been paid.

What I am pointing out is that part of the alcohol used for food products or medicinal products should not be subjected to additional tax, but let the present tax, which Heaven knows, is high enough, stand.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Maryland.

The amendment was agreed to.

Mr. BROOKS. Mr. President, I was unavoidably absent when the amendment with reference to local telephone service was agreed to. I ask unanimous consent that the vote by which the amendment was agreed to be reconsidered.

The PRESIDING OFFICER. The Senator from Illinois asks unanimous consent that the vote by which the amendment with reference to local telephone calls was agreed to be reconsidered. Without objection, the vote is reconsidered.

Mr. BROOKS. Mr. President, I desire to point out briefly that in the State of Illinois alone there are between 900 and 1,000 local independent telephone offices, and I have been beseiged by representatives of a great number of them who ask that we reject the Finance Committee amendment and leave the 5-percent tax imposed by the House. The House imposed a tax of 5 percent on all local calls. The Senate increased it to 10 percent.

These men tell me they are having great difficulty and for a number of years have had great difficulty in holding their subscribers. Their companies are not commercial, in the sense the larger companies are, and they ask that the tax of 5 percent be allowed to stand and that the increase of 5 percent on purely local telephone service be rejected.

I respectfully submit that that should be done by the Senate.

Mr. LODGE. Mr. President, I desire to make a brief statement of my position on the bill as a whole. In common with many Members of the Senate, I cannot give enthusiastic support to the pending measure as a fair, equitable, and just tax act.

The senior Senator from my own State sums up its major defects with these words:

Its revenue yields are insufficient.

It affords no protection against inevitable inflation.

It does not prevent excess profits from direct Government contracts.

The burden of this bill should not be imposed until substantial economies which can admittedly be effected are compelled.

With all this I heartily concur.

In addition, I object decidedly to the encroachment of the Federal Government on the tax resources of the State field, such as the automobile and the gasoline taxes.

I object to the continuous indirect and direct excises and levies on those people who are least able to pay.

I had hoped that governmental policies and taxation could be so conducted that a simple formula might have been designed on a just basis. With this bill, with our tremendous debt, with priorities in materials, and a bureaucratic control of normal business, I fear for the result in the future.

Despite its weaknesses and its faults, I shall vote for its passage solely on the practical basis that the Nation needs the revenue.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mr. GEORGE. Mr. President, I hope the proposal of the Senator from Illinois will not be accepted by the Senate. The Senate increased the tax on local telephone bills from 5 to 10 percent. The House placed the tax at 5 percent. Therefore, the whole question is in conference, and if there has been any lack of consideration given to it there will be an opportunity in conference to correct it. The Finance Committee increased the House rates and rearranged the section dealing with telephone and telegraph rates, and in line with the policy adopted by the Finance Committee this particular tax was increased. It does not raise a great deal of revenue, but involved in it, as I am advised, is around $5,000,000. Since there will be an opportunity in conference to correct any actual inequity in the matter, I hope the proposal of the Senator from Illinois will not be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. WALSH. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Massachusetts will be stated.

The CHIEF CLERK. On page 123, after line 18, or other appropriate place, it is proposed to insert the following new section:

Amendment to act suspending profit-limiting provisions of Vinson Act.

Section 401 of the Second Revenue Act of 1940 is amended by adding at the end thereof the following new section: "For the purposes of this section a contract or subcontract shall be deemed to be completed on the date on which final delivery and acceptance of the vessel or other article specified therein is made."

Mr. WALSH. Mr. President, the chairman of the Finance Committee and I have conferred in reference to this amendment, and I believe no objection will be offered to it.

Briefly stated, the amendment relates to the act of last year suspending the profit-limiting provisions of the Vinson Act.

There are three alternative positions that can be taken in reference to determining when a contract for a vessel is completed.

The first position that can be taken is when the vessel is turned over to naval officials, uncompleted, for inspection and test.

The second is when the completed vessel is thereafter delivered to the Navy and formally accepted by the Navy. That is what this amendment does. It

fixes completion as the time when the vessel is delivered to the Navy and formally accepted by the Navy.

The third method, which is not involved in this amendment, is when final payment is made.

This amendment seeks to define the word "completed" in the manner named.

Mr. GEORGE. Mr. President, I hardly believe this amendment to be necessary; but I have agreed with the Senator from Massachusetts that a contract certainly cannot be considered as completed as long as some part of the work which the contract requires remains to be done. I think the amendment might well be accepted, so that that question will be settled.

The PRESIDING OFFICER. Without objection, the amendment offered by the Senator from Massachusetts is agreed to.

Mr. GEORGE. Mr. President, I wish to have inserted in the RECORD a brief statement with reference to the majority report made upon this bill by the Finance Committee.

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

The statement is as follows:

STATEMENT BY SENATOR GEORGE

Certain figures in the last two paragraphs on page 41 of the Report of the Committee on Finance on the revenue bill of 1941 are erroneous.

It is desired to substitute for these two paragraphs the following:

"If the accumulated earnings and profits of corporation Y as of January 1, 1942, are reduced to zero due to the stock dividend distribution of $5,000 made on January 2, 1941, and an operating deficit of $5,000 during the taxable year 1941, the new capital includible in equity invested capital as of January 1, 1942, would remain at $5,000 under the application of subparagraph (E), as shown by the following computation:

"New capital as of January 1, 1942, before application of subparagraph (E), $20,000, shall not be more than the excess of $45,000 (total capital on January 1, 1942, before adding 25 percent under section 718 (a) (6)) over $45,000 (total capital on January 1, 1941) less $5,000 (amount by which the accumulated earnings and profits as of January 1, 1941, exceed the accumulated earnings and profits (computed without regard to distributions) as of January 1, 1942), or the new capital cannot exceed $45,000 minus $40,000 ($45,000 minus $5,000), or $5,000."

Mr. GEORGE. Mr. President, I further ask unanimous consent—I think I might as well do it at this time—that in the engrossment of the bill the Secretary of the Senate be authorized to make such changes in section, subsection, and paragraph numbers and letters and cross-references thereto as may be necessary for the proper numbering and lettering of such provisions, and to make such changes in the table of contents of the bill as may be necessary to make it conform to the section headings of the bill.

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

Mr. BAILEY. Mr. President, I send to the desk an amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from North Carolina will be stated.

The CHIEF CLERK. It is proposed to insert, at the appropriate place in the bill, the following:

SEC. 705. Amendment to section 812, Internal Revenue Code.

(a) Subsection (d) of section 812 of the Internal Revenue Code, relating to the deduction for charitable, etc., bequests, is amended by adding the following new sentence:

"The amount deductible under this subsection shall include any amount falling into a devise or bequest to or for any of the designated objects and uses, as the result of a renunciation or disclaimer of a devise, bequest, or legacy by another beneficiary under the will or a codicil thereto."

(b) The amendment made by subsection (a) of this section shall be applicable, irrespective of whether the decedent died before or after the date of enactment of this act.

Mr. BAILEY. Mr. President, the amendment is technical in character. Its purpose is clarification. I think it squares with the law as it is. I have submitted it to the chairman of the Finance Committee of the Senate, and have said to him that I would not press for it unless it were agreeable to him. I wish it to go in the bill for the purposes of conference. If it needs any changes, the changes can be made there; but the effect of the amendment is this:

The Senator from Georgia will recall our recent conversation about a question which was presented to me. The question is whether there is any possibility of an interpretation of section 812 (d) of the Internal Revenue Code to the effect that the deduction for charitable bequests excludes property passing under a residuary bequest to charity where a specific bequest of the same property has been renounced. For example, a will may provide for a specific bequest to a designated beneficiary, the residue to go to charity. The designated beneficiary renounces the bequest, it thereupon falls into the residuary bequest to charity, and, as a result, the amount actually going to charity under the will is increased.

I have examined the present law myself and am convinced that section 812 (d) is applicable to the entire amount passing to charity. At the same time, it may be well to have the statute clarified and to provide specifically for this situation. Accordingly, I have offered an appropriate clarifying amendment, interpreting the present law. I urge the chairman of the Committee on Finance to accept it.

I shall be glad to hear from the chairman of the committee in regard to this matter.

Mr. GEORGE. I will repeat to the Senator from North Carolina that I see no necessity for the amendment. It seems clear that the situation he has described is adequately covered by the present law and that the entire amount of the funds ultimately going to charity under the will falls within the deduction under section 812 (d). Since I have not had an opportunity to examine the matter fully, however, I think we should accept the amendment so that we can study the problem further. If we become satisfied that the amendment is not necessary, the amendment can be rejected in conference. However, if further study indicates that there is a possible ambiguity in the statute, I shall urge the acceptance of the amendment in order to eliminate all possibility of a contrary position. Whether the decedent died before or after the adoption of the amendment, there should be no doubt as to the complete deduction under the present law. The donor to the charity is in fact the giver of the legacy to the charity.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina [Mr. BAILEY].

The amendment was agreed to.

Mr. BAILEY. Mr. President, I offer another amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from North Carolina will be stated.

The CHIEF CLERK. At the appropriate place in the bill it is proposed to insert the following:

SEC. —. Nonrecognition of gain in certain debt settlements.

Section 111 (c) of the Internal Revenue Code is amended by adding at the end thereof the following:

"In the case of any agreement between debtor and creditor under which property (other than money) is transferred or surrendered by the debtor to the creditor in satisfaction of the debtor's obligation, no gain shall be recognized to the creditor under this chapter or any prior revenue act. Wherever the preceding sentence is applicable to prevent the recognition of gain, the basis of such property in the hands of the creditor shall be the same as the basis in the creditor's hands of the obligation so satisfied."

Mr. BAILEY. Mr. President, this amendment also is technical. I have submitted it to the chairman of the Committee on Finance, and have stated to him that I would not press if he thought it were improper. What I wish is to get it to conference in order that it may be considered there. The purpose of it is to permit the payment of a debt in property—to be sure, not property more than the debt, but property reasonably adjusted to the debt. If I am a debtor, and somebody pays me in property, I really make no gain.

That is the effect of the amendment. I shall be glad if the chairman of the Finance Committee will comment on the matter.

Mr. LA FOLLETTE. Mr. President, I do not desire to interpose against the statement of the chairman of the committee, but I should like to make a general statement at this stage of the proceedings.

There are hundreds, if not thousands, of technical amendments to the tax structure, many of which have considerable merit. When the bill was under consideration in the Ways and Means Committee, that committee took the position that they would not consider, no matter what their merit might be, any administrative amendments which did not bear directly upon the substantive changes contemplated by the bill under consideration.

When the measure came to the Senate, the Committee on Finance, having been advised of the position taken by the

Ways and Means Committee, and realizing full well that the conferees on the part of the House would be very reluctant to consider any administrative changes which they had not had under consideration, adopted a resolution to the effect that the Finance Committee would follow the same rule.

Whether that was right or wrong, that is the position the Finance Committee took. I had many matters brought to my attention which I thought had great merit, but I did not bring them before the Finance Committee because I presumed that the policy of the committee would be to adhere to that position. For instance, the matter suggested by the able Senator from Colorado, upon which I think there is unanimous agreement that action should be taken, was brought by me to the attention of the committee. The staff of the Joint Committee on Internal Revenue Taxation, and, so far as I know, every member of the Committee on Finance, believed that that was a sound proposition, and that something should be done about it, but we deferred that, along with hundreds of other technical amendments, until such time as the technical amendment bill could be taken up for consideration.

I should be the last to object to the Senate considering any proposition it desired to consider, but I wish to clear my own skirts, because, as I have said, many propositions were brought to my attention which I thought had great merit, and had I known that the committee was going to adopt the rule to which I have referred only in order to violate it when the bill reached the floor, I should have insisted that there be consideration of the matters which I felt had merit.

I wish to say that, while I am not inveighing against the amendment offered by the very able Senator from North Carolina, so far as its merit is concerned, if at this late stage of the proceedings we are to enter upon the business of revising the administrative matters which need attention in the revenue structure, we might just as well forget passage of the bill this week or next week, or this month or next month, because there will be many hundreds of amendments which are as meritorious as any which have thus far been considered in violation of the policy adopted by the committee.

Mr. BAILEY. Mr. President, I should like to have a statement from the chairman of the Committee on Finance, especially in view of the protest, very respectful, to which I do not object. But I did not think we were placed in such a position that we could not offer amendments of the type of that I have offered, and I did not offer this amendment until I had shown it to the chairman of the Committee on Finance.

Mr. GEORGE. Mr. President, the committee did at an early date in the hearings decide that it would not take up purely administrative or technical amendments which did not relate directly to some change which had been made in relation to the bill.

In some instances an administrative amendment such as the one offered a little while ago by the Senator from North Carolina seemed to me to be an amendment of substance, and not purely administrative. The amendment now offered has some of the same characteristics. I have tried to be consistent in not offering administrative amendments. I did not have any success in dissuading the able Senator from Colorado, because he offered his amendment anyway, and it was finally accepted. I did try to dissuade him as well as I could. I believe that under the circumstances it would be better for the Senator from North Carolina not to press his amendment.

Mr. BAILEY. Mr. President, agreeable to the statement with which I began, I shall readily withdraw the amendment, in accordance with the suggestion of the chairman of the Committee on Finance.

Mr. ADAMS. Mr. President, there are many of us who have not had the privilege of attending the sessions of the Committee on Finance, not being members, though very much interested in sound fiscal legislation. I do not feel that we are trespassing upon the proprieties if an amendment is offered which is conceived to be a meritorious amendment, even though it should be of a type which the committee itself thought they would not offer. I think that the amendment I offered was entirely wise. More than that, I think it is almost necessary. I do not believe that amendments from the floor on the part of those who have not had the opportunity of participating in the committee deliberations should be blacklisted because of some rule which the committee made for its own regulation.

Mr. LA FOLLETTE. Mr. President, I am certain there was nothing in anything I said which would justify the remarks just made by the Senator from Colorado. I wish to say that the action of the Senate in accepting the administrative amendments certainly places members of the Finance Committee, in view of the action taken by the committee, in a very anomalous position, because the committee once having decided that it would not consider this type of amendment, it became necessary for many members of the Committee on Finance to inform persons who came forward with perfectly legitimate, sound amendments, that the committee had decided that they would not give them any consideration in view of the action of the House, and in view of the fact that there was to be another bill which would deal exclusively with administrative changes.

I simply desired to state, for the information of the Senate, why it was that the Committee on Finance did not consider such amendments, no matter how meritorious they may have been, in order that those whom, as an individual, I had informed that the committee would not give any consideration to these amendments, might understand that the Senate had reversed the committee. The Senate always has the right to do that, because, of course, a committee is only the creature of the body which creates it, in this case the Senate itself.

Mr. GEORGE. Mr. President, I think that, generally speaking, it will be found on scrutiny of the bill that we have adhered to this general policy. I can fully appreciate the desire of many Members of the Senate to offer amendments. Several have been suggested to me which I should like to offer, but I am withholding them. They are administrative in character, and since we are promised another bill very shortly in which such amendments to the law may be made, I think it well not to open the gate any wider.

There is one other amendment which I have to offer, in view of the action taken by the Senate in imposing a manufacturer's sales tax upon jewelry. It becomes proper to impose a floor-stock tax upon jewelry.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. It is proposed to insert at the proper place the following:

Upon articles subject to tax under this paragraph which, on October 1, 1941, are held for sale by any person there shall be levied, assessed, collected, and paid a floor-stocks tax at the rate of 15 percent of the price for which such articles are sold, in the ordinary course of trade, by manufacturers or producers thereof, as determined by the Commissioner.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment, the question is on the engrossment of the amendments and the third reading of the bill.

Mr. LA FOLLETTE. Mr. President, I do not wish to offer any further amendment, but I find myself in such a position that I cannot support this bill, and, therefore, although I would naturally be afforded a position on the conference committee, being of such rank in the minority representation on the Finance Committee, I beg to be relieved of such duty, since I cannot support the bill, nor can I support the amendments adopted by the majority of the committee and the amendments adopted by the Senate. In justification for this extraordinary position which I take, I ask unanimous consent that the individual minority views which I filed on the bill be printed in the RECORD at this point in body type as a part of my remarks.

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

The individual minority views of Mr. LA FOLLETTE (pt. 3, Rept. 673) are as follows:

PART I. INTRODUCTION

The pending revenue bill as reported to the Senate is a vicious assault on the rank-and-file taxpayer. It is inadequate, inequitable, and, in my opinion, indefensible. It conforms to no standards of justice or fairness. It "soaks" the poor while confirming, protecting, and entrenching the corporate wealth and power engendered by the defense program. It levies the major share of the costs of "all-out" defense on those who have the least property to protect and those who have the least ability to pay.

