

## HOUSE OF REPRESENTATIVES

MONDAY, FEBRUARY 2, 1948

The House met at 11 o'clock a. m.  
The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Lord God of hosts, who has committed unto us the solemn trust of free government, we pray Thee to renew within us the gift of wonder and the freshness of discovery, whereby new paths are made plain. Speak to us in the secret chamber of our hearts, that we may cast out of our thoughts all unworthy motives and seek the robust stature of Christian character as exemplified by our Galilean Teacher.

In this hour of her tragedy, our Father, we beseech Thy blessings upon India; grant that out of her sorrow she may have the assurance that, though the workman dies, the work goes on forever.

We commend unto Thee our President, our Speaker, and all Members of the Congress, that at all times and places we may revere the sanctity of our personal honor and obligation, by which we may attain unto a larger and better and more useful life. Hear our humble prayer as we pray in the name of Jesus Christ our Lord. Amen.

The Journal of the proceedings of Friday, January 30, 1948, was read and approved.

## MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Miller, one of his secretaries, who also informed the House that on the following date the President approved and signed a bill of the House of the following title:

On January 31, 1948:

H. R. 3645. An act relating to the exchange of certain private and Federal properties within Gettysburg National Military Park, Pa., and for other purposes.

## EXTENSION OF REMARKS

Mr. SUNDSTROM asked and was given permission to extend his remarks in the RECORD.

Mr. DONDERO asked and was given permission to extend his remarks in the RECORD and include a short editorial.

Mr. MASON asked and was given permission to extend his remarks in the RECORD and include a statement.

Mr. RICH asked and was given permission to extend his remarks in the RECORD and include an editorial from the Bristol Courier entitled "Bipartisan European Aid."

Mr. REED of New York asked and was given permission to extend his remarks in the RECORD in two instances and to include in each extraneous matter.

Mr. ANGELL asked and was given permission to extend his remarks in the RECORD and include a short statement, and also to include extraneous matter in the speech he expects to make today in the Committee of the Whole.

Mr. COLE of Missouri asked and was given permission to extend his remarks in the RECORD and include an editorial by Frank C. Waldrop entitled "Let's Face It."

Mr. POTTS asked and was given permission to extend his remarks in the RECORD and include a statement of the Thoughts at Seventy, by Dr. Frank S. Hackett, headmaster of Riverdale School, on the value of education in settling the problems of a troubled world.

Mr. POULSON asked and was given permission to extend his remarks in two instances and include two articles.

Mr. HARRISON asked and was given permission to extend his remarks in the RECORD and include an address delivered by the junior Senator from Virginia, Senator ROBERTSON.

Mr. LANE asked and was given permission to extend his remarks in the RECORD in two instances and include in one an article on observance of Boy Scout Week and in the other an article that appeared in the Boston Herald entitled "The United Nations on Trial."

Mr. HUBER asked and was given permission to extend his remarks in the RECORD.

## SPECIAL ORDER GRANTED

Mr. LANE. Mr. Speaker, I ask unanimous consent that today, following any special orders heretofore entered, I may be permitted to address the House for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

## EXTENSION OF REMARKS

Mr. CELLER asked and was given permission to extend his remarks in two instances in the RECORD.

Mr. WILLIAMS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD on the subject of our greatest need today, a first-class air force, and include therein a news item.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. REEVES asked and was given permission to extend his remarks in the RECORD and include a statement and an editorial in the remarks which he expects to make today in Committee of the Whole.

## THE LATE HONORABLE T. WEBBER WILSON

The SPEAKER. The Chair recognizes the gentleman from Mississippi [Mr. RANKIN].

Mr. RANKIN. Mr. Speaker, may I ask that the gentleman from Mississippi [Mr. COLMER] be recognized at this time?

The SPEAKER. The Chair recognizes the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, it becomes my sad duty to announce to this House the death of one of its former most distinguished Members. On last Friday, at his home in Coldwater, Miss., the Honorable T. Webber Wilson, lawyer, statesman, administrator, and orator, and one of Mississippi's most beloved and honored citizens, passed into the Great Beyond from which no man returneth.