The bill is a hodge-podge of inconsistencies, with no underlying principle of taxation whatsoever, except that like many previous tax bills, it "plucks the goose that squawks the least." Unfor-

tunately, the small individual taxpayer who will dig deep into his pockets to pay these bills has not made himself heard.

TAX YIELD INADEQUATE

Although the committee tax bill is the largest in our history, it is no answer to the present urgent fiscal situation. The $3,600,000,000 are hopelessly inadequate in the face of a fifty- or sixty-billion-dollar defense program, a $49,000,000,000 national debt, and a probable deficit this fiscal year, over and above this tax bill, of more than $10,000,000,000.

The proposed patchwork on the present faulty tax structure and the hiking of present rates are not a solution to the Government fiscal problems. It is not commonly appreciated that defense spending has created an extraordinary situation which must be met by extraordinary taxation not only as to degree of taxation but also as to kind of taxation. No doubt taxes must be heavier; but, more than that, they must be revised so as to be more equitable and to conform to the present situation.

EXCESS PROFITS

The Government is pumping billions of defense dollars into our industrial structure. Huge profits are accruing to industry. Generally speaking, the initial and primary beneficiaries are the corporations. It is not punitive taxation—it is just good common-sense fiscal policy supported by expert economic, as well as layman, logic—that a lion's share of all excess and defense profits be siphoned back into the Government Treasury. To the extent that such profits are diverted from the general income stream, the dangers of inflation are accordingly reduced.

The excess-profits tax should be a major item in our tax structure. Such a tax in the fiscal year 1920 yielded about 45 percent of total Federal revenues. In the fiscal year 1942 the excess-profits tax will provide less than 7 percent of total Federal revenue. Even with the full-year effect of the changes proposed now, less than 15 percent of total revenues will be derived from the excess-profits tax. Of course, substantial increases have been made and further increases are proposed in the corporate normal tax and surtax rates, but the entire corporate share of taxes is still far below the World War proportion. Furthermore, in periods of abnormal profits the corporate-tax burden is not as equitably distributed by normal income taxes and surtaxes as by an excess-profits tax.

LOWERED INCOME-TAX EXEMPTIONS UNJUSTIFIED

There is no justification whatsoever in dipping further into the poor man's income—whether by hidden excise taxes or lowered income-tax exemptions—if and until adequate excess-profits levies are made by the Government.

During the Senate debate on the Second Revenue Act of 1940, on September 13, I commented as follows:

Taxation levied without regard to ability to pay and falling heaviest on those with least ability to pay has been increasing constantly. Such was the case when we considered the first tax bill during the present session of Congress. That bill further increased the inequity of our tax structure. It dumped a heavier burden on the backs of the plain people of the country in the form of increased taxes levied without regard to ability to pay. Prior to the enactment of the first revenue bill of the present session of Congress, almost $400,000,000 was collected annually from the manufacturers' excise taxes, which are, in the last analysis, passed on largely to the consuming public. The bill which we passed in June increased these nuisance taxes by more than $140,000,000.

The bill as passed in June increased corporate taxes only 17 percent, as compared with a 35-percent increase in the yield of excise taxes and a 37-percent increase in the yield of individual income taxes.

I have been an advocate of broadening the base of the income tax, in the hope that increased revenue derived from taxation levied in accordance with ability to pay would enable us to shift some of the crushing burden of indirect nuisance taxes, which are levied without regard to the ability of the taxpayer to pay, on to the sound principle of graduated taxes.

But, Mr. President, as I stated during the debate on the revenue bill passed in June, I saw absolutely no justification for a broadening of the income-tax base at the same time excise taxes and direct taxes were increased by such enormous percentages.

On June 19, 1940, I said in debate on the floor of the Senate:

As the chief advocate in this body in past years for broadening the income-tax base, I must now state that I consider it is a gross inequity to the low-income taxpayers to ask them to increase their taxes, and at the same time fail to ask the corporations, which are going to be vastly enriched by the necessity for national rearmament, to carry their fair share of the load, according to their ability.

Now, 15 months later, the situation is even worse.

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, writing in Fortune magazine for August 1941, states the entire thought well in these words:

During the emergency the excess-profits tax should, in my opinion, be the keystone of a well-balanced tax program. Increased taxes, however, should not be imposed on the great numbers of small business concerns and on millions of individual taxpayers until they have been given every reasonable assurance that the funds they are being asked to provide will not go to swell the profits of wealthy individuals and corporations.

GENEROUS TREATMENT FOR ESTATES AND GIFTS

The singularly harsh treatment accorded the low-income taxpayer under the committee bill is entirely reversed when dealing with the wealthy taxpayer bequeathing huge estates and gifts. Exceptionally generous exemptions of $40,000 are allowed—53 times as great as the exemption for a single man under the income-tax recommendation—and only moderate rates are applied. Although the Treasury Department proposed to lower these exemptions to $25,000, neither the House Ways and Means Committee nor the Senate Finance Committee would concur.

ROBERT M. LA FOLLETTE, SR., IN 1917

In August 1917, 24 years ago, when the Senate of the United States was debating the first real World War revenue bill, my father made an energetic and dramatic fight for a fair and adequate tax program. Recently, when rereading the minority report he submitted to the Senate, I was highly impressed by the following excerpts from his remarks. In my opinion, they are noteworthy of attention in conection with the present bill. They are as true now as they were true then.

He was championing a new tax theory—the Federal income tax was only 4 years old—when he said:

Complicated as is the subject of public finance, there are certain principles and certain truths underlying the science that are self-evident. Among these is the principle that the burden of taxation should be apportioned among the taxpayers in accordance with their ability to pay. Another is that income or profits constitute if not the best, at least one of the best standards by which to measure ability to pay * * *. We must look to the income tax and the war-profits tax to maintain the credit of the Nation and make it possible for our people to bear the awful burdens of this war.

In answer to those who would impose but moderate rates on excess profits—and there are some who take the same position on this bill—my father used these words:

To advocate low rates at present on war profits, with a view to leaving a margin for a later day, is to leave out of sight the fact that this prolific source of revenue will automatically disappear with the end of the war and that the opportunity to tax each year's profits passes with the year. Failure to draw on this source to the fullest possible extent while the war lasts will therefore result in throwing a much larger burden of taxation upon the people and the normal industries of the country at a time when the easily made war profits will no longer be available, and when business of the country will be staggering under the burden of readjustment.

To those apprehensive of the effects of a stiff excess-profits tax he directed these words:

Neither the war-profits tax nor the income tax is a levy on capital. Both of these taxes are levied upon extraordinary and unusual profits. Even if they absorbed the greater part of the profits of individuals such taxes would not in any way affect the income of the same individual the next year. The capital remains. The tax does not impair the earning power of that capital.

With respect to excise and nuisance taxes, he wrote:

It is monstrously unfair to tax the everyday necessaries of the average man and woman to pay the expenses of this war, in addition to commanding their services, and the lives of many of them, and of their children, so long as the above-mentioned swollen and abnormal profits are not taken—profits which the war has created and which will disappear as soon as the war ends. Every dollar of the above profits can be taken and still the enormous peacetime profits of these and other great corporations will not be touched. * * * Will anyone contend that the necessaries of the poor shall be taxed so long as these enormous war profits remain as a source of revenue?

He added these prophetic words about excise taxes:

Once we admit that excise taxes of this sort are to be levied at all at this time, we will find them mounting with every increasing tax levy. * * * These taxes will endure after the period of the war. * * * Later, it will be these consumption taxes upon the necessaries of life that will be drawn upon to meet the needs of the Government. It is both unjust and unwise.

PART II. THE TAX STRUCTURE: PAST, PRESENT, AND PROPOSED

PRESENT TAX STRUCTURE COMPARED WITH 1917–20

In many respects the present fiscal situation is directly parallel with the World War tax problems two decades ago. The war then and the defense program now have entailed unprecedented governmental expenditures which in turn require unprecedented general taxation. Production and profits have soared. Just as in World War No. 1, the Government is struggling to bolster the Treasury revenues by imposing new taxes.

Of course, we have grown—about 30,000,000 in population. Our production has doubled and our national income has almost doubled. But the tax picture is much the same, with perhaps this single exception: Our national debt stood at one and one-quarter billion dollars in 1917. It is 40 times as great now. This backlog of debt in the present picture more than counterbalances the exigencies of actual war in the past picture.

Most everyone will agree that the Government fiscal policies and tax program in the last World War were shockingly inadequate. The war-tax policies—or lack of policies—permitted the accumulation of unconscionable profits for individuals and corporations. The war-tax policies failed to arrest inflation. Whatever other shortcomings existed, it is clear that the Government erred on the side of insufficient taxation of war profits.

Despite the gross inadequacy of the tax structure in the World War, how does it compare with the present tax structure?

Table 1, below, is an abbreviated statement of internal-revenue receipts for the 1920 and 1942 fiscal years, based on estimates of the Treasury Department. The table shows that the over-all tax load has increased about 70 percent—supported, of course, as previously mentioned, by a larger population, a larger production, and a larger national income.

The most significant facts to note from the table are that excise taxes have almost tripled and individual taxes have more than doubled while corporation taxes are yielding only slightly more revenue than in 1920. It is significant to note, too, that the bulk of present corporate taxes is being derived from the income tax instead of the excess-profits tax as in 1920.

All indications are that the next few years will be banner profit years for most corporations. Yet, in the fiscal year 1942, corporations will bear only about 36.3 percent of the Federal tax load, as against 56.7 percent borne in 1920.

TABLE 1.—*Internal-revenue receipts by major categories—Estimated receipts in present fiscal year under present law compared with 1920 tax receipts*

[Millions of dollars]

	1920 [1]	1942 [2]
Total	5,736	9,724
Corporation taxes	3,252	3,535
Income [3]	653	2,627
Excess profits	2,506	679
Other [4]	93	229
Individual taxes	1,232	2,529
Income [3]	1,128	2,078
Estate and gift	104	451
Excise and pay-roll taxes	1,252	3,660
Tobacco and liquor	435	1,563
Manufacturers' excises	268	676
Other miscellaneous taxes	549	429
Social security, etc		992

TABLE 1.—*Internal-revenue receipts by major categories—Estimated receipts in present fiscal year under present law compared with 1920 tax receipts*—Continued

[1] Fiscal year reports of the Government for 1918–24 do not show separately the various categories of income-tax collections. Hence, the calendar year income basis as reported in the Treasury Department's Statistics of Income is used here.

[2] Treasury Department estimates as revised June 1, 1941.

[3] Include a relatively small amount collected from back taxes.

[4] Includes the capital-stock tax and the declared-value excess-profits tax.

RECENT TRENDS IN FEDERAL TAXATION

Despite all the vaunted statements in recent years in behalf of taxation based on the principle of ability to pay, it is a hard, cold fact that the Federal tax structure has steadily become and more regressive and more and more burdensome to the common man. Tables 2 and 3 are clear-cut proof of the trend in the last 15 years.

As shown by table 2, excise taxes have steadily grown. In the fiscal year 1940 the total collected in this manner was almost fivefold that collected from the same source in 1927. Despite the fact that the aggregate tax burden had increased almost 85 percent in 1940 over 1927, corporations in 1940 fiscal year paid a less dollar amount in taxes in 1940 than in 1927.

As shown by table 3, corporation taxes comprised about 46 percent of total revenues in 1927; 40 percent in 1932; 26 percent in 1937; and only 24 percent in 1940. On the other hand, excise and pay-roll taxes constituted about 19 percent of total Federal revenues in 1927; 29 percent in 1932; 44 percent in 1937; and 51 percent in 1940. Even with the exclusion of social-security taxes, the percentages of the latter 2 years are high—38 and 35 percent, respectively.

TABLE 2.—*Internal revenue receipts by major categories—Receipts in fiscal year 1927, 1932, 1937, and 1940*

[Millions of dollars]

	1927	1932	1937	1940
Total	2,866	1,558	4,653	5,303
Corporation taxes	1,317	630	1,219	1,276
Income [1]	1,308	630	1,057	1,117
Other [2]	9	-------	162	159
Individual taxes	1,011	474	1,397	1,346
Income [1]	911	427	1,092	986
Estate and gift	100	47	305	360
Excise and pay-roll taxes	538	454	2,037	2,681
Tobacco and liquor	397	407	1,146	1,232
Manufacturers' excises	67	-------	451	447
Other miscellaneous taxes	74	47	175	170
Social security, etc	-------	-------	265	832

[1] Includes a relatively small amount collected from back taxes.

[2] Includes the capital-stock tax and the declared-value excess-profits tax.

TABLE 3.—*Percentage distribution of internal-revenue receipts by major categories, fiscal years 1927, 1932, 1937, and 1940*

	1927	1932	1937	1940
Total	*Per-cent* 100.0	*Per-cent* 100.0	*Per-cent* 100.0	*Per-cent* 100.0
Corporation taxes	46.0	40.4	26.2	24.1
Individual taxes	35.3	30.5	30.0	25.4
Excise and pay-roll taxes	18.7	29.1	43.8	50.5
Excluding social security	-------	-------	38.1	34.9

The preceding tables illustrate well the comparative trends as between corporation taxes and excise taxes. It is somewhat difficult, however, from those tables to discern the comparative trends between individual and corporate taxes because both have become a relatively smaller part of total Federal revenues while excise taxes have skyrocketed.

An interesting comparison on a different basis can be made from a table adapted from the 1940 Annual Report of the Treasury Department, in which Federal tax liabilities are estimated under certain assumed conditions. For one set of estimates, column 1, it is assumed that the tax structure of May 1932 is in effect in the calendar year 1941—that is, at that level of income; column 2 is under the assumption the tax structure of July 1932 is in effect; column 3, the tax structure of December 1940.

As can be observed from the following table and the percentages calculated therefrom, Federal taxes on individuals have increased substantially more than on corporations. The Revenue Act of 1932 was especially bad in this respect.

TABLE 4.—*Estimated Federal tax liabilities* [1] *for calendar year 1941, based on the tax structures of (1) May 1932, (2) immediately following the passage of the Revenue Act of 1932, and (3) December 1940 (tax base assumed to be independent of tax structure)*

[In millions of dollars]

Tax group	Under laws— (1) Of May 1932 immediately preceding the passage of the Revenue Act of 1932	(2) Of July 1932 immediately following passage of Revenue Act of 1932	(3) Of Dec. 31, 1940
Individual income, estates, and gifts	594	1,308	2,230
Corporate income and profits	1,277	1,594	3,723

[1] Source: 1940 Annual Report, Treasury Department, p. 3.

TABLE 5.—*Percentage increases—tax structure after Revenue Act of 1932 compared with structure immediately preceding and tax structure of December 1940 compared with each*

	Percentage increase (2) over (1)	Percentage increase (3) over (1)
Individual income, estates, and gifts	*Percent* +120	*Percent* +275
Corporate income and profits	+25	+192

YIELDS OF THE PRESENT TAX STRUCTURE COMPARED WITH YIELDS UNDER THE PROPOSED COMMITTEE BILL

To complete this series of comparisons made on the basis of the relative burden on the various kinds of taxpayers a comparison should be made of the present tax structure and the structure as it will be under the committee bill. Tables 6 and 7 make that comparison on a basis comparable with previous tables.

It should be noted that both sets of estimates on table 6 are based on fiscal year 1942 level of income and that both are hypothetical years in that they represent full-year effects. In such respect they differ from estimated actual receipts (as shown on table 1). For example, about $679,000,000 will be collected in excess-profits taxes in the fiscal year 1942. However, the full-year tax liability on 1942 levels of income would be $1,026,000,000. Similarly, under the proposed bill, the hypothetical full-year effect is estimated to be $2,156,000,000 from excess-profits taxes, but, according to the Treasury, only about 45 percent of the additional amount under this bill would be collected in the next fiscal year.

An examination of tables 6 and 7 shows that an inordinate increase is proposed in individual income taxes contrasted with corporation taxes; in fact, the corporate share of total Federal taxes is actually reduced from 40.4 percent of the total to 39.6 percent. The share to be borne by individual taxes is increased from 25.7 to 28.5 percent. Excluding the social-security tax (which as yet has not been increased), the share borne by excise taxes is increased from 24.7 to 25.0 percent.

TABLE 6.—*Internal-revenue receipts by major categories—estimated receipts under present law compared with estimated receipts under Finance Committee bill (hypothetical full-year yields at levels of income estimated for fiscal year 1942)*

[Millions of dollars]

	Present law [1]	Under new bill [2]
Total	10,793	14,486
Corporation taxes	4,359	5,738
Income [3]	3,099	3,363
Excess profits	1,026	2,156
Other [4]	234	219
Individual taxes	2,774	4,129
Income [3]	2,323	3,520
Estate and gift	451	609
Excise and pay-roll taxes	3,660	4,619
Tobacco and liquor	1,563	1,701
Manufacturers' excises	676	966
Other miscellaneous taxes	429	960
Social security, etc	992	992

[1] Differs from estimates of receipts in 1942 fiscal year insofar as the full effects of the 2 revenue acts on 1940 are not reflected in the fiscal year estimates of come and excess-profits taxes, etc. Compare with 1942 fiscal-year estimates under present law in table 1.

[2] Assuming that all provisions of the law were fully reflected in receipts for an entire year.

[3] Includes a relatively small amount collected from back taxes.

[4] Includes the capital-stock tax and the declared-value excess-profits tax.

TABLE 7.—*Percentage distribution of estimated internal revenue receipts by major categories—Fiscal years 1920, 1942, and hypothetical full-year yields at 1942 levels of income under present law and under new bill*

	1920 [1]	1942 [1]	Hypothetical years	
			Present law	New bill
	Percent	*Percent*	*Percent*	*Percent*
Total	100.0	100.0	100.0	100.0
Corporation taxes	56.7	36.3	40.4	39.6
Individual taxes	21.5	26.0	25.7	28.5
Excise and pay-roll taxes	21.8	37.6	33.9	31.9
Excluding social security	----------	27.4	24.7	25.0

[1] See footnote on table 1.

All of these statistics merely go to prove two facts which are almost self-evident without a recital of detailed statistics:

1. The present tax structure is inequitable.

2. The committee bill will make it worse.

PART III. DEFECTS IN THE COMMITTEE BILL IN THE TAXATION OF EXCESS PROFITS

In my opinion, the most serious defect of the committee bill is the failure to tax excess profits adequately or fairly. Despite persistent and cogent recommendations of the Treasury Department that the entire method of taxing excess profits be overhauled, the committee bill makes no fundamental corrections in the present law, nor even recognizes the shortcomings evidenced during the first year of operation.

Corporations prosperous during the base period are still not required to pay taxes commensurate with their ability to pay and commensurate with a fair and reasonable rate of return. Other corporations which have profited very substantially, and directly, from Government spending are not contributing their fair share.

PREVIOUS EFFORTS TO SECURE AN ADEQUATE TAX

Last year, during the consideration of both the first and second Revenue Acts of 1940, I made a strenuous effort to gain congressional approval of an excess-profits tax based solely on invested capital. Although the Senate approved my plan, 41 to 31, in June 1940, it was eliminated in conference with the declaration that an excess-profits tax would be enacted later. A miserable compromise tax plan was adopted a few months later. In September when the bill was under consideration by the Senate, I submitted a minority report explaining my opposition to the compromise excess-profits tax.

The objections I raised then are applicable now, with greater force. I quote at length from the report because I believe the arguments are unanswerable—in fact, already vindicated in many respects after 1 year's operation under the present law:

The Finance Committee has reported a highly objectionable tax bill to the Senate. * * * It violates every principle of sound tax theory.

THE BILL IS BASED ON A CONFUSED AND UNSOUND THEORY OF EXCESS PROFITS

The President, in his message to Congress on July 1, 1940, urged that Congress enact an excess-profits tax to help pay for the defense program because, "it is our duty to see that the burden is equitably distributed according to ability to pay so that a few do not gain from the sacrifices of the many." Yet this bill is not based on any principle of ability to pay. Apparently it intends to tax merely the extra profits due to the defense expenditures—"defense profits" rather than "excess profits."

The so-called earnings method of the bill is supposed to measure defense profits directly. Earnings in the taxable year are compared with earnings in the base period and the increase, if any, is called excess. Two basic assumptions are involved which are not true in a large percentage of cases: First, that the earnings during the base period are normal. Second, that the increase is excess or due to defense expenditures. Actually, with respect to the former, a base period that is normal for corporations as a whole is almost invariably abnormal in varying degrees for corporations individually. With respect to the latter, there is no reasonable assurance that the increase is excess, or due to defense expenditures.

Witness after witness testified before the Ways and Means and Finance Committees that their earnings were abnormal during the base period or that increased earnings had nothing whatsoever to do with the defense program. Obviously, the bill exempts large amounts of defense profits and taxes large amounts of nondefense profits without any recognition of the sound principle of ability to pay.

Furthermore, there is no satisfactory way of distinguishing between defense profits and other profits. No chemical test can be applied to make a precise separation. Dollars lose their identity when flowing through the economic system. Products which have an important use in the defense program may have a simultaneous important use in normal industrial activity. Paint for a battleship is the same as paint for industrial machinery. Shoes for the Army are the same as shoes for the farmer. Even with complex accounting systems no satisfactory separation of profits can be made. Surely no rule-of-thumb method of comparing profits in the taxable year with profits during some previous years affords an adequate separation.

The most serious defect in the bill from the standpoint of tax theory is the attempt to combine two opposing theories of taxation in one bill. The net effect is to include the shortcomings of both without the advantages of either. The loopholes in the bill are doubled. The revenue yield is reduced well below what might be obtained under either method separately. The situation becomes a "heads you win, tails I lose" proposition for the Treasury. In addition, highly inequitable situations are created among competitive corporations which are forced by circumstances to use different methods of tax computation.

(2) THE BILL AFFORDS UNWARRANTED PREFERENTIAL TREATMENT TO CERTAIN CORPORATIONS

The large prosperous corporations with consistent substantial profits are those most able to pay an excess-profits tax. Under this bill, they will pay little or no tax. No matter if they are earning 20, 50, 100, or 1,000

percent on their invested capital, they may continue, under the average-earnings method of this bill, to earn those profits without additional tax. A tremendous advantage is accorded the established prosperous corporation against a competitor who suffered a depressed condition during the base period or the newly organized corporation which has not become established.

(3) THE BILL ENCOURAGES MONOPOLY AND DISCRIMINATES AGAINST COMPETITORS OF PROSPEROUS ESTABLISHED CORPORATIONS

If there was ever a tax measure which promised to perpetuate monopolistic corporations in their moncpolies, it is this one. Three corporations, A, B, and C, are competitors. Corporation A is a quasi monopolist earning profits of 25 percent on invested capital during the base period. Corporation B, struggling against terrific odds, earned 9 percent. Corporation C is newly organized. In 1940, corporation A continued to earn 25 percent; B earned 15 percent; C, 9 percent. This would be typical experience because it is a well-known fact that a certain development period with low profits is typical of the new corporation.

Under the average-earnings method of this tax bill, corporation A would pay no excess-profits tax whatsoever. Corporation B would pay a substantial tax though its earnings were much less. Corporation C would also have to pay an excess-profits tax, unless it were small enough so that the $10,000 flat exemption gave it relief.

This tax would be an insurmountable barrier to fair competition among the corporations. No more powerful club than this could be placed in the hand of corporation A. No other concern could successfully challenge its quasi-monopolistic position. If during any future year corporation B or C did achieve the same level of profits as corporation A, they would pay most of it in additional taxes while corporation A went untaxed. The most likely result would be bankruptcy for B and C; a complete monopoly for A.

This inequity inherent in the committee amendment may be further illustrated by the following example, which shows the excess-profits tax that would be payable under the committee amendment by each of two corporations having the same invested capital and excess-profits net income during the taxable year. One of these corporations—corporation A—is, however, an established company with stabilized earnings and the other, corporation B, is a growing enterprise competing with corporation A.

	Corporation A	Corporation B
Current year:		
Excess-profits net income	$1,000,000	$1,000,000
Invested capital	$5,000,000	$5,000,000
Rate of return—percent	20	20
Base period:		
Excess-profits net income (average)	$1,000,000	$200,000
Invested capital (average)	$5,000,000	$5,000,000
Rate of return (average) percent	20	4
Taxable excess profits:		
Average earnings method	0	$790,000
Invested capital method	$590,000	$590,000
Tax:		
Average earnings method	0	$349,000
Invested capital method	$249,000	$249,000
Tax liability [1]	0	$249,000

[1] Excludes the 3.1 percent increase in normal corporation income tax.

It is a serious charge that this bill should condone and encourage monopoly, but perhaps even more serious is the severe penalty that is placed on the new or growing corporation. Such a corporation probably received little profit during the initial years and is now entering into a period when the work of earlier unprofitable years is beginning to bear fruit. The bill allows no future prosperous years for the new or growing corporation; it envisages an economy with the present inequities "frozen" into the future. The precedent herein set will make it all the more difficult at some later date to tax these "privileged" corporations adequately. The hue and cry then will be raised, just as it has been raised to a certain extent now, that the stockholders who have recently purchased stock at high prices because of anticipated high earnings have a vested interest which should not be disturbed. The idea is fallacious, but to allow it to go unchallenged here in this tax bill would give it a cloak of validity which would be hard later to remove.

Entirely disregarded in H. R. 10413 is one of the cardinal principles of taxation: That the burden should be fairly distributed. The preponderance of testimony during the hearings clearly demonstrates that many taxpayers are more concerned about the equity of the tax than the amount of the tax. Aside from those corporations with high earnings which will be able to take advantage of the average earnings tax method, corporations in general are willing to bear almost any reasonable load provided their competitor is treated similarly. The average earnings method and the hodgepodge of a dual method of computing tax liability precludes equal treatment for all.

It has been said in answer to the above contentions that it is not the function of a tax bill to remove existing competitive disadvantages or advantages. This answer is specious. One can agree that it is not the purpose of a tax bill to equalize competitive conditions. But it is undeniable that tax bills should not distort existing competitive conditions and place unwarranted tax handicaps upon one class of corporations as opposed to another, thereby creating an indefensible competitive advantage in favor of the latter. The objection to the committee amendment is not that it does not equalize existing competitive conditions. Rather the objection is that the committee amendment in and of itself creates new and far-reaching competitive advantages. The invested-capital method, on the other hand, does not create or give rise to either new competitive advantages or new competitive disadvantages. It simply imposes an excess-profits tax which falls alike on corporations regardless of their competitive position and thereby does not disturb existing competitive conditions.

(4) THE RATES OF THE TAX IN THE BILL ARE NOT GRADUATED FAIRLY

The rates in the bill are graduated according to the amount of so-called excess profits. This means that a large corporation may make only a very small percentage of excess profits on its capital and still pay the highest rate of tax. Thus, a corporation with $100,000,000 of invested capital and $1,000,000 of taxable excess profits will pay the same tax as a corporation which has the same amount of taxable profits on an invested capital of only $1,000,000. In other words, the brackets are now graduated without reference at all to the earnings or size of a corporation, and a corporation which had excess profits amounting to a 100-percent return on invested capital would pay no more tax than a corporation having excess profits amounting to 10 percent on invested capital, providing the absolute amounts of excess profits were the same.

Profits cannot be divided sharply into those that are excessive and those that are not. Excessiveness is a matter of degree, and the tax rate should be graduated according to the degrees of excessiveness, not simply according to the amount of excess profits. A proper rate structure for an excess-profits tax would graduate the rate according to the ratio of profit to invested capital. Under the rate structure as it now stands, many corporations with extremely excessive profits will pay much more moderate taxes than other corporations with only moderate excess profits.

ESTIMATED ADDITIONAL REVENUE

The Treasury Department estimates that an additional $1,394,700,000 in corporation taxes will flow into the Treasury in full-year effect of the committee bill. Proponents of the measure point to an alleged increase in the excess-profits tax yield of $1,130,600,000. The figure is somewhat misleading. The yield is achieved only after reversing the tax-deduction procedure, and at an expense of $501,100,000 in the yield of the normal corporate income tax.

Thus, in order to obtain the same or slightly more than present tax revenues from the normal net income of corporations, the committee found it necessary to impose new surtax rates of 6 and 7 percent. The net additional yield in this bill from excess profits over and above the surtax yield, is only $629,600,000.

With an excess-profits tax based solely on invested capital, and without any increase in the rates in the pending bill, the Treasury estimates that $1,880,000,000 additional yield could be derived from excess profits—about $650,000,000 more than the committee bill. Thus, with a full-year effect a total of $2,900,000,000 would be derived from excess profits—a figure not unreasonable in view of the $2,500,000,000 collected from excess profits in 1920.

PRESENT AND PROSPECTIVE LEVELS OF CORPORATION PROFITS

The direct and indirect effects of Government defense spending are not yet fully reflected in the level of corporation profits, but already the profits are at record high levels. The National City Bank of New York reports the profits of 360 leading corporations in the first half of 1941 to be 20.9 percent above a year ago—after allowing for prospective taxes. Last year's first half was 58.6 percent above the previous year, again after taxes, depreciation, interest and other charges, and reserves.

Tables 8 and 9 show the data in detail by major industrial groups.

TABLE 8.—*Profits of leading corporations for the half year*

Net profits are as reported, after depreciation, interest, taxes, and other charges and reserves, but before dividends—net worth includes book value of outstanding preferred and common stock and surplus account at beginning of each year

[In thousands of dollars]

No.	Industrial groups	Net profits, half year		Percent change	Net worth Jan. 1		Annual rate of return (percent)	
		1940	1941		1940	1941	1940	1941
7	Baking	7,970	7,608	−4.5	236,681	237,381	6.7	6.4
14	Food products, miscellaneous	34,974	39,194	+12.1	534,953	541,084	13.1	14.5
7	Beverages	8,132	9,088	+11.8	129,922	136,421	12.5	13.3
17	Textiles and apparel	7,862	10,654	+35.5	176,025	169,854	8.9	12.5

TABLE 8.—*Profits of leading corporations for the half year*—Continued

[In thousands of dollars]

No.	Industrial groups	Net profits, half year		Percent change	Net worth Jan. 1		Annual rate of return (percent)	
		1940	1941		1940	1941	1940	1941
7	Wood products	1,326	4,515	+240.5	59,360	61,281	4.5	14.7
14	Paper products	6,883	7,892	+14.7	159,185	164,248	8.6	9.6
28	Chemicals, drugs, etc	92,082	94,021	+2.1	1,300,054	1,331,123	14.2	14.1
11	Petroleum products	141,070	135,227	−4.1	2,666,501	2,671,664	10.6	10.1
13	Stone, clay, and glass	12,220	14,807	+21.2	221,718	223,378	11.0	13.3
26	Iron and steel	61,915	126,111	+103.7	2,447,002	2,491,210	5.1	10.1
12	Building equipment	7,536	11,519	+52.9	224,738	219,780	6.7	10.5
14	Electrical equipment	42,863	47,662	+11.2	637,133	652,618	13.5	14.6
10	Hardware, tools, etc	4,664	6,373	+36.6	82,764	85,572	11.3	14.9
27	Machinery	16,377	21,204	+29.5	158,471	175,062	20.7	24.2
4	Office equipment	8,232	11,557	+40.4	133,264	136,668	12.4	16.9
10	Railway equipment	9,498	13,051	+37.4	173,403	182,930	11.0	14.3
9	Automobile	116,701	125,860	+7.8	1,149,449	1,190,568	20.3	21.1
19	Auto equipment	10,781	14,203	+32.6	111,478	120,197	19.3	23.8
36	Metal products, miscellaneous	20,354	29,603	+45.4	220,815	246,232	18.4	24.0
19	Miscellaneous manufacturing	9,947	18,119	+82.2	316,893	326,785	6.3	11.1
304	Total manufacturing	621,387	748,358	+20.4	11,139,809	11,364,056	11.2	13.2
10	Coal mining	[1] 830	[1] 2,698	+225.1	201,314	206,617	.8	2.6
9	Metal mining	[1] 8,787	[1] 9,649	+9.8	164,037	167,564	10.7	11.5
9	Mining, quarrying—miscellaneous	[1] 9,276	[1] 9,536	+2.8	124,419	121,393	14.9	15.7
16	Trade (wholesale and retail)	3,459	5,982	+72.9	209,447	211,858	3.3	5.6
12	Service and construction	8,389	8,317	−.9	226,955	229,531	7.4	7.2
360	Total	652,128	784,540	+20.3	12,065,981	12,301,019	10.8	12.8

[1] Before certain charges.
D—Deficit.

Source: Bulletin of National City Bank of New York, August 1941.