Thomas Webber Wilson, affectionately known to his friends as T. Webber, was born at Coldwater, Miss., on January 24,

1893. He was the son of Lucy Yancey and Dr. Joseph James Wilson. As a boy, Webber was educated in the public schools of Coldwater and the University of Mississippi at Oxford. He was graduated from the latter institution in 1913. He was a member of the Presbyterian Church, the Kappa Alpha Fraternity, the Masons—being a Knight Templar and a thirty-second degree Scottish Rite—Elks, Odd Fellows, and Woodmen of the World. He was admitted to the bar and began the practice of law in Laurel, Miss., in September of 1913; he was elected prosecuting attorney of Jones County, the twelfth judicial district of Mississippi, over two opponents in the first primary in 1919; he was nominated to the Sixty-eighth Congress in the Democratic primary in August of 1922. He represented the Sixth Congressional District of Mississippi, which I have the honor to represent, with great ability and distinction for a period of 6 years.

Those who are still Members of this body, and who served with him during his term of office here, will bear witness to the fact that nature had endowed Webber Wilson with many of her choicest virtues and attributes. He was as handsome as a Grecian god, as eloquent as a Demosthenes, and as faithful a friend as a Damon. During his service in this House he was easily one of its most popular Members. Born and reared as he was in a land of natural orators, Webber Wilson had few equals, and it is doubtful that he had any superiors as an orator either in his native State of Mississippi or in this body in which he served so ably for 6 years.

Retiring from the House in 1928, Congressman Wilson made the race for the United States Senate against the incumbent, the late and lamented Hubert Stevens. In the spirited race that ensued, he was defeated by the narrow margin of approximately 5,000 votes. Subsequently, in 1933, President Roosevelt appointed Mr. Wilson as a Federal judge in the Virgin Islands. A lover of his fellow man, and of justice and fair play, Judge Wilson soon differed with the then Governor of these islands over differences arising from his administration of that office. Rather than become a party to what he conceived to be an injustice to the Negro inhabitants of those islands, Judge Wilson resigned and returned to his native State of Mississippi. Thereafter, President Roosevelt appointed him as a member of the Federal Parole Board in 1935. He served ably and capably, and with a great humanitarian heart, as a member and subsequently as chairman of that Board until he resigned that commission September 1, 1947. He then returned to his native Mississippi, as he told me in the last conversation I had with him, to enjoy the remaining days of his life in the hills of his native State which he loved with a devotion beyond expression.

Mr. Speaker, Webber Wilson was a man among men. He was a leader and a man of courage and deep convictions. He was a man's man. And, yet, with it all, his disposition was gentle and he always was considerate of the rights of his fellow man. The State and the Na-

tion has truly lost a valuable and honored son.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield.

Mr. RANKIN. Mr. Speaker, I have seldom received a more profound shock than I did when the news came of the passing of Webber Wilson, one of the best friends I ever had.

I have often said that the two most eloquent men with whom I ever served in this House were the Honorable James M. Beck, of Pennsylvania, and the Honorable T. Webber Wilson, of Mississippi.

He died at a time when he would have been of most value to his country. He was only 55, right at the zenith of his usefulness. He was a man of courage, integrity, and ability. His passing is a great loss to the Nation, and a most profound loss to the State of Mississippi.

He was a great Mississippian as well as a great American.

His life was gentle and the elements so mixed in him that Nature might stand up and say to all the world, "This was a man."

Mr. WILLIAMS. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield.

Mr. WILLIAMS. Mr. Speaker, it was not my privilege to know Mr. Wilson personally, but as a Mississippian, I am familiar with the accomplishments of Mr. Wilson during his distinguished career. He was a great statesman and a great man. In these troubled times, Mr. Speaker, this Nation can ill afford to lose the services of a man of his caliber.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield.

Mr. KNUTSON. Mr. Speaker, unlike the preceding speaker, I knew Mr. Wilson well. All who knew him loved him for his many fine qualities. He was never so happy as when he was rendering assistance to those less fortunately situated. I happen to know of one particular case involving a veteran of the late war who had gotten into difficulty. Mr. Wilson interested himself in the young man's case. He came up to my office and talked to me about it. He was as much concerned over that young man who, by the way, did not live in his own State, as though he had been his own son. No one but a gentleman of the finest qualities and the noblest instincts could have done more for that young man than did T. Webber Wilson.

I join with his colleagues, and with the great State of Mississippi, in mourning his untimely passing.

Mr. COLMER. Mr. Speaker, I ask unanimous consent that any other Members so desiring may extend their remarks at this point.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. ABERNETHY. Mr. Speaker, I join with my colleagues in mourning the passing of a great American, a great Mississippian, T. Webber Wilson.

The lives of few men have been more successful or eventful than that of our departed former colleague. As a self-made man his ambitions early in life

were fired with an urgent desire to serve his fellow man. In the field of public service he contributed bountifully to the good of his State and country. He was a lawyer of marked ability. For 6 years he served as a faithful and diligent Member of this body. He was a fair-minded Federal judge and a scrupulous member of the Federal Board of Paroles. A few months ago he tendered his resignation as a member of this Board and returned to Mississippi with the hope of recovering in health and of performing many more years of service among the people he loved so well and who so loved, honored, and respected him. But the hand of the unerring One intervened and called this great man to his reward.

Webber Wilson was a convincing public speaker. Frequently he swung sentiment to his side with well-chosen words, a resonant voice, and sound reasoning. As an individual he was one of the most lovable men I have ever known. He was accommodating, kind, courteous, considerate, and possessed a most pleasing personality. I well recall that shortly after I had been first sworn in as a Member of this body he paid me a personal call and made himself and his counsel at my command. To be of service to others wherever and whenever he could was characteristic of him.

We appreciate his Christian life and his great contributions to humanity in private as well as public life. Our departed friend has brought honor to the great State of Mississippi whose people are proud to claim him as their own.

The last chapter has been enrolled on a life and public career which we would do well to emulate.

Mr. WHITTINGTON. Mr. Speaker, T. Webber Wilson was born January 24, 1893, and died at the ancestral home in Tate County, Miss., on January 31, 1948.

His parents were among the most prominent citizens of north Mississippi. After completing high school, he was graduated from the law department of the university and began the practice of law at Laurel, Miss., as soon as he became 21 years of age. Shortly after his admission to the bar he was elected county attorney and after 4 years was elected prosecuting attorney of the judicial district in which he resided. He rose rapidly in his profession and in political preferment. Without opposition he was elected to the Sixty-eighth Congress for the term beginning March 4, 1923, and he was reelected to the Sixty-ninth and Seventieth Congresses. He was not a candidate for reelection to the Seventy-first Congress, but was a candidate for United States Senator to succeed Senator Hubert D. Stephens, who defeated him by a very narrow margin.

After his retirement from Congress Representative Wilson was appointed United States District Judge in the Virgin Islands. Service in the islands did not appeal to him. He was appointed a member of the Board of Parole on July 25, 1935, and he served continuously on the Board until September 1, 1947, when he resigned. He was chairman from April 12, 1946, until his retirement.

For about a year prior to his resignation from the Board his health had not been good. He resigned from the

Board to return to his plantation home in Tate County and to engage in the practice of law at Senatobia, Miss. His health continued to decline and, while some of his friends knew that he was suffering from an incurable malady, his death was unexpected to his many friends.

Judge Wilson had been in the House of Representatives 2 years when I became a Member. I had known him in Mississippi and my relations with him both during his congressional service and while he was a member of the Parole Board were most cordial. I join with my colleagues in paying tribute to his memory. When elected to the House he was one of the most popular men in Mississippi. He had a pleasing personality. He was a handsome man and always attracted attention.

While a college student he became an accomplished speaker. Following his admission to the bar he was always in demand as a speaker. He was familiar with literature and with history. His diction was unique and his delivery always pleasing. Judge Wilson at the bar or in Congress will best be remembered as an eloquent advocate and as an accomplished speaker.

T. Webber Wilson loved people. He was always sympathetic with the unfortunate. He took peculiar pride, as a member of the Board of Parole, in carefully examining all applications for parole. He believed that Federal prisoners should be given another chance and he practiced what he believed.

With ill health he looked forward to relief from the duties of public office and to retirement in the ancestral home and to the practice of law as he might choose in his native county.

Few men have ever served in the House of Representatives who had more devoted admirers than our late lamented colleague, T. Webber Wilson of Mississippi.