TABLE 9.—*Comparisons of profits of leading corporations for the first half year 1939, 1940, and 1941—percentage change in net profits after depreciation, interest, taxes, and other charges and reserves, but before dividends*

	Increase 1940 over 1939	Increase 1941 over 1940
Baking	−8.5	−4.5
Food products, miscellaneous	5.1	12.8
Beverages	21.5	11.8
Textiles and apparel	51.3	35.5
Wood products	1,129.2	240.5
Paper products	137.8	14.7
Chemicals, drugs, etc	38.8	2.1
Petroleum products	209.1	−4.1
Stone, clay, and glass	35.9	21.2
Iron and steel	451.1	103.7
Building equipment	180.2	52.9
Electrical equipment	66.7	11.2
Hardware, tools, etc	78.9	36.6
Machinery	238.8	29.5
Office equipment	28.7	40.4
Railway equipment	492.0	37.4
Automobile	17.6	7.8
Auto equipment	62.7	32.6
Metal products, miscellaneous	107.8	45.4
Miscellaneous manufacturing	−14.5	82.2
Total, manufacturing	60.8	20.4
Coal mining	(1)	225.1
Metal mining	41.7	9.8
Mining, quarrying, miscellaneous	24.0	2.8
Trade (wholesale and retail)	10.9	72.9
Service and construction	5.2	−.9
Total, all groups (Total, all groups, increase in first half of 1941 over 1939: 92.6 percent.)	58.6	20.3

[1] Data not comparable.

Source: Bulletins of the National City Bank of New York, August 1940 and August 1941.

It is interesting to note, in this connection, that most corporations are laying aside very generous reserves in anticipation of vastly increased taxes. The Wall Street Journal, for example, recently reported:

Tax mystery: United Aircraft recently reported tax reserves of over 78 percent of its current profits.

The top any corporation has to pay is 72 percent, including income, excess profits, and surtaxes. This suggests United, like many another big industrial company, is using ultraconservative bookkeeping to avoid phony profits, must report more liberally to the Government and to its stockholders.

Detailed compilations of corporation profits, for individual corporations, as taken from published financial reports, 1940 compared with 1939, and the first half of 1941 compared with the first half of 1940, have been published in the Economic Outlook for February and July 1941. The compilations are reproduced below in tables 10 and 11.

TABLE 10.—*Corporation profits in 1940 compared with 1939* [1]

Company	1940	1939	Percent increase
Allegheny-Ludlum Steel	$3,700,000	$2,093,518	77.0
American Can	17,440,906	18,284,963	−4.6
American Metal	3,689,957	2,994,740	23.0
American Tobacco	28,311,782	26,427,934	7.0
American Woolen	3,154,464	2,311,887	36.4
Aviation Corporation (year ending Nov. 30)	88,350	−2,238,409	
Babcock & Wilcox	3,588,199	1,168,782	206.0
Bath Iron Works	2,052,180	660,703	211.0
Bell Aircraft	284,745	9,203	3,000.0
Bethlehem Steel	48,679,524	24,638,384	97.5
Bridgeport Brass	1,258,776	459,058	174.0
Caterpillar Tractor	7,839,117	6,004,890	30.6
Chrysler Motors	37,802,279	36,879,829	2.4
Commercial Solvents Corporation	2,387,321	1,600,389	49.2
Consolidated Coal	402,290	−863,915	
Container Corporation	2,227,682	1,448,900	54.0
Continental Can	8,953,632	8,635,787	3.7
Crucible Steel	6,230,180	2,803,596	122.0
Douglas Aircraft (year ending Nov. 30, 1940)	10,831,971	2,884,197	275.0
Du Pont, E. I	86,945,173	93,218,664	−6.7
Electric Auto Lite	6,001,718	5,653,839	6.1
General Cable	2,455,362	733,166	235.0
General Electric	56,241,000	41,235,644	36.5
General Foods	15,244,077	15,118,063	.8
General Motors	195,500,000	183,290,222	6.7
General Steel Casting	$1,106,196	$5,661	19,560.0
Goodrich Tire & Rubber	6,104,993	6,628,746	−7.9
Goodyear Tire & Rubber	10,309,788	9,838,797	4.8
Harbison-Walker Refractories	2,513,936	1,868,999	35.0

Most of the profits herein listed are net profits and hence the figures are not directly comparable with figures used elsewhere in this minority report when speaking of net income before taxes.

TABLE 10.—*Corporation profits in 1940 compared with 1939*—Continued

Company	1940	1939	Percent increase
Inland Steel	$14,450,385	$10,931,016	32.2
International Harvester (year ending Oct. 31, 1940)	23,161,110	7,952,810	191.0
Jones & Laughlin Steel	10,277,029	3,188,944	222.0
Lehigh Coal & Navigation	1,101,853	18,674	5,700.0
Libbey-Owens-Ford Glass	9,992,766	8,062,753	24.0
Mack Truck	1,805,821	682,987	166.0
Mesta Machine	3,083,032	2,715,427	13.5
Monarch Machine	1,183,102	529,577	123.0
National Distillers Products Corporation	6,711,962	7,007,124	−4.4
National Gypsum	1,565,196	1,455,237	7.9
National Lead	6,102,702	5,780,500	5.6
New Jersey Zinc	8,236,815	5,299,055	55.5
New York Air Brake	1,046,656	797,858	40.0
New York Ship Building (first 11 months 1940)	2,178,748	928,246	135.0
North American Rayon Corporation	1,781,425	2,010,252	−11.4
Otis Steel	717,007	214,965	234.0
Pittsburgh Coal Co	1,255,893	−1,068,787	
Pittsburgh Steel Co	1,555,794	564,870	175.0
Pure Oil	8,718,057	8,290,418	5.2
Radio Corporation of America	9,113,156	8,082,810	12.9
Rayonier, Inc. (9 months to Jan. 31)	3,031,953	1,425,193	112.5
Remington Rand (9 months ending Dec. 31, 1940)	2,026,372	1,104,418	83.4
Republic Steel	21,113,507	10,671,343	98.0
Rustless Iron and Steel	1,275,993	1,090,876	16.9
Savage Arms Corporation	1,028,141	349,307	195.0
Shell Union Oil	15,600,000	11,805,713	32.1
Taylor Craft Aviation Corporation	57,069		
Union Bag & Paper Co	2,129,946	965,532	120.0
United States Rubber	11,425,241	10,218,849	12.0
United States Steel	102,181,321	41,119,934	148.0
Vultee Aircraft (year ending Nov. 30, 1940)	374,457	25,488	1,370.0
Walworth Co	1,123,156	205,900	445.0
Warner & Swasey	3,371,283	1,864,553	81.0
Western Union	3,621,581	1,380,114	163.0
Westinghouse Air Brake	5,591,606	2,765,629	102.0
Westinghouse Electric	18,983,428	13,854,365	37.0
Wheeling Steel	5,663,930	5,560,753	1.8
Yellow Truck & Coach Co	5,813,976	3,276,474	77.5
Youngstown Sheet & Tube	10,815,468	5,004,484	116.0

TABLE 11.—*Corporation profits in the first half of 1941 compared with the first half of 1940*

Corporation	Profits		Percent change
	First 6 months 1941	First 6 months 1940	
Air Reduction Co	$4,066,135	$3,106,096	30.8
Allegheny Ludlum Steel	4,169,347	1,893,291	120
Allis Chalmers	2,389,577	2,609,758	−9.2
American Brake Shoe & Foundry	1,479,341	1,226,637	20.5
American Radiator Co	3,271,009	1,535,905	113
American Rolling Mill Co	6,667,976	2,084,599	220
American Slating Co	282,227	100,197	182
American Steel Foundries	2,067,719	1,666,525	24.1
Anaconda Wire & Cable	1,410,519	497,259	184
Atlas Powder	938,110	744,518	26.1
Babcock & Wilcox	1,850,063	1,474,905	25.4
Baldwin Locomotive (12 months—June)	2,486,344	1,734,344	43.3
Bausch & Lomb Optical Co	1,174,528	767,285	53
Bendix Aviation (12 months—June)	11,687,229	6,613,180	77
Blaw-Knox Steel	1,220,496	602,717	102
Bohn Aluminum & Brass	817,087	592,181	38
Bridgeport Brass	867,494	506,167	71.4
Budd Wheel	915,972	394,445	132
Caterpillar Tractor	4,298,540	3,509,514	22.5
Consolidated Coal	317,872	136,257	134
Container Corporation	663,649	509,100	35
Continental Oil	2,642,082	1,007,852	163
Coos Bay Lumber	341,259	95,043	259
Copperweld Steel Co	919,952	521,314	77

TABLE 11.—*Corporation profits in the first half of 1941 compared with the first half of 1940*—Continued

Corporation	Profits		Percent change
	First 6 months 1941	First 6 months 1940	
Crosley Corporation	$798,634	$96,661	725
Crucible Steel	2,924,430	1,817,293	61
Detroit Steel	431,636	209,939	106
E. I. du Pont	43,761,797	46,853,695	−7.1
Eaton Manufacturing Co	1,979,764	1,908,348	3.8
Fruehauf Trailer	1,137,977	519,583	119
General Electric	26,003,665	25,981,752	0.09
General Steel Castings	1,690,900	72,958	2,210
General Tire & Rubber	1,004,443	280,563	259
General Motors Corporation	118,177,905	113,575,460	4
Goodrich Co	6,646,033	1,362,691	388
Hazel-Atlas Glass	1,396,788	1,270,963	10
International Business Machines	4,728,336	4,293,482	10.1
Johns-Manville Corporation	1,457,213	1,110,319	31.2
Jones & Laughlin Steel	8,098,227	3,276,256	147
Lehigh Coal & Navigation (year ending June 30)	1,848,300	138,812	1,230
Lehigh Valley Coal Corporation	605,434	251,440	141
Libbey-Owens-Ford	5,377,247	5,176,748	3.9
Magma Copper Co	800,142	717,587	11.6
Mathiesen Alkali Works	997,345	827,540	20.6
Minneapolis-Honeywell Regulator	1,104,278	603,921	83
Nash-Kelvinator (9 months to June)	3,734,246	1,307,878	186
National Lead	3,289,000	3,119,810	5.4
New York Air Brake	1,121,446	832,818	34.6
North American Aviation	3,900,745	2,367,638	64.7
Otis Steel	1,088,255	−362,143	
Owens-Illinois Glass	7,640,538	8,589,202	−11
Pepsi-Cola	3,300,000	2,525,000	30.6
Phillips Petroleum	8,236,680	6,378,198	29.2
Remington Rand, Inc. (June quarter)	1,383,693	565,240	145
Reo Motors	147,994	−785,988	
Republic Steel	13,618,716	6,449,453	111
Reynolds Metal	1,886,853	1,312,447	43.8
Rustless Iron & Steel	1,164,460	430,537	171
Sharon Steel	813,241	388,903	109
Sloss-Sheffield Steel & Iron Co	863,464	572,543	51
Sunshine Mining	1,186,431	1,285,934	−7.8
Studebaker	1,313,877	957,309	37.3
Texas Pacific Coal	469,505	292,840	60
Union Carbide & Carbon	21,342,134	19,972,176	6.9
United Aircraft Products	346,329	172,948	100
United States Pipe & Foundry	1,816,700	783,018	132
United States Steel	61,374,746	36,315,003	69
Virginia Iron, Coal & Coke	27,788	−10,528	
Walworth Co	909,820	203,415	350
Westinghouse	11,568,400	9,837,012	17.6
Westinghouse Air Brake	4,011,380	3,204,000	25.2
West Virginia Coal & Coke	179,053	−87,466	
Wheeling Steel	4,689,196	1,664,078	182
White Motor Co	791,355	743,529	6.5
Youngstown Sheet & Tube	8,992,994	2,423,212	276

GOVERNMENT CONTRACTS AND CORPORATION PROFITS

Presently available data are not sufficient to make any thorough study of profits earned on Government contracts. Although the data below in table 12 are far from conclusive, it shows that some corporations obtaining large Government defense contracts have also earned phenominal increases in profits.

TABLE 12.—*Relationship between Government contracts and corporation profits*

[NOTE.—From June 1940 to June 1941 the War and Navy Departments allocated $9,839,000,000 of supply contracts of which 73.9 percent in dollar value was awarded to 56 companies. Published financial data, which may differ somewhat from data submitted for income-tax purposes, are available for 14 of these corporations. The table below sets forth the dollar value of contracts received and the percentage increase in profits in 1940 over the average net income in the base period years 1936–39. Obviously, in most cases the contracts were merely awarded and not completed; hence, only part of the profits from Government contracts are reflected. Obviously, too, the profits reflect additional business from other than Government sources which may or may not be indirectly due to the defense program]

Corporation	Dollar value of defense contracts (in millions)	Percentage increase in profits in 1940 over 1936–39 average
New York Shipbuilding	507.3	2,448
General Motors	489.9	51
Curtiss-Wright	443.9	1,051
Newport News Shipbuilding	389.2	441
du Pont de Nemours	318.5	77
Glenn L. Martin	249.1	230
United Aircraft	224.5	452
United States Steel	209.9	163
Electric Boat	126.1	289
Sperry Corporation	108.0	238
American Car & Foundry	81.2	2,470
Chrysler Corporation	74.0	24
Lockheed Aircraft	46.5	328
Hercules Powder	29.9	92
Total	3,298.0	[1] 91.5

[1] Weighted.

PROFITS NOW AND PROFITS IN 1916

Another common allegation is the assertion that profits now do not compare with profits in the last war. Again, no conclusive evidence is available, but the following table of a few companies chosen at random is interesting in depicting shades of 1916.

TABLE 13.—*"Shades of 1916"—Comparison of net income of selected corporations in pre-World War and World War years with 1936–39 pre-defense and 1940 years*

[Millions of dollars]

Corporation	Pre-war 1911–13	1916	Pre-defense 1936–39	1940
American Woolen Co	1.75	5.86	−0.32	3.96
Continental Can	.79	2.14	9.98	12.24
Du Pont de Nemours	5.53	82.11	63.44	112.53
General Motors	4.56	28.79	221.67	335.75
Hercules Powder	1.02	16.66	5.29	10.14
International Paper & Power	1.11	4.62	5.12	23.18
Standard Oil of New Jersey			171.98	197.37
Standard Oil of Indiana	14.68	30.04		
United States Steel	63.59	271.53	59.24	155.83

Source: Current data from published financial reports. 1911–16 data from p. 62, Minority Report of Senator Robert M. La Follette, Sr., to H. R. 4280, 65th Cong., Revenue Act of 1917.

KINDS OF EXCESS PROFITS NOT REACHED BY THE COMMITTEE BILL

Apart from the fact that the two-headed plan of computing excess profits makes the Treasury a loser every time, the present excess-profits tax does not reach two major types of excess profits: (1) The profits of those prosperous corporations which have earned substantial net income during the base period, and (2) the profits of those corporations which have earned phenomenal increases in profits due to the defense program, and yet are not liable for taxation thereon because of a high capitalization.

The injustices and abnormal competitive situations arising out of the former type were fully discussed in my minority report last year to the Second Revenue Act of 1940 (and quoted previously in this report). The situations arising out of the latter type have been discussed by the Treasury Department before both the House Ways and Means Committee and the Senate Finance Committee. The Assistant Secretary of the Treasury, Mr. Sullivan, told the House committee:

> Many corporations that are the principal beneficiaries of the defense effort and that hold large Government contracts are paying little or no excess-profits tax * * *. To meet this defect, we would suggest revising the 1940 proposal to provide * * * a tax at a low flat rate, possibly 10 percent, to that part of the current profits that is in excess of the base-period earnings * * *.

The House of Representatives adopted the proposal, but a majority of the Finance Committee saw fit to delete this special provision. The steel companies, railroads, and coal companies were thereby saved $67,700,000—which the committee added to the tax burden of the low-income taxpayer and corporations in general. In my opinion, not only should this special rule be applied but the rates should be higher than the 10 percent suggested by the Treasury.

The specific illustrative examples below, typical examples, show the facts concerning corporations which fall into these two categories. Coca-Coca, Chrysler, J. C. Penney, General Motors, and Liggett & Myers are illustrative of corporations earning substantial profits during the base period. United States Steel, American Woolen, American Car & Foundry, and International Paper & Power are illustrative of corporations with high invested capital.