Mr. WHITTEN. Mr. Speaker, I join with my colleagues from Mississippi in expressing deep regret in the untimely passing of the Honorable T. Webber Wilson, formerly a Member of the House of Representatives from Mississippi.

Judge Wilson was only 55 at the time of his death and only a short time ago retired from public life to return to his native county of Tate, where he had planned to practice law and operate his farm in that area. I shall always treasure my last visit with him during October of last year shortly after his return to Mississippi. He was so very proud to be back home and free of the cares of public office.

Webber Wilson was one of Mississippi's outstanding sons. He was a splendid man in appearance, possessed of an excellent character and pleasing personality. Without question he was one of the greatest orators and public speakers our State has ever produced, and in every way a splendid public servant.

Born and reared at Coldwater, Miss., he lived for many years at Laurel, Miss., from which district he was elected to the Congress of the United States. He had an excellent record here, retiring to run for the United States Senate. After his



distinguished service in Congress, Judge Wilson was appointed Federal judge to the Virgin Islands. As Federal judge, he was able and fair to all and later he became a member of the United States Parole Board, rising to the chairmanship. Here he served many years and built a reputation for his attention to the conscientious discharge of the duties of the office.

Judge Wilson was a member of a very distinguished family of my district. He was a true friend, and in his untimely passing we all have lost a good friend and the State and Nation have lost an outstanding citizen. To his loved ones we express our deepest sympathy.

Mr. WINSTEAD. Mr. Speaker, the untimely passing of Hon. T. Webber Wilson brought great sadness and sorrow to Mississippians and all Americans who knew him.

Judge Wilson, a former Member of this House, served with honor, credit, and dignity in every position of high honor to which he was entrusted. In addition to his service in the United States Congress, he served as Federal Judge of the Virgin Islands and was a member of the United States Parole Board.

Judge Wilson was among the first men I met when I first came to Washington. He offered every assistance and was indeed very helpful to me in many ways.

Few Members of this body ever possessed the unusual personality, outstanding ability, strong character, and high sense of devotion to public service as was true in the case of this distinguished Mississippian.

#### EXTENSION OF REMARKS

Mr. MILLER of Nebraska asked and was given permission to extend his remarks in the RECORD and include a short report by the Committee on Health Education on book building citizenship.

Mr. CUNNINGHAM asked and was given permission to extend his remarks in the RECORD and include a letter from a constituent.

Mr. FISHER asked and was given permission to extend his remarks in the RECORD and include a letter from Hon. Dillard B. Lasseter, Administrator of the Farmers Home Administration, and an excerpt from the Budget of the United States, 1949.

#### SPECIAL ORDER GRANTED

Mr. HESELTON. Mr. Speaker, I ask unanimous consent that at the conclusion of all business on the Speaker's table and any other special orders heretofore entered, I may address the House for 15 minutes today.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

#### CALL OF THE HOUSE

Mr. RICH. Mr. Speaker, I make a point of order that there is no quorum present.

The SPEAKER. Obviously a quorum is not present.

Mr. ALLEN of Illinois. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

#### [Roll No. 7]

Bennett, Mo.	Hart	Murray, Wis.
Bloom	Hartley	O'Toole
Boggs, La.	Javits	Poage
Bulwinkle	Jonkman	Powell
Burke	Judd	Reed, Ill.
Cannon	Kee	Short
Chiperfield	Keefe	Smathers
Coudert	Kefauver	Smith, Me.
Cox	Kilburn	Somers
Dawson, Ill.	Lanham	Spence
Dirksen	Lichtenwalter	Stockman
Domenegeaux	Meade, Ky.	Thomas, N. J.
Fernandez	Monroney	Trimble
Hand	Morgan	West
Harless, Ariz.	Morrison	

The SPEAKER. On this roll call 384 Members have answered to their names; a quorum is present.

By unanimous consent, further proceedings under the call were dispensed with.

#### SESSIONS OF THE COMMITTEES ON ARMED SERVICES AND EDUCATION AND LABOR

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that a special committee of the Committee on Armed Services may be permitted to sit during the 2 hours of general debate today.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. HOFFMAN. Mr. Speaker, I make the same request with reference to a subcommittee of the Committee on Education and Labor.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

#### EXTENSION OF REMARKS

Mr. AUCHINCLOSS asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. STEVENSON asked and was given permission to extend his remarks in the RECORD and include a report from the American Automobile Association.

Mr. LODGE asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. COLE of New York asked and was given permission to extend his own remarks in the RECORD and include an address by the Chairman of the Atomic Energy Committee.

Mr. EDWIN ARTHUR HALL asked and was given permission to extend his remarks in the RECORD and include a radio address.

Mr. KERSTEN of Wisconsin asked and was granted permission to extend his remarks in the RECORD and include two articles.

Mr. WOODRUFF asked and was given permission to extend his remarks in the RECORD and include an article by Samuel Pettengill, former distinguished Member of the House.

Mr. WEICHEL asked and was given permission to extend his remarks in the RECORD in two instances.

Mr. PHILBIN asked and was given permission to extend his remarks in the RECORD and include comments on two matters.

Mr. SADOWSKI asked and was granted permission to extend his remarks in the RECORD and include an article by Mr. Chester Bowles.

Mr. PASSMAN asked and was granted permission to extend his remarks in the RECORD in two instances and include a letter from a constituent and a statement which he made before a committee.

Mr. HARRIS asked and was granted permission to extend his remarks in the RECORD and include an editorial.

Mr. GATHINGS asked and was granted permission to extend his remarks in the RECORD and include an editorial on oleomargarine.

Mrs. DOUGLAS asked and was granted permission to extend her remarks in the RECORD in three instances and to include extraneous matter.

Mr. KELLEY asked and was granted permission to extend his remarks in the RECORD.

Mr. McCORMACK asked and was granted permission to extend his remarks in the RECORD and include an article written by Frank S. Davis.

#### A YEAR OF GROWTH IN CLEVELAND

Mrs. BOLTON. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD relative to the happy situation in which Cleveland finds itself.

The SPEAKER. Is there objection to the request of the gentlewoman from Ohio?

There was no objection.

Mrs. BOLTON. Mr. Speaker, in these days, when there is so much uncertainty and discouragement, it is sometimes wise to look back over accomplishments of the immediate past. We in Greater Cleveland, Ohio, enjoyed a year of growth in 1947. One hundred and twenty-six new manufacturing concerns were established in our community and more than \$7,000,000 was spent by 506 of the established concerns for expansion and new equipment. This growth represented an addition of 4,700,000 square feet of manufacturing facilities.

During the year employment continued at a high level with the trend upward and the end of the year found planning on expansion and added employment.

Great Lakes shipping, essentially a Cleveland industry, since Cleveland offices operate 88 percent of the total tonnage, had one of its bigger years. Nearly 78,000,000 tons of iron ore came down the Lakes from the northern ranges; over 58,000,000 tons of coal were shipped, most of it up the Lakes; 418,000,000 bushels, or 11,500,000 tons of grain were moved.

The total net tons shipped on the Great Lakes was over 176,000,000 as compared with 148,000,000 in 1946 and 184,000,000 in the biggest war year—1944.

Nineteen hundred and forty-seven also saw Cleveland become the eleventh city to establish television stations when the Cleveland Press started operation of WEWS.

Many developments of importance industry-wise took place in Cleveland during last year. Among them was a new mercury lamp developed by the Nela

Park laboratory of General Electric Co., a lamp which can be used for "black light" in theaters and on streets. The Midland Steel Products Co. installed the largest mechanical press ever built. It can, in one stroke, form a complete side rail for the steel frames for the largest busses, trucks, and trailers now in production. I could cite many more instances, not the least of which is the NACA Flight Propulsion Research Laboratory, where one of its outstanding engineers, Mr. Lewis A. Rodert, received the Nation's highest aviation award, the Robert J. Collier Trophy. The award was based upon the development leading to the use of heat for reducing the hazard of ice formation on planes in flight.

I could not help but take a minute or two to remind you that progress is being made and that my own city of Cleveland is contributing its full share.

#### BURIAL OF ORVILLE WRIGHT

Mr. JENKINS of Ohio. Mr. Speaker, I ask unanimous consent to extend a 1-minute speech at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. JENKINS of Ohio. Mr. Speaker, at 2:30 this afternoon at Dayton, Ohio, will be buried Orville Wright, a man who probably did as much for the comforts and general welfare of the people of the world as any man in American history. He will rank with Edison and other great scientists and inventors. The Wright brothers will be remembered as long as time runs and as long as history is written.