TABLE 14.—*Illustrative typical examples of corporations earning substantial net incomes during the base period 1936–39 and tax year 1940: Comparison of excess-profits tax liability (present law) under invested capital and average earnings methods*

[NOTE.—Computations are based on published financial data which may differ somewhat from data for income-tax purposes]

EXAMPLE NO. 1. COCA-COLA

Net income:	*Millions of dollars*
1936	27.1
1937	32.0
1938	33.5

TABLE 14—Continued

Net income—Continued.	Millions of dollars
1939	39.1
Average, 1936–39	33.1
1940	43.9
1940 equity capital	89.0
Return on equity capital:	*Percent*
1936–39	37.0
1940	49.3
Approximate excess-profits tax, 1940:	*Millions of dollars*
Invested capital method	13.1
Average earnings method	1.0
Difference	12.1

EXAMPLE NO. 2. CHRYSLER

Net income:	Millions of dollars
1936	76.2
1937	63.0
1938	22.5
1939	47.9
Average, 1936–39	52.4
1940	64.8
1940 equity capital	188.8
Return on equity capital:	*Percent*
1936–39	27.8
1940	34.3
Approximate excess profits tax, 1940:	*Millions of dollars*
Invested capital method	17.0
Average earnings method	3.7
Difference	13.3

EXAMPLE NO. 3. J. C. PENNEY CO.

Net income:	Millions of dollars
1936	22.0
1937	19.7
1938	16.6
1939	20.0
Average, 1936–39	19.6
1940	21.8
1940 equity capital	85.6
Return on equity capital:	*Percent*
1936–39	22.9
1940	25.4
Approximate excess-profits tax, 1940:	*Millions of dollars*
Invested-capital method	4.8
Average-earnings method	.4
Difference	4.4

EXAMPLE NO. 4. GENERAL MOTORS

Net income:	Millions of dollars
1936	282.3
1937	245.8
1938	130.3
1939	228.3
Average, 1936–39	221.7
1940	335.7
1940 equity capital	1,156.9
Return on equity capital:	*Percent*
1936–39	19.2
1940	29.0
Approximate excess profits tax, 1940:	*Millions of dollars*
Invested-capital method	81.3
Average-earnings method	39.1
Difference	42.2

TABLE 14—Continued

EXAMPLE NO. 5. LIGGETT & MYERS

Net income:	Millions of dollars
1936	28.4
1937	25.1
1938	25.0
1939	24.7
Average 1936–39	25.7
1940	27.1
1940 equity capital	154.3
Return on equity capital:	*Percent*
1936–39	16.7
1940	17.6
Approximate excess-profits tax, 1940:	*Millions of dollars*
Invested-capital method	3.97
Average-earnings method	.02
Difference	3.95

TABLE 15.—*Illustrative typical examples of corporations earning substantially increased net incomes in 1940 over the base period 1936–39, but which are not liable for heavy excess-profits taxation. Comparisons of excess-profits tax liability (present law) under invested capital and average earnings methods*

[NOTE.—Computations are based on published financial data which may differ somewhat from data for income-tax purposes]

EXAMPLE NO. 1, UNITED STATES STEEL

Net income:	Millions of dollars
1936	62.3
1937	125.4
1938	−4.8
1939	54.1
Average, 1936–39	59.2
1940	155.8
Excess of earnings in 1940 over 1936–39 average	96.6
Excess-profits tax liability	0

EXAMPLE NO. 2. AMERICAN WOOLEN CO.

Net income:	Millions of dollars
1936	2.55
1937	−1.69
1938	−4.87
1939	2.74
Average, 1936–39	−.32
1940	3.96
Excess of earnings in 1940 over 1936–39 average	4.28
Excess-profits tax liability	0.00

EXAMPLE NO. 3. AMERICAN CAR & FOUNDRY

Net income:	Millions of dollars
1936	1.41
1937	.96
1938	−1.54
1939	.20
Average, 1936–39	.26
1940	6.58
Excess of earnings in 1940 over 1936–39 average	6.32
Excess-profits tax liability	0.00

EXAMPLE NO. 4. INTERNATIONAL PAPER & POWER CO.

Net income:	Millions of dollars
1936	5.69
1937	9.62

TABLE 14—Continued

Net income—Continued.	Millions of dollars
1938	.20
1939	4.96
Average, 1936–39	5.12
1940	23.18
Excess of earnings in 1940 over 1936–39 average	18.06
Excess-profits tax liability	2.13

PART IV. OTHER DEFECTS IN THE BILL

1. THE ESTATE- AND GIFT-TAX EXEMPTIONS AND RATES ARE TOO GENEROUS

The original Treasury recommendations proposed to reduce the estate- and gift-tax exemptions from $40,000 to $25,000 (with the insurance exclusion reduced similarly) and to apply tax rates on the net estate ranging from 4 to 70 percent, and on gifts, three-fourths of the estate-tax rate. It was estimated that the additional revenue yield would be $347,200,000.

The Ways and Means Committee rejected the proposal and merely increased the rates somewhat on net estates and gifts in excess of the present exemptions of $40,000. The Finance Committee made but minor changes. Hence, the bill as now recommended to the Senate will raise only an additional $157,600,000 from this source—less than one-half of the Treasury recommendation.

In my opinion, the original recommendations of the Treasury were amply justified. Except for the argument that small estates and gifts should be reserved to the States for taxation, no compelling argument has been raised to justify the exemptions of $40,000 during the present fiscal emergency. Even the State-tax-base argument loses much of its validity in the face of much more serious encroachments of the Federal Government in the taxation of gasoline and individual income. It must be exceedingly difficult for those who favor a $40,000 estate-tax exemption to explain why the single man or woman earning less than $15 a week should pay an income tax based on an exemption of less than one-fiftieth as much. Under the bill as recommended by a majority of the committee, an estate of $41,000 will bear a Federal tax of $30. The same amount will be paid in income tax by a single individual earning $21.65 a week.

It is significant to observe that Great Britain imposes a $1,600 tax on a $40,000 estate (conversion unit: £1 equals $4). Even a $2,500 estate in Great Britain is taxed $50.

2. THE COMMITTEE BILL IMPOSES AN UNJUST AND INEQUITABLE AUTOMOBILE USE TAX

This proposed tax is a flat levy which would be paid in equal amount by the owner of a Ford or a Cadillac, by the 20,000-miles-a-year driver and the 500-miles-a-year driver. In the words of Mr.

Sullivan during the Senate hearings on this bill:

The proposed tax has no relationship to the extent of use or the value of the object taxed and, therefore, is unusually inequitable. It taxes a $5,000 town car exactly the same $5 as the fifth-hand car worth only $20. It will conflict directly with one of the most important State and local sources of revenue. In some States, the proposed tax will in effect increase the average cost of automobile registration by more than 100 percent. The proposed tax must be collected from 32,000,000 taxpayers located throughout every State and county in the country. This would require additional personnel in the Bureau of Internal Revenue of at least 3,800 new employees. The administrative cost is estimated to be $9,600,000 or approximately $6 per $100 of tax collected, which is more than five times the average cost of collecting other excise taxes.

The average motor-vehicle operator is already paying more than his share in gasoline and excise taxes and registration and other fees. Each motor vehicle in 1939, according to reliable estimates, paid an average tax of $50.82. The burden has grown since.

If it were deemed necessary to put an additional tax on automobiles, it would be more logical to increase the excise tax on new automobiles from the proposed 7 to 10 percent. With the curtailment in production necessary because of national defense, the consumer would be more than willing to pay the additional tax to secure a car; the supply and demand situation would be less acute; and the Government, instead of the manufacturer, would benefit from an increased price which is likely to be paid by the consumer in any case.

3. THE COMMITTEE BILL PLACES VARIOUS EXCISE TAXES ON A "PERMANENT" BASIS

Since the enactment of the Revenue Act of 1932, various taxes have been carried in our tax structure as "temporary taxes." They were renewed periodically by legislation extending the date of applicability. The committee bill makes these taxes "permanent." I, for one, have held the hope that these regressive taxes might be wiped off the statute books. The committee recommendation will make the future elimination of these taxes difficult, if not impossible.

4. THE COMMITTEE BILL FAILS TO CORRECT THE PRESENT OVERLY GENEROUS DEPLETION ALLOWANCES GRANTED FOR TAX PURPOSES TO CONCERNS ENGAGED IN THE EXTRACTION OF NATURAL RESOURCES

As pointed out by Secretary Morgenthau in the hearings before the Finance Committee, the present tax laws are too generous in dealing with depletion allowances. No one questions the fact that reasonable maintenance, depreciation, and obsolescence allowances must be made in arriving at net income. However, the degree of such allowances must be measured and governed by comparative sacrifices borne by other taxpayers.

5. THE COMMITTEE BILL FAILS TO TAX A CONSIDERABLE VOLUME OF STATE AND LOCAL SECURITIES WHICH ARE STILL EXEMPT FOR INCOME-TAX PURPOSES

The surtax in the committee bill, it is true, will reach a part of the interest derived from partially tax-exempt securities. About $31,600,000 in additional Federal revenue will be derived therefrom. However, a large bloc of securites will still remain untaxed. More than $19,000,000,000 of State and local securities are wholly tax exempt.

Exhaustive studies of this subject have been made by both the Congress and the Treasury Department. The Treasury Department under several different administrations has consistently advocated the removal of the tax exemptions. Economists are practically unanimous in agreeing that there is no rhyme or reason in allowing interest from Government bonds to go untaxed.

In my opinion, the Finance Committee should have given consideration to this subject in connection with this bill and, once and for all, eliminated the vestige of old tax theories on the subject.

6. THE LOWERED EXEMPTIONS ON THE PERSONAL INCOME TAX ARE UNJUSTIFIED

When Secretary Morgenthau appeared before the Senate Finance Committee on August 8, 1941, he said, speaking of lowered tax exemptions:

We ought not to accept such sacrifices, even though willing sacrifices, from millions of people with low incomes on whom the burden of other types of taxes falls most heavily, unless we reach in other places ability to pay which is escaping its fair share of taxes. Among these are the following:

The excess-profits tax exempts profits of even the most prosperous corporation, except to the extent that such profits are in excess of its average profits for the years 1936–39. Surely Congress will not wish to impose additional taxes on millions more of our low-income group unless it also imposes the excess-profits tax on exempt excess profits of such corporations.

Families pay lower Federal income taxes when both husband and wife receive incomes than when the same total amount of income is received by only one of them. This is a discrimination of which many wealthy people have taken advantage by large gifts of income-producing property between husband and wife.

For years the concerns engaged in extracting certain of our natural resources, notably oil, have been granted far greater allowances for depletion than can be justified on any reasonable basis of tax equity. If the income tax is to be extended to lower incomes, this privilege of tax escape should simultaneously be removed.

A few months ago the Congress eliminated the tax-exemption privilege from new issues of Federal securities. The purchasers of new State and local securities still enjoy this exemption. The exemption was inequitable and expensive even in normal times. It cannot be borne longer in a time like this, and especially if we are to increase the direct tax burdens of persons with smaller incomes.

In its suggestion to the Ways and Means Committee the Treasury recommended substantial increases in estate and gift taxes and lower exemptions. In part, this recommendation was followed; but, in my opinion, the estate and gift taxes should reach more estates and provide more revenue if we are going to tax smaller incomes.

Could anything more emphatic have been said about what should come first?

What did the committee do? They complied with none of the qualifying provisions, but proceeded to lowering the exemptions nevertheless.

As an advocate in past years for the lowering of income-tax exemptions, I have consistently maintained that such was a preferable choice as between that or consumption taxes. I still adhere to that view. But I am wholly unwilling to soak the poor man with both. That is precisely what this bill does.

The T. N. E. C. Monograph No. 3, entitled "Who Pays the Taxes," reveals some facts that many pressure groups are trying desperately to discredit. It reveals that, because of hidden and regressive taxes, consumers in the lowest income brackets are paying a larger share of their income in taxes than are substantially wealthier income groups.

I am unwilling to place a heavier burden on them through this bill.

The following tabulation shows concisely how income-tax rates and exemptions have been changed in past years:

Federal individual income-tax rates

Income year	Personal exemptions		Normal tax rate	Surtaxes		Maximum, normal, and surtax
	Single	Married		Begin at—	Range of rates	
			Pct.		Pct.	Pct.
1913–15	$3,000	$4,000	1	$20,000	1–6	7
1916	3,000	4,000	2	20,000	1–13	15
1917 [1]	1,000	2,000	2.4	5,000	1–63+	67+
1918	1,000	2,000	6–12	5,000	1–65	77
1919–20	1,000	2,000	4–8	5,000	1–65	73
1921	1,000	2,500	4–8	5,000	1–65	73
1922–23	1,000	2,500	4–8	6,000	1–50	58
1924	1,000	2,500	2–6	10,000	1–40	46
1925–28	1,500	3,500	1½–5	10,000	1–20	25
1929	1,500	3,500	½–4	10,000	1–20	24
1930–31	1,500	3,500	1½–5	10,000	1–20	25
1932–33	1,000	2,500	4–8	6,000	1–55	63
1934–35	1,000	2,500	4	4,000	4–59	63
1936–39	1,000	2,500	4	4,000	4–75	79
1940	800	2,000	4.4	4,000	4.4–75+	79+

[1] Certain individuals and partnerships were subject also to an excess-profits tax in 1917.

Source: Compiled from Statistics of Income and Revenue Acts. Because of numerous changes in the detailed provisions of the latter, the rates tabulated above are not strictly comparable.

PART V. CONCLUSIONS

The existing tax structure is inequitable. It violates the principle of ability to pay. The pending tax bill, if enacted into law, will impose even greater burdens upon the great masses of the people who have the least ability to pay. Taxes which mean a reduction of an already unconscionably low standard of living are proposed to be levied, while fat profits from defense spending get off with only a relatively minor share of the total burden.

Smaller corporations are threatened by an economic pincers movement more powerful than the giant monopolies have ever been able to muster, fostered by Government itself. We face a paradox of depression and underemployment in the midst of defense prosperity. The two jaws of the Government pincers movement are priorities and defense contracts. Priorities are depriving nondefense industries of raw materials necessary for their existence. Defense contracts have gone for the most part to big business. The result is that small business, which is denied materials for normal production, must shut down, while big business gets defense contracts to replace normal production.

The pending tax bill, instead of drastically increasing the yield from an effective excess-profits tax, shifts $500,000,000

from the normal corporation tax yield (by the reversal of credits) and adds it to the estimated yield from excess-profits taxes. At the same time corporations, large and small, are to have their taxes jacked up without regard to profits made from the defense spending.

For many years the Senate and the taxpayers have been promised a genuine revision of the tax structure and each year the promise is never fulfilled.

With an additional lend-lease appropriation for aid to other countries about to be submitted to Congress which will no doubt equal, if not exceed, the additional revenues to be raised by the pending bill, it is idle to lull ourselves into the false dream that the present bill is within gunshot of being adequate to meet the fiscal crisis which confronts the Treasury now and in the foreseeable future.

To pile a hodgepodge tax bill upon the existing hodgepodge tax structure impairs the functioning of our economy. One of the essentials necessary to free production for the defense effort is a sound tax structure. Passage of the pending bill, with all of its acknowledged injustices and hardships, might be accepted if the individual and corporate taxpayers could be assured this was all they would be asked to carry. Such is not the case. They have already been informed that another and bigger tax bill is to be enacted next year. This kind of blunderbuss tax procedure threatens the entire production effort for defense. It intensifies the resentment of all kinds of taxpayers. It will tend to increase disunity instead of foster unity.

It is my firm conviction that the pending bill, which makes an intolerable tax structure infinitely worse, should be rejected and thoroughgoing revision of the tax structure based on the sound principle of ability to pay should be immediately undertaken.

The PRESIDING OFFICER. The question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The question is on the passage of the bill.

Mr. LA FOLLETTE. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. HOLMAN (when his name was called). I have a general pair with the junior Senator from Tennessee [Mr. STEWART]. I am advised that if he were present he would vote as I shall vote. Therefore I am at liberty to vote. I vote "yea."

Mr. McNARY (when his name was called). I am advised that if the Senator from Tennessee [Mr. McKELLAR], with whom I am paired, were present he would vote as I am about to vote. I vote "yea."

The roll call was concluded.

Mr. HATCH. My colleague the junior Senator from New Mexico [Mr. CHAVEZ] is unavoidably detained. I am authorized to say that if present he would vote "yea."

Mr. BYRD. My colleague the senior Senator from Virginia [Mr. GLASS] is detained because of illness. I am instructed to say that were he present he would vote "yea."

Mr. McNARY. The junior Senator from South Dakota [Mr. GURNEY] is unavoidably absent. If he were present, he would vote "yea" on this question.