High up in the dome of the United States Capitol building is a frieze, most of which was painted more than 50 years ago. These pictures in the frieze represent a number of the most important epochs in our history. There is a vacant section which should be filled. Since aviation is distinctively an American achievement and since it has played such an important part in the advancement of our country and the world, I feel that in that space should be painted a picture depicting the invention of the airplane and the great progress resulting therefrom.

In the Seventy-sixth Congress I introduced a bill providing for the utilization of a part of the unfinished portion of the historical frieze to portray the story of aviation by using as the theme, the all important achievements of Wilbur and Orville Wright. That bill passed the House by unanimous consent in 1941 but as the war clouds were then threatening I did not want to incur additional expenditure and did not press it in the Senate. To keep the matter alive, I have reintroduced that bill in each succeeding Congress and House Joint Resolution 37 is now pending in the Eightieth Congress. In due course I shall ask the committee to which it has been referred to give it consideration. I hope that both branches of the Congress will agree that this is an appropriate way to give recognition to these great Americans. In so doing they will also rightfully claim recognition for the United States as having been the country which

gave to the world this great method of transportation.

#### EXTENSION OF REMARKS

Mr. GWINN of New York asked and was given permission to extend his remarks in the Appendix of the RECORD and include a speech from the Small Business Men's Organization.

Mr. HAGEN asked and was given permission to extend his remarks in the RECORD in two different instances and in each to include extraneous matter.

Mr. ENGEL of Michigan asked and was given permission to extend his remarks in the RECORD and include certain statements, excerpts, and tables.

#### WHAT SHOULD OUR FEDERAL BUDGET BE FOR THE FISCAL YEAR 1949?

Mr. NORRELL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. NORRELL. This is the most important question confronting the American people today. We have just gone through an expensive and horrible war that cost us about \$450,000,000,000. Of this total, \$180,000,000,000 was collected in taxes, and \$27,000,000,000 was borrowed from the people of the United States.

From a government costing \$734,000,000 for the fiscal year 1916, we have gone to one estimated to cost approximately \$40,000,000,000 in 1949. We never spent as much as \$1,000,000,000 in any 1 year, from the year we acquired our liberty in 1776 to the year 1917. We became a billion-dollar government in the fiscal year 1917, which was at the beginning of the First World War. As late as 1939, which was at the peak of the spending for national recovery, we only spent \$9,270,000,000. At that time our national income was \$5,165,000,000.

We now have a public debt of about \$257,000,000,000. It is estimated that the interest on the public debt during the fiscal year 1949 will amount to about \$5,200,000,000, which amount equals the total tax receipts of the Federal Government in 1939—just 10 years ago.

What should our Federal budget be for the fiscal year 1949? The President says that the budget should be \$39,700,000,000. The Republican leadership of the House Ways and Means Committee says it ought to be about \$35,500,000,000. Senator BYRD's Economy Committee of the Senate says the budget should be about \$32,000,000,000. The National Association of Manufacturers says it should be approximately \$30,979,000,000. Nearly all organizations and individuals have an opinion as to what the Federal budget should be in 1949. The question is presently undergoing very careful consideration by the Congress here in the debate in the House on the tax-reduction bill.

The national debt today is the largest that has ever been carried by any nation in the world's history. If divided among the families of the United States, each family would owe about \$7,000; if divided among the individuals of the Na-

tion, each individual would owe approximately \$1,900. It is so large that I fear sometimes we are unable to understand just how serious it can become to the national economy.

We have the highest national income in the history of the country. It is estimated that the income for the fiscal year 1949 will be not less than \$209,000,000,000; and there are persons who believe that the income may exceed this and possibly reach the staggering figure of \$225,000,000,000. I do not know what the income may be, but I do know that we are now enjoying a high degree of prosperity. It is time to cut appropriation bills to the core and, I think, to apply all of the surplus in the Federal Treasury toward retirement of this public debt.