The Senator from Kansas [Mr. REED] is necessarily absent. If present, he would vote "yea."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Washington [Mr. BONE] and the Senator from New York [Mr. WAGNER] are absent from the Senate because of illness.

The Senator from South Dakota [Mr. BULOW] is detained in one of the Government departments.

The Senator from Kentucky [Mr. CHANDLER] is absent on a defense-inspection tour.

The Senators from Tennessee [Mr. McKELLAR and Mr. STEWART], the Senator from Utah [Mr. MURDOCK], the Senator from Florida [Mr. PEPPER], the Senator from New Jersey [Mr. SMATHERS], the Senator from Oklahoma [Mr. THOMAS], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

I am advised that if present and voting, the Senator from Kentucky [Mr. CHANDLER], the Senators from Tennessee [Mr. McKELLAR and Mr. STEWART], the Senator from Utah [Mr. MURDOCK], the Senator from Florida [Mr. PEPPER], the Senator from New Jersey [Mr. SMATHERS], the Senator from Oklahoma [Mr. THOMAS], and the Senator from New York [Mr. WAGNER] would vote "yea."

Mr. AUSTIN. My colleague [Mr. AIKEN] is absent attending a funeral. If present, he would vote "yea" on this question.

The Senator from Pennsylvania [Mr. DAVIS] is absent on official business. If present, he would vote "yea."

The Senator from Ohio [Mr. TAFT] is necessarily absent. If present, he would vote "yea."

The Senator from Minnesota [Mr. SHIPSTEAD] has a general pair with the Senator from Virginia [Mr. GLASS].

The Senator from Indiana [Mr. WILLIS] is absent because of a personal injury.

The Senator from Minnesota [Mr. BALL] is necessarily absent.

The result was announced—yeas 67, nays 5, as follows:

YEAS—67

Adams	Clark, Mo.	Kilgore
Andrews	Connally	Lee
Austin	Danaher	Lodge
Bailey	Downey	Lucas
Bankhead	Eastland	McFarland
Barbour	Ellender	McNary
Barkley	George	Maloney
Bilbo	Gerry	Mead
Brewster	Gillette	Murray
Bridges	Green	O'Daniel
Brooks	Guffey	O'Mahoney
Brown	Hatch	Overton
Bunker	Hayden	Peace
Burton	Herring	Radcliffe
Butler	Hill	Reynolds
Byrd	Holman	Rosier
Capper	Hughes	Russell
Caraway	Johnson, Colo.	Schwartz
Smith	Truman	Wallgren
Spencer	Tunnell	Walsh
Thomas, Idaho	Tydings	Wiley
Thomas, Utah	Vandenberg	
Tobey	Van Nuys	

NAYS—5

Clark, Idaho	Langer	Nye
La Follette	McCarran	

NOT VOTING—24

Aiken	Gurney	Smathers
Ball	Johnson, Calif.	Stewart
Bone	McKellar	Taft
Bulow	Murdock	Thomas, Okla.
Chandler	Norris	Wagner
Chavez	Pepper	Wheeler
Davis	Reed	White
Glass	Shipstead	Willis

So the bill (H. R. 5417) was passed.

Mr. GEORGE. I move that the Senate insist upon its amendments, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GEORGE, Mr. WALSH, Mr. BARKLEY, Mr. CAPPER, and Mr. DAVIS conferees on the part of the Senate.

Mr. GEORGE. Mr. President, I ask unanimous consent that the bill be printed with the Senate amendments numbered.

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

APPORTIONMENT OF REPRESENTATIVES IN CONGRESS

Mr. BARKLEY. Mr. President, I ask unanimous consent that House bill 2665, Calendar No. 594, a bill to provide for apportioning Representatives in Congress among the several States by the equal-proportions method, be made the unfinished business.

In connection with that request, let me say that it is not intended that the bill shall be taken up for consideration of the Senate earlier than the 22d of this month. Whether it can be taken up on that day will be determined by the situation as it then exists, but it will not be taken up for consideration earlier than that date. As I understand, that is agreeable to the Senator from Arkansas [Mrs. CARAWAY] and to both Senators from Michigan.

Mr. VANDENBERG. It is agreeable, so far as I am concerned.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Kentucky?

There being no objection, the Senate proceeded to consider the bill (H. R. 2665) to provide for apportioning of Representatives in Congress among the several States by the equal-proportions method.

LEGISLATIVE PROGRAM

Mr. BARKLEY. Mr. President, I wish to make a statement for the information of the Senate. The passage of the tax bill, which has just been acted upon, disposes of the important pending business. There are some measures on the calendar, but I do not think that any of them is sufficiently urgent to require a call of the calendar within the next few days.

There is in the offing a new appropriation bill for carrying out the purposes of the Lend Lease Act. Of course, the House will have to consider that measure

first, and under the arrangement under which the House is operating the Committee on Appropriations may not take that bill up for consideration earlier than the 15th of September, assuming that by that time the Budget Director will have a recommendation for its consideration. I very seriously doubt whether that bill will be ready for the consideration of the Senate within the next 2 weeks.

In addition, there is the price-maintenance bill, concerning which the House Committee on Banking and Currency has begun hearings, but it has not completed them and will not resume them until the 15th of this month.

So for the next 2 weeks, so far as I can now see, there will be no important legislation before the Senate. Senators may act accordingly.

The Senator from Oregon [Mr. McNARY] calls my attention to the fact that there may be the possibility of a report from the conference committee on the revenue bill; but, even so, I do not know that there will be so much difficulty about adopting the conference report as to require Senators to return, although we cannot predict what the conference report will contain. Barring the possibility that the conference report on the revenue bill may be of such a nature as to require the presence of a quorum of the Senate, there will be no need for Senators to remain in the city during the next 2 weeks unless they so desire.

CONSTRUCTION OF CERTAIN PUBLIC WORKS IN THE DISTRICT OF COLUMBIA BY THE WAR DEPARTMENT

Mr. MALONEY. Mr. President, can the majority leader tell me when there is likely to be another call of the calendar?

Mr. BARKLEY. I think there will be a call immediately following the period of 2 weeks to which I have referred.

Mr. MALONEY. I wonder if the majority leader would object to my asking unanimous consent for the immediate consideration of House bill 5146, a bill to amend an act entitled "An act to authorize the Secretary of War to proceed with the construction of certain public works in connection with the War Department in the District of Columbia," approved June 15, 1938.

Mr. BARKLEY. I have no objection.

Mr. MALONEY. I should like to explain briefly that the bill passed the Senate on the call of the calendar. At the suggestion of the senior Senator from Ohio [Mr. TAFT] it was referred to the Committee on Public Buildings and Grounds. We have held hearings. The bill now comes back in the same form, with the exception of one minor amendment. I do not like to see the War Department delayed; and if the majority leader is willing I should like to ask unanimous consent for the immediate consideration of the bill.

Mr. BARKLEY. I have no objection to that procedure.

Mr. MALONEY. I am certain there will be no controversy over it, and that there will be no objection.

I ask unanimous consent that the Senate proceed to the consideration of House bill 5146, calendar 697.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Connecticut?

There being no objection, the Senate proceeded to consider the bill (H. R. 5146) to amend an act entitled "An act to authorize the Secretary of War to proceed with the construction of certain public works in connection with the War Department in the District of Columbia," approved June 15, 1938, which had been reported from the Committee on Military Affairs without amendment; and subsequently reported from the Committee on Public Buildings and Grounds with an amendment on page 2, line 5, after the words "and to" to strike out "purchase" and insert "acquire by purchase, condemnation, or otherwise"; in line 6, after the word "*Provided,*" to strike out "That the advice of the National Capital Park and Planning Commission as to the selection of the site be requested before construction herein authorized shall begin" and insert, "That the location and design of such building shall be subject to the approval of the National Capital Park and Planning Commission"; so as to make the bill read:

Be it enacted, etc., That the act entitled "An act to authorize the Secretary of War to proceed with the construction of certain public works in connection with the War Department in the District of Columbia", approved June 15, 1938, is hereby amended to read as follows: "That the Secretary of War is hereby authorized to construct in the District of Columbia a building with the utilities, accessories, and appurtenances thereto to replace the present Army Medical Library and Museum Building now located in the District of Columbia, and to acquire by purchase, condemnation, or otherwise a suitable site: *Provided,* That the location and design of such building shall be subject to the approval of the National Capital Park and Planning Commission: *Provided further,* That the total cost of the construction and acquisition of a suitable site hereby authorized shall not exceed the sum of $4,750,000."

The amendment was agreed to.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time, and passed.

WAIVER OF STOCKHOLDERS' LIABILITY BY FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. NYE. Mr. President, the Senator from Kentucky has stated that there is nothing of urgent importance on the calendar. I could not argue that there is national importance attaching to Senate bill 1014, Calendar 695; but the issue involves an amendment to the Federal Reserve Act respecting a banking situation in my own State which is imperative to the stockholders of a bank. This measure was passed by the Senate at the last session. There has been delay in obtaining action by the Banking and Currency Committee at this session of Congress; but the bill has been reported without amendment, and I ask unanimous consent for its immediate consideration.

Mr. BARKLEY. I have no objection.

The PRESIDING OFFICER. Is there objection to the request of the Senator from North Dakota?

There being no objection, the bill (S. 1014) to amend section 12B of the Federal Reserve Act, as amended, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the first proviso of paragraph (7) of subsection (1) of section 12B of the Federal Reserve Act, as amended, is amended by inserting after the words "with respect to any bank which closes after the date this paragraph as amended takes effect" the words "or which was reorganized subsequent to March 9, 1933, and closed subsequent to January 1, 1938."

STRIKE OF CUBAN SUGAR PRODUCERS AGAINST UNITED STATES CONSUMERS

Mr. O'MAHONEY. Mr. President, much as I dislike to trespass upon the time of the Senate at this moment, knowing that Members of the Senate, having finished their arduous labors on the revenue bill, are anxious to bring this session to a close, nevertheless I feel that I should call the attention of the Senate and of the country to the fact that there appears to be a strike on the part of the Cuban producers of sugar against the consumers of sugar in the United States.

Upon my return to Washington two or three days ago after a visit to the West I was amazed to learn of the conditions which are developing. In view of the fact that on next Monday the Committee on Reciprocity Information will begin its hearings upon a proposal to reduce the tariff on Cuban sugar, I desire to take this opportunity to lay the facts before the Senate.

On about the 13th or 14th of August the Office of Price Administration and Civilian Supply placed a ceiling upon the price of sugar of $3.50 a hundred, as I recall.

Earlier in the year the Government of the United States, through the Export-Import Bank, had made a loan of some $10,000,000 or $11,000,000 to the producers of sugar in Cuba to enable them to produce some 400,000 tons of sugar, upon the consideration that such sugar should be kept off the market. That extra quantity of sugar has been produced. It is available in Cuba.

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

Mr. O'MAHONEY. I yield.

Mr. ADAMS. Does the Senator intend to reach back and point out the fact that the Senator from Wyoming and other western Senators——

Mr. O'MAHONEY. Including the Senator from Colorado.

Mr. ADAMS. The Senator from Wyoming and other western Senators, including the Senator from Colorado, asked to have the restriction on the acreage and production of sugar in the United States raised, and we were told that the continental surgar producer should not be permitted to produce his normal amount of sugar because of the excess supplies of sugar available.

Then, after the time for planting had passed, the Senator from Wyoming and myself succeeded in having passed through the Senate a bill to divert to the continental producers of sugar the deficit from the Philippines in order that there might be additional sugar for the consumer and in order that prices might not go up. That bill has made no headway

in the House. In spite of the fact that the sugar administration has denied to the American farmer an opportunity to produce sugar as he wishes, we are now confronted by large quotas permitting the introduction of sugar from Cuba and elsewhere, and the financing of additional sugar production in Cuba. The American farmer would have been very glad to produce the sugar. His inability to produce has left his machinery rusting in his barns.

Mr. O'MAHONEY. Mr. President, the Senator from Colorado is quite correct.

Mr. BROWN. Mr. President, will the Senator yield to me?

Mr. O'MAHONEY. Yes; I yield to the Senator from Michigan.

Mr. BROWN. I should not want the Senator from Colorado to take entirely to himself and to Senators from the West all the credit for informing the Senate and the country of the serious situation in the country nor for passage of the bill by the Senate. There were Senators from the Midwest and Senators from the State of Louisiana who particularly aided in the passage of that legislation.

Mr. ADAMS. Mr. President, the Senator's statement is entirely correct, and I was speaking of the presentation that was made at the particular time. The Senator from Michigan is entirely correct, and he has my apology.

AMERICAN PRODUCERS COMPELLED TO REDUCE ACREAGE

Mr. O'MAHONEY. It is important to recall and to bear in mind what the Senator from Colorado has just said—namely, that at the beginning of this year the Sugar Division in the Department of Agriculture reduced by some 15 or 16 percent the acreage in domestic United States which could be planted to sugar beets, and at the very moment that reduction was being forced upon the farmers of this country the Export-Import Bank was loaning money to increase the production in Cuba. But that is not the point to which I now desire to call attention. I desire that no one shall be permitted to overlook the fact, if it is possible for me to prevent it, that the Cuban producers of sugar are now engaged upon a strike against the consumers of sugar in the United States in order to force a reduction of the tariff upon sugar.

Mr. ANDREWS. Their sugar is being withheld from the market?

Mr. O'MAHONEY. The sugar, I will say to the Senator from Florida, is being withheld from the market. It was about the 13th or 14th of August that Mr. Henderson, of the Office of Price Administration, fixed the ceiling of about $3.50. From that day down to this there has not been a single sale of sugar from Cuba in this country. The Cuban producers of sugar are withholding their sugar from the market because they want either a higher price than that which was fixed by the Office of Price Administration or they want a lowering of the tariff.

I was amazed, Mr. President, when upon my return to Washington I found in the Journal of Commerce, of New York, in the issue of August 27, an article entitled "Raw Sugar Sellers' Strike Continues," from which I quote this paragraph:

> In the 13 days which have elapsed since the ceiling price became effective, not a pound of sugar has been offered for sale. Refiners, going into the season of heaviest consumption, although their immediate stock position is taken care of, are growing uncomfortable in considering their prospects of maintaining manufacturing operations uninterruptedly in late September and October. For a time yesterday, however, like others in the market, they forgot their troubles while following the progress of the Brooklyn baseball team.

The publication of that story apparently had some repercussions, because the next day the same Journal of Commerce printed a story bearing the title "Sugar Contracts Gain Moderately," with the subhead "Promise"—I ask Senators to heed this word and this phrase—"Promise of cut in Cuban duty seen likely to prompt sales at 3.5 cents."

Who made the promise that the duty would be reduced? On Monday, September 8, the Committee on Reciprocity Information will assemble to listen to citizens of the United States give their reasons why there should not be any reduction of the tariff, but the editors of the New York Journal of Commerce apparently are of the opinion that a promise already has been made; the decision has been rendered in advance of the submission of the evidence.

In this article I find the following paragraph:

> Meanwhile many are wondering how the ceiling price problem will be solved if the sellers continue to refuse to accept the 3.50-cent price, which is 30 points under their last sales. Some observers think that following the Cuban trade treaty hearings on September 8 the Cuban tariff will be cut to 75 cents if in return Cuba agrees to ship the 400,000 tons of "financed" sugar to the United States at the 3.50-cent ceiling level. In addition, it is believed that freight rates from Cuba will be "frozen"

I shall not trespass upon the time of the Senate to read all these articles, but I ask unanimous consent that they may be printed in full at the conclusion of my remarks.

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

(See exhibits A and B.)

Mr. O'MAHONEY. Mr. President, the most significant things, however, are the facts which have been called to my attention with respect to the attitude the producers of Cuban sugar have taken. Let it be remembered, first of all, that these producers of Cuban sugar are the beneficiaries of a loan from the Export-Import Bank. Let it be remembered, in the second place, that a substantial number of these producers are financed by large fiscal interests in the United States, and that the people of Cuba, the workers upon the plantations of Cuba, are not the beneficiaries either of the loan or of the reduction of the tariff.

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

Mr. O'MAHONEY. I yield to the Senator from Colorado.

Mr. ADAMS. Let me recall the Senator's attention to the fact that the Cuban producers also are the beneficiaries of preferential tariff treatment inasmuch as they pay a tariff rate lower than that paid by any offshore sugar producer not under the American flag.

Mr. O'MAHONEY. I thank the Senator for interjecting that comment upon the facts as they exist.

SHIPPING SHORTAGE

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

Mr. O'MAHONEY. I yield to the Senator from Michigan.

Mr. BROWN. I was called out of the Senate Chamber, but I was very anxious to hear what the Senator has to say. I wonder whether he has called attention to the fact that the greatest need in our aid-to-England-and-the-other-democracies policy is the need for ships?

Mr. O'MAHONEY. I was just about to come to that.

Mr. BROWN. I am glad the Senator will touch upon that point, because in the Cuban situation, the Philippine situation, the Puerto Rican situation, and the Hawaiian situation many tens of thousands of tons of shipping could be released for other purposes if we produced a much larger proportion of our sugar within the continental United States.

Mr. O'MAHONEY. Mr. President, the Senator from Michigan, as a member of the Finance Committee, was one of those who were most diligent and effective in procuring favorable action by the Senate upon the bill introduced by the Senator from Colorado [Mr. ADAMS] and myself to divert to domestic producers of sugar the deficit from the Philippine Islands which was developing because of a lack of shipping. We introduced that bill early in the year. The war in Europe began more than 2 years ago. Anybody who knows a thing in the world about the sugar situation and about conditions in wartime knew then that if there were a shortage of sugar, the price of sugar to the consumers of the United States would mount; and, representing the growers of sugar beets in the West, like the Senators from Louisiana and the Senators from Florida, like the Senators from Ohio and Michigan in the Middle West, we were seeking to increase the production of domestic sugar, whether from the cane crop or the beet crop, in order that there might be the largest possible amount of domestic production to protect the consumer.

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

Mr. O'MAHONEY. I yield to the Senator from Louisiana.

Mr. OVERTON. Is it a fact that a number of vessels have been diverted from carrying materials essential for national defense in order that they might ply between the Philippine Islands and continental United States in the introduction of sugar from the Philippine Islands into the United States?

Mr. O'MAHONEY. I have heard reports to that effect, but since my return to Washington I have not had an opportunity to investigate whether that is the truth. I have heard the reports.

Mr. OVERTON. I recall reading, I think yesterday or day before yesterday,

an interesting editorial appearing in the Washington Post calling attention to the fact that strategic materials which were very badly needed for national defense, and which were very necessary in carrying out our national-defense program, had not been brought into the United States in the quantities in which they should have been brought in, because it was necessary to divert some of the ships, or so it was thought, in order that their cargoes might consist of sugar rather than of materials necessary for our national defense, and they were diverted to the Philippine Islands to be used for that purpose.

Mr. ADAMS. Mr. President, may I say a word?

Mr. O'MAHONEY. I yield to the Senator from Colorado.

Mr. ADAMS. The record of the Senate Finance Committee will show that the Philippine Commissioner wrote a letter in which he pointed out that ships had been contracted for to carry sugar to the United States to a certain amount; and the fact is that the sugar producers have insisted upon the shippers complying with their contracts, so that in accordance with their contracts they have availed themselves of ships to carry sugar which otherwise could have been used for the transportation of these critical and essential materials.

Mr. O'MAHONEY. Mr. President, I can understand how the growers of Philippine sugar should insist upon those contracts, because the Philippine sugar crop is one of the essential crops upon which the Philippine economy depends; but that is not the issue to which I am now alluding. I am talking about the strike of Cuban sugar producers against American consumers and the Office of Price Administration in order to force the State Department to reduce the tariff upon Cuban sugar by some 15 cents.

CUBAN SUGAR STRIKERS SEEK TO FORCE TARIFF REDUCTION

I want to make it clear that according to the information available to me from reliable sources, there are now something over $25,000,000 worth of orders for Cuban sugar, and not a pound is moving. The Cuban producers refuse to sell until they have received an assurance not only that the tariff shall be reduced 15 cents, but that, if it is reduced, the benefit shall go not to the consumer, not to the housewife, but to the Cuban producers of sugar.

If the tariff is to be reduced as a result of the negotiation of a new reciprocal trade agreement with Cuba, the beneficiaries will not be the people of the United States but will be the sugar planters of Cuba. The money will be taken out of the Treasury of the United States, not for the purpose of helping citizens of the United States but for the purpose of helping the producers of Cuban sugar, who already have the benefit of an $11,000,000 loan to advance their production.

Mr. BROWN. Mr. President, will the Senator yield at that point?

Mr. O'MAHONEY. I yield to the Senator from Michigan.

Mr. BROWN. Fundamentally, the protection of the price of sugar to the American consumer depends upon American production, because, if we do not produce in the United States sufficient sugar, nothing that can be done by Mr. Henderson or any other authority that can be set up in the United States can control the price of sugar if the Cubans refuse to sell it to us unless we pay their price. The Senator knows that that was the situation which caused 25-cent sugar at retail in the years immediately following the World War.

Mr. O'MAHONEY. Mr. President, of course. Anybody who has given the slightest attention to the sugar problem knows that this is the greatest sugar market in the world—130,000,000 people purchasing and consuming sugar, with the cane producers and the beet producers of the United States able to turn out only a portion of it—but every time an international crisis develops, and shipping becomes difficult to procure, the producers of Cuban sugar and the producers of sugar from other offshore areas take advantage of the situation to raise the prices. Our plea on behalf of American producers in Florida and Louisiana and throughout the beet area has been to permit American farmers, American citizens, who are to pay the taxes levied by the bill we have just passed, to raise as much sugar as they can.

Mr. ANDREWS. Mr. President——

Mr. O'MAHONEY. I yield to the Senator from Florida.

Mr. ANDREWS. Does the Senator know or can he give us any information as to who owns the sugar production in Cuba, whether it is the Cuban people or someone else?

Mr. O'MAHONEY. Mr. President, as I thought I stated a few moments ago, according to my information, the greater proportion of the sugar production in Cuba is owned and financed by American financial interests.

Mr. ELLENDER. Mr. President, the actual figures are, for last year, that 56 percent of the sugar produced in Cuba was owned and controlled by interests in the United States.

Mr. ANDREWS. The point I am making is that that situation is very largely controlled from New York.

Mr. O'MAHONEY. Exactly. The Senator is quite right. I have pointed out that one of the considerations upon which the Cuban sugar strikers are now proceeding is that if the tariff is reduced, they and they only shall get the benefit.

They have another consideration upon which they are insisting, which is that if the ceiling is raised, if the maximum price is raised from $3.50, for example, to $3.80 or to $3.75, the benefit of that increase shall go, not to American consumers, not to American refiners, but again to the Cuban producer. In other words, the owners of this 400,000-ton crop, produced under a loan by the Export-Import Bank, are insisting that if the Office of Price Administration shall see fit to raise the ceiling, they and they only shall obtain the benefit from that action.

DEMAND SHIPPING GUARANTY

Attention has been called to the fact that there is a shortage of shipping, that it was a recognition of the shortage of shipping and the increase of shipping rates which prompted the Senator from Colorado and myself to introduce our bill with respect to the prospective Philippine deficit. Proof of that shortage existing throughout the world is to be found in another one of the conditions—indeed in two conditions being laid down by these Cuban sugar strikers. The first is that the Maritime Commission shall agree to furnish the shipping to bring the sugar in before the 31st of December.

They want a guaranty not only that the tariff be reduced for their benefit, not only that they have the benefit of any increase in the ceiling, but also that the Maritime Commission of this Government guarantee them the shipping, and, more than that, that they shall guarantee them a shipping rate not to exceed 40 cents.

Mr. President, I am sorry to have trespassed upon the time of the Senate, but I had the feeling that because next Monday the Committee for Reciprocity Information is about to go through the form of judicial procedure, and listen to the pleas and the testimony of American citizens who believe that they may be injured, the facts should be revealed here in this forum.

I have no intention of appearing before the Committee for Reciprocity Information because I have lost faith in the value of such appearance. I have lost faith that the presentation of any evidence there will affect the decision which is to be rendered. So I prefer to make my statement here in this body, which, having considered the facts and the evidence, has on numerous occasions indicated its belief that the domestic production of sugar beets and sugarcane should be encouraged in order that the American consumer of sugar might not be exploited by those who produce sugar in offshore areas.

EXHIBIT A

[From the Journal of Commerce and Commercial (New York) of August 27, 1941]

RAW-SUGAR SELLERS' STRIKE CONTINUES—13 DAYS NOW SINCE GOVERNMENT SET 3.50 CENTS CEILING, 30 POINTS BELOW THE MARKET

The second day of trading above the ceiling price of 2.60 cents ex duty set by O. P. A. C. S. was uneventful in the domestic sugar contract in the New York Coffee and Sugar Exchange. Trading amounted to 212 lots, which was mostly outright liquidation or moving forward from September, first notice day for which was yesterday.

No notices of intention to deliver were posted. The reason is that raw-sugar holders are not anxious to part with stock at these prices, which are, roughly, 30 points under the level of last sales. The last sales were effected at 3.80 cents prior to the ceiling price established on August 14.

In the 13 days which have elapsed since the ceiling price became effective not a pound of sugar has been offered for sale. Refiners, going into the season of heaviest consumption, although their immediate stock position is taken care of, are growing uncomfortable in considering their prospects of maintaining manufacturing operations uninterruptedly in late September and October. For a time yesterday, however, like others in the market, they forgot their troubles while following the progress of the Brooklyns.

Tomorrow the refiners will meet with O. P. A. C. S. officials in Washington and discuss their problems resulting from ceiling price.

If sellers of raws continue their sit-down strike by refusing to offer at 3.50 cents, the only way for the Government to handle the situation, some observers feel, will be to raise the ceiling.

The liquidation in the No. 3 contract yesterday was orderly. All of it except 18 lots were in the form of switches from the September position. Eighty-six lots of September-March were effected at 6 points, 1 lot at 3 points, and 11 lots of September-May were done at 8 points.

World sugar, continuing to reflect a lull in the demand for actuals, was a shade easier on scattered liquidation and hedge selling and ended 1½ points lower. Sales were 209 lots. Cuban trade and commission houses were on both sides of the market, their orders reflecting their individual views as to whether the last price of 1.75 cents f. o. b. Cuba will be topped once Britain renews interest in purchases. Currently sellers are holding arcund 1.90 cents.

DOMESTIC CONTRACT NO. 3

	Open	High	Low	Closing— Aug. 26	Closing— Aug. 25	Sales
September	2.64	2.69	2.65	2.64	2.68	[1]109
November	[2] 2.75	2.75	2.75	2.70	2.69	2
1942:						
January	[2] 2.70	2.70	2.70	2.68	2.70	1
March	2.70	2.72	2.70	2.70	2.72	[1] 89
May	2.72	------	------	2.72	2.75	[1] 11
July	2.74	------	------	2.74	2.77	------
Total	------	------	------	------	------	212

WORLD CONTRACT NO. 4

September	1.85	------	------	1.84½	1.86	------
December	1.88½	1.89½	1.86½	1.88	1.89½	62
1942:						
January	------	------	------	1.88½	1.90½	------
March	1.89	1.91	1.87	1.88½	1.90	[1] 79
May	1.90	1.92	1.89	1.90	1.91½	[1] 43
July	1.90½	1.92½	1.89	1.90½	1.92	25
September	------	------	------	1.92	1.93½	------
Total	------	------	------	------	------	209

[1] Includes switches. [2] Bid.

Raw sugar

SPOT QUOTATIONS

	Cents
Raws,[1] 96°, c. i. f.	2.80
World's raws,[1] f. o. b.	1.90

[1] Price fixed by sugar committee of New York Coffee and Sugar Exchange.

Refined sugar

IMMEDIATE SHIPMENT

	Cents
American	5.35
Arbuckle	5.35
Sucrest	----
Refined Syrups	----
National	5.35
McCahan	5.35
C. & H.	5.35

EXHIBIT B

[From the Journal of Commerce and Commercial (New York) of August 28, 1941]

SUGAR CONTRACTS GAIN MODERATELY—PROMISE OF CUT IN CUBAN DUTY SEEN LIKELY TO PROMPT SALES AT 3.50 CENTS

Domestic sugar futures on a turn-over of only 20 lots, all of which represented liquidation of old commitments, ended 4 to 5 points higher yesterday. The rise reflected the limited number of offerings in the market.

World sugar on 303 lots advanced 5 to 6 points. Apparently, the buying was induced by what appeared to be unfounded reports that Britain was in the market for a block of sugar at 1.85 cents f. o. b. Best sources said that Britain is not in the market at the moment and has not indicated a price better than 1.75 cents, the last paid.

It appeared, however, that Spain wanted refined sugar at a price equivalent to 1.85 cents for raws. Spain, it is realized, is a potential customer when it has the capital necessary for purchases. In this instance, the reports are that Spain wants more than 35,000 tons.

In the domestic market interest is focused on the meeting of refiners with O. P. A. C. S. officials at Washington today at which will be discussed the refiners' problems resulting from the ceiling price.

Meanwhile, many are wondering how the ceiling-price problem will be solved if the sellers continue to refuse to accept the 3.50-cent price, which is 30 points under their last sales. Some observers think that, following the Cuban trade-treaty hearings on September 8, the Cuban tariff will be cut to 75 cents if in return Cuba agrees to ship the 400,000 tons of financed sugar to the United States at the 3.50-cent ceiling level. In addition, it is believed that freight rates from Cuba will be frozen.

Sales of the 400,000 tons at the ceiling price offer possibilities in several directions. It is believed it would save the face of O. P. A. C. S. in enforcing the price ceiling, it would eliminate the danger of the refiners being forced to close down for lack of raw sugar later in the year, and it would force the ceiling price on the rest of the industry.

Meanwhile it is believed that the Maritime Commission may be forced to act to insure more ships for the movement of sugar to east coast ports. The Gulf ports have taken in more than their proportionate share of raws, and in addition have available to them for melting the Louisiana cane crop.

One bit of news which was pointed to yesterday as encouraging sellers of raw sugar to hold out was the advance in the primary market of burlap above the O. P. A. C. S. ceiling. Sellers show no sign of weakening in their determination to get 3.80 cents.

A meeting will be held in Philadelphia in an effort to settle the 2-months-old strike, and prospects are reported to be good for a settlement. Currently, a good volume of refined is reported to be moving into Philadelphia from New York to supply the demand there. If the strike is settled, three more potential buyers will be in the market for raw sugar. But for the time being they will find the market empty of offerings.

DOMESTIC CONTRACT NO. 3

	Open	High	Low	Closing— Aug. 27	Closing— Aug. 26	Sales
September	2.65	------	2.68	2.66	2.64	5
November	2.65	------	------	2.70	2.70	------
1942:						
January	2.69	2.71	2.71	2.72	2.68	3
March	2.70	2.72	2.72	2.74	2.70	6
May	2.72	2.75	2.75	2.76	2.72	6
July	2.74	------	------	2.79	2.74	------
Total	------	------	------	------	------	20

WORLD CONTRACT NO. 4

September	1.82½	------	------	1.89½	1.84½	------
December	1.88	1.94½	1.88	1.93	1.88	[1] 66
1942:						
January	------	------	------	1.93½	1.88½	------
March	1.89½	1.95	1.89½	1.93½	1.88½	[1] 80
May	1.91	1.96	1.92	1.95½	1.90	[1] 85
July	1.92	1.97	1.93	1.96½	1.90½	[1] 73
September	------	------	------	1.98	1.92	------
Total	------	------	------	------	------	303

[1] Includes switches.

Raw sugar

SPOT QUOTATIONS

	Cents
Raws,[1] 96 deg., c. i. f.	2.80
World's raws,[1] f. o. b.	1.90

[1] Price fixed by sugar committee of New York Coffee and Sugar Exchange.

Refined sugar

IMMEDIATE SHIPMENT

	Cents
American	5.35
Arbuckle	5.35
Sucrest	----
Refined Syrup	----
National	5.35
McCahan	5.35
C. & H.	5.35

CONFIRMATION OF POSTMASTER NOMINATIONS

Mr. BARKLEY. Mr. President, there are on the Executive Calendar for consideration the nominations of only four postmasters. I ask unanimous consent that, as in executive session, the postmaster nominations on the calendar be confirmed en bloc.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the nominations are confirmed en bloc.

Mr. BARKLEY. I ask that the President be notified forthwith not only of these confirmations but of confirmations which have been ordered heretofore of which he has not been notified.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

PRESIDENT ACTS TO AID SMALL BUSINESS

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that there be printed in the RECORD the Executive order issued yesterday by the President of the United States establishing an Office of Contract Distribution in the O. P. M. I welcome the issuance of this Executive order and the appointment of Mr. Floyd B. Odlum to administer the new division as a very important step forward in the protection of the interests of small business. The country is being threatened with a new unemployment problem, a defense unemployment problem, by reason of the enforcement of the priority rule, and I feel that this order should be printed in the RECORD.

In connection with that I ask that there also be printed three letters which I have received from various sections of the country, which are typical of the response which is coming to me from all over the country with respect to Senate bill 1847, which the Senator from Connecticut [Mr. MALONEY] was good enough to introduce for me on the 14th day of August. I ask also that Senate bill 1847 be printed in the RECORD in full at this point.

The PRESIDING OFFICER. Is there objection?

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

EXPLANATION OF DEFENSE CONTRACTS DIVISION

THE PRESIDENT'S STATEMENT

The President today, after conferring with Under Secretary of War Patterson, Under Secretary of the Navy Forrestal, William S. Knudsen, and Sidney Hillman, acting as the council of the O. P. M., and with Rear Admiral Emory S. Land, Chairman of the

United States Maritime Commission, issued an Executive order establishing a new division in the Office of Production Management.

This Division is to be known as the Division of Contract Distribution and is to be coordinate with the existing division—Procurement, Prorities, Labor, and Civilian Supply.

Floyd B. Odlum, of New York, has been appointed director of the new Division.

The conference was held, and the Executive order was issued in furtherance of a determined move on the part of the administration to help the smaller business units of the country obtain a fair share of the defense orders and to prevent, so far as possible, dislocation of industry and unemployment of workers in plants where production has been curtailed by priorities and material shortages.

The program devised was arrived at in consultation with representatives of the Army, Navy, Maritime Commission, and O. P. M., and has the full support of these agencies.

MAJOR STEPS FOR NEW BRANCH

The Labor Division and the Defense Contract Service of O. P. M. have already done a great deal in starting the machinery of subcontracting and in retraining and obtaining reemployment for discharged workers. The program is now to be greatly expanded throughout each part of the United States, as one of the most important functions of O. P. M. The present personnel, records, etc., of the Defense Contract Service of O. P. M. will be transferred to this new Division.

Through this Division, the Office of Production Management will be enabled more effectively to adjust the dislocations and alleviate unemployment resulting from priorities and material shortages, and bring about maximum use of the Nation's factories and industrial plants, especially the smaller ones throughout the Nation. This will be done through four major steps:

1. The breaking down of large orders of supplies into smaller units, and spreading the purchases among more firms and in all localities possible.

2. Providing assistance through the Labor Division of O. P. M. in retraining and obtaining reemployment for workers who are unemployed as a result of the shutting down of some plants or reduction of their output.

3. The effective distribution of defense contracts to the smaller business enterprises, as yet largely unused, through an expanded use of subcontracting, contract distribution, and the pooling of plant facilities.

4. By providing a staff of industrial and production engineers to formulate and execute specific plans for the conversion of nondefense industries and plants to defense production.

The Division will formulate and promote plans and programs for the purchase of supplies for the Army and Navy in smaller units, but among a greater number of firms and in as many different localities as possible.

It will also formulate and develop programs for the conversion of plants and industries from civilian to defense production—with the assistance of the Government wherever necessary.

It will formulate the organization and use of local industrial defense production associations and will promote and stimulate farming out of defense work and subcontracting wherever feasible.

The Division of Contract Distribution will provide an industrial engineering staff, whose responsibility it will be to obtain the maximum use of existing facilities and tools by assisting manufacturers and business enterprises in making the necessary changes in their tools and equipment for effective use in defense production.

The field offices of the Division of Contract Distribution will be adequately staffed to render needed assistance to businessmen. Procurement agencies of the Government will assign representatives to the main office and field offices, as required for purposes of liaison.

In the various cities will be established exhibits, or market places, where there will be displayed specific parts—bits and pieces—the components needed for defense production. These may be parts of a machine gun or an airplane or tank, or any one of a thousand other items which are needed.

These bits and pieces will be labeled as to the quantities needed and the machine tools and operations required for their production, so that any machine shop owner or manufacturer can determine whether his facilities are capable of producing such items.

Subcontracting arrangements can then be entered into on the basis of what an individual sees he is capable of doing, receiving then and there the expert industrial and engineering judgment of those whose assistance he may desire.

PROVISIONS FOR FINANCING

The Division of Contract Distribution will also provide through the regular commercial banking channels, the Reconstruction Finance Corporation, including the Defense Supplies Corporation and the Defense Plant Corporation, and the Federal Reserve banks and their branches, the necessary financing facilities for local industrial production associations, prime contractors and subcontractors, and will recommend whenever necessary such additional financial procedures and machinery as may be required to obtain the maximum utilization of existing plant and tool facilities for defense purposes.

The Director of the Division is to appoint two advisory committees—one to consist of representatives of small business organizations; the other to consist of industrial management and production engineers.

It is intended, on the one hand, to face the responsibility of alleviating the hardships which have resulted from the defense program and, on the other, to marshal our productive capacities to the objective that no plant or tool which can be used for defense shall be allowed to remain idle.

By virtue of the authority vested in me by the Constitution and the statutes of the United States, and in order to define further the functions and duties of the Office of Production Management with respect to the unlimited national emergency as declared by the President on May 27, 1941, and to provide for the more effective utilization of existing plant facilities for defense purposes; the conversion into defense production of civilian industries affected by priorities and raw material shortages; the alleviation of unemployment caused by the effects of such priorities and shortages; the local pooling of facilities and equipment; subcontracting; and the wider diffusion of defense contracts among the smaller business enterprises in every part of the Nation, it is hereby ordered as follows:

1. There shall be within the Office of Production Management a Division of Contract Distribution at the head of which shall be a Director appointed by the Office of Production Management with the approval of the President. The Director shall discharge and perform the following responsibilities and duties under the direction and supervision of the Director General acting in association with the Associate Director General:

(a) Formulate and promote specific programs for the purchase of supplies for the Army and Navy in smaller units but among a greater number of firms and in as many different localities as possible.

MODIFICATION OF PROCUREMENT

(b) Formulate and promote modifications in Federal procurement practices and procedures relating to negotiating contracts, bidding practice, performance and bid bonds and other practices and procedures, to the end that there shall be a wider distribution of defense contracts and purchases.

(c) Develop programs for the conversion of plants and industries from civilian to defense production, with the assistance of the Government if necessary.

(d) Stimulate the organization and use of local industrial defense production associations.

(e) Promote and stimulate subcontracting wherever feasible.

(f) In order to obtain maximum use of existing productive facilities and tools, advise manufacturers and business enterprises the specific ways in which their facilities and tools may be utilized in defense production; advise such manufacturers and businessmen with respect to the procedures and practices of the several Federal procurement agencies.

(g) Facilities through the regular commercial banking channels, the Reconstruction Finance Corporation and the Federal Reserve banks and their branches, the necessary financing facilities for prime contractors, subcontractors, and local industrial defense production associations, and recommend from time to time to the Director General and associate director general such additional financial procedures or machinery as shall be required to insure maximum utilization of existing plant and tool facilities for defense purposes.

(h) Provide engineering and technical assistance to such prime contractors, subcontractors, and local industrial defense production associations as may require such assistance in order to participate in defense production.

(i) Perform such other duties and responsibilities as the Office of Production Management may from time to time determine.

MOVE TOWARD COORDINATION

2. To insure unity of policy and coordinated consideration of all relevant factors involved in the formulation and execution of industry conversion programs, and contract distribution and subcontracting procedures, all such programs or procedures shall clear through the Division of Contract Distribution.

3. To aid the Director in carrying out the aforesaid responsibilities, there shall be assigned to the Division one or more officers of the Departments of War and the Navy, respectively, and one or more representatives of the Maritime Commission, whose duty shall be to assist as liaison in the speedy and successful carrying out of the aforesaid program.

4. There shall be in the Division of Contract Distribution two advisory committees consisting of representatives to be designated by the Director of the Division with the approval of the Office of Production Management. One shall be representative of small business organizations; and the other of industrial, management, and production engineers. The committee shall, from time to time, upon request by the Director, make findings and submit recommendations to the Director with respect to procurement practices and procedures, contract placements and distribution, industry conversion problems, formation of local production associations, subcontracting, and for such other matters as the Director may require advice and assistance.

5. Within the limits of such funds as may be made available to the Division of Contract Distribution, the Director may appoint industrial and production engineers, economists, statisticians, and such technical and other personnel as he shall deem necessary to carry out the duties assigned to the Division herein.

MAY SET UP BRANCH OFFICES

6. The Director may establish branch offices throughout the United States and its Territories to carry out his duties. There shall be assigned to such branches such officer personnel or other representatives of the Army, Navy, United States Maritime Commission, and other Federal procurement agencies as may be required by the Director for liaison purposes.

7. There shall be assigned to the main office and to each field office of the Division a rep-

resentative of the Labor Division of the Office of Production Management to cooperate with such offices in the Labor Division's efforts toward reemployment of employees of plants whose production has been curtailed by priorities and material shortages.

8. In the execution of the foregoing duties, the Director of the Division of Contract Distribution shall consult and collaborate with the War Department, the Navy Department, the United States Maritime Commission, and other Government procurement agencies which are hereby directed to cooperate with and establish close liaison with such Division to accomplish the purposes of this order.

9. The Defense Contract Service, established pursuant to Regulation No. 9, July 29, 1941, of the Office of Production Management, is hereby abolished. The duties and responsibilities of said Defense Contract Service are hereby assigned to the Division of Contract Distribution. All records, files, and equipment of the Defense Contract Service shall be transferred to the Division of Contract Distribution.

FRANKLIN D. ROOSEVELT.

THE TOLEDO SMALL
BUSINESS MEN'S ASSOCIATION,
August 21, 1941.

Senator O'MAHONEY,
United States Senate,
Washington, D. C.

DEAR MR. O'MAHONEY: We have noted with interest and approbation your comments and efforts on behalf of small business. Surely small business is an important part of the backbone of the Nation, and present developments and actions at Washington will surely weaken that backbone very quickly and very seriously.

We already have industries in the Toledo area that have had to curtail, cut down their hours, or lay off men. Yesterday I had three of our members talk with me about restrictions which have been placed upon them, what those restrictions meant to them and what they should and could do about it.

A few have been to Washington and come back telling of the difficulty and time spent in contacting the right people. Some feel they have worked out a solution there satisfactorily, but get home to find the party with whom they made arrangements has been transferred and somebody else takes his place who knows nothing about it, so they are back just where they started.

There are not many small businessmen who can afford to go to Washington and spend the money and time. An association like this (with our several hundred members) could not afford to do this over and over nor maintain a man there.

Having assumed leadership in connection with small business, we are writing you to see if you can offer any suggestions, help or plan, either for this association, or for its members individually. We are all loyal and willing to do our share in everything possible within the limits of our ability; on the other hand, we feel there are priorities and restrictions being promulgated which may not be absolutely necessary, and which might be tempered so the small businessman could survive and remain a potent unit for defense, peace, and prosperity.

You have started the movement—we would like to see you continue it, and would like your valuable suggestions and ideas as to how we can help, also how you and we can help our members, from being put out of business, and their employees from being without work.

We are at sea as to just how to take hold of this proposition, and hope you may be able to give us some direction, as our members surely need it and need it quickly.

Yours very truly,
THE TOLEDO SMALL
BUSINESS MEN'S ASSOCIATION,
O. E. M. KELLER, *President.*

GRAY RADIO CO.,
West Palm Beach, Fla., August 23, 1941.

Senator O'MAHONEY,
Washington, D. C.

DEAR SIR: We have tried everywhere we can think of to get consideration for defense work as a small manufacturer.

Unless we get a Government order, we are going to be out of business, and soon.

Our specialty is the manufacture of light two-way radio equipment for use in aircraft and small boats. We have been doing all right up until a few months ago. Now we can't get materials, even though we could sell enough equipment commercially to stay in business. Without priority certificates the big parts manufacturers simply ignore our orders.

We are really small, about 10 employees, but we have built hundreds of radio units and we could build thousands, for we have the nucleus of trained men and the "know how." But all the orders are going to the big radio concerns.

We have written O. P. M., the Army, Navy, Defense Contract Service, etc., all without getting even a chance to bid on contracts.

Unless the small manufacturer gets some consideration—and we represent at least 40 percent of this country's production capacity—the conclusion will be: "National emergency, hell; just a grab bag for the big outfits." And what effect will that have on national morale?

What do you suggest?

Your sincerely,
GRAY RADIO CO.,
F. E. GRAY, *President.*

POOLE SILVER CO.,
New York, N. Y., August 26, 1941.

Hon. JOSEPH C. O'MAHONEY,
United States Senator, Senate Office Building, Washington, D. C.

DEAR SENATOR O'MAHONEY: The writer has read in the newspaper that you have introduced legislation which you term an effort to prevent "bankruptcy for thousands of small manufacturers and unemployment of millions of workers." I further understand that you have offered amendments to the defense priorities law of last May 31.

I congratulate you on making these moves in behalf of some of us small manufacturers. Surely there should be some agency designated by the President that would enable the small manufacturer to at least get a hearing.

Unless we can obtain some metal in the very near future, it is a question of how much longer we can continue in business, in spite of the fact that we have been in business for over 50 years. There seems to be no place in Washington where the small manufacturer can get a hearing, and I sincerely hope that your efforts along these lines will prevail.

We manufacture silver-plated hollow ware and can plate on either a nickel-silver base (10 percent nickel) or a copper base. Due to Government restrictions, the rolling mills that have been supplying us with metal are unable to fill our orders. We could, perhaps, be of great assistance to the Government if we could get a small Government contract, or even a subcontract, but we are at a loss to know how to go about doing this.

I am willing to write letters to every United States Senator to support your proposed legislation, if you think this would help. If so, could you supply me with the correct numbers of your bills that have been introduced, and any other suggestions that you may have to offer will be deeply appreciated. Kindly address your reply to the writer at 366 Fifth Avenue, New York City.

With assurances of the writer's admiration of your record in public office, and hoping to hear from you, I remain,

Very truly yours,
H. I. PEABODY.

[S. 1847. A bill relating to the power to establish priorities pursuant to the act of June 28, 1940, as amended]

Be it enacted, etc., That section 2 of the act approved June 28, 1940 (Public, No. 671, 76th Cong.), as amended, is hereby further amended by adding at the end of subsection (a) thereof the following new paragraph:

"(3) Any person whose business operations are adversely affected by the assignment of a priority pursuant to this section with respect to any materials used in connection with such operations shall, upon application therefor under such regulations as the President may prescribe, be afforded an opportunity forthwith to present his views thereon at a hearing before an agency to be designated by the President. If, at such hearing, such person establishes to the satisfaction of the agency so designated that as a result of such priority his business operations will be seriously interfered with or substantially curtailed because of a shortage of any material necessary to such operations, that his inability to continue business operations will result in a serious unemployment problem for his employees, or that the interests of the consumers of the articles produced or manufactured by such person will be substantially impaired, the agency shall make an immediate report thereon to the President. Thereupon the President shall allocate to such person such amounts of the material with respect to which the shortage exists as in his judgment will be necessary to prevent substantial hardship to such person, his employees, or consumers."

ADJOURNMENT TO MONDAY

Mr. BARKLEY. If there is no further business, I move that the Senate adjourn until 12 o'clock noon on Monday next.

The motion was agreed to; and (at 6 o'clock and 5 minutes p. m.) the Senate adjourned until Monday, September 8, 1941, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate September 5 (legislative day of September 2), 1941:

THE ATTORNEY GENERAL

Francis Biddle, to be the Attorney General of the United States.

POSTMASTERS

COLORADO

Mr. Pearl L. Robb, Central City.

PENNSYLVANIA

Herman I. Siegfried, Bath.
Ralph B. McQuistion, Harmony.
Frances M. Ruland, Russell.

SENATE

MONDAY, SEPTEMBER 8, 1941

The Reverend Hunter M. Lewis, B. D., assistant rector, Church of the Epiphany, Washington, D. C., offered the following prayer:

O Father of mercies and God of all comfort, who sustaineth us in all our sorrows, that we may be able to comfort them who mourn, by the grace wherewith we ourselves are comforted of Thee: Vouchsafe to us, we beseech Thee, such understanding hearts that those in sorrow may feel the warmth of our sympathy and be drawn closer to Thee and to us in the fellowship of Thy love.

Let the tenderness of Thy pity rest, O Lord, upon the sorrows of Thy servant,