If all of the surplus were to be applied toward retirement of the public debt, of course there would be no reduction in taxes. I am also afraid that Congress will not cut appropriation bills as they should be cut, so long as there are surplus funds in the Treasury of the United States. I have observed through my long years of experience in both the Arkansas State Legislature and in the Congress of the United States that the legislative body has a way of appropriating the available funds. If Congress first enacts all appropriation bills and then permits the surplus, if any, to be applied on the public debt, I fear there would be no surplus to be applied on the debt.

That being true, I think the people of the United States should be given some tax reduction. The bill presently pending in the Congress, in my judgment, cuts taxes too much. However, I am strongly in favor of the passage of the provision with reference to the community-property law. All States should enjoy the same treatment so far as Federal taxes are concerned. However, the bill probably reduces other taxes too much. There are some items in the Federal budget that cannot be reduced very much, such as: national defense, presently estimated to cost about eleven billion twenty-five million; veterans' affairs, about six billion one hundred and two million; interest on the public debt, five billion two hundred and fifty million; tax refund, about one billion nine hundred and ninety million. I believe that the total of these items which cannot be reduced, at least in this session of the Congress, is \$24,367,000,000.

The President has submitted a total budget of \$39,700,000,000. Consequently, if you take these items that cannot be cut by the Congress from the total budget you have \$15,323,000,000 to cover the other expenditures of the Federal Government. These other expenditures necessarily will have to cover such items as international finance, social welfare, health and security, housing, community facilities, education, general research, agriculture, agricultural resources, natural resources not primarily agricultural, transportation and communication, finance, commerce, industry, labor, general government, and other contingencies. These items necessarily should be kept at a minimum.



Our estimated receipts for the fiscal year 1949 are about \$45,000,000,000, according to the best estimates obtainable. Consequently, if we make the appropriations as suggested by the President, we will have but \$5,300,000,000 surplus in the Treasury. Of course, the President has included such big items as international affairs, or the Marshall plan, in his budget. If we pay any part of the principal on the public debt, it will have to come out of the surplus fund.

I would like to see the entire surplus, I repeat, applied toward the retirement of the public debt. I know that this cannot be done, or will not be done—and I also know that if we make our annual appropriations first, with the idea of paying whatever remains of surplus funds on the public debt, there will be no surplus for this purpose.

I fear that the Knutson bill now pending makes too drastic cuts for us to continue to live within our national income, or without creating future deficits. I understand there may be offered a motion to recommit, with instructions to substitute another bill for the pending Knutson bill. I am not in favor of all of the provisions of the substitute bill. However, since I am in favor of some form of tax reduction, such as the adoption of the community-property provision, an increase in exemptions, and other provisions, it may be that I shall vote for the motion to recommit, realizing that that motion shall be defeated; and then vote for the Knutson bill on final passage, on the theory that what we do in the House will constitute a basis for consideration by the Senate, and that the Senate may—and I hope will—eliminate the objectionable features of the present proposal to reduce taxes, pass a fair and just reduction in taxes so that all of our citizens shall be treated equitably, and submit a possibly passed bill that the President will approve. And I hope that I shall be able to support the Senate amendments when the bill is returned to the House for further consideration.

#### EXTENSION OF REMARKS

Mr. LUDLOW asked and was given permission to extend his remarks.

#### THE TAX-REDUCTION BILL

Mr. KNUTSON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 4790) to reduce individual income-tax payments, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H. R. 4790, with Mr. HOEVEN in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Under order of the House entered on Friday last, debate on the pending bill was extended 2 hours for today, the time to be equally divided between the gentleman from Minnesota [Mr. KNUTSON] and the gentleman from North Carolina [Mr. DOUGHTON].

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, I trust that in the closing hours of this debate all of us may reach a correct conclusion as to what we should do regarding H. R. 4790. It is my own personal view that on the basis of figures that have been submitted to us during the course of the debate by both our Republican and Democratic colleagues, we cannot reach the conclusion, in good conscience, that the receipts of Government during the next fiscal year can be reduced \$7,000,000,000 and still make an adequate and substantial payment on the public debt, or even with any degree of certainty remain on a balanced budget.

Had we taken the word of those who sponsored H. R. 1 as it was originally considered on the floor of the House in 1947 as to what the results would have been had that bill become law, we would have ended the fiscal year on June 30, 1947, with a deficit of \$570,000,000 instead of a surplus of \$753,000,000 as we did without its passage.

Do any of you know as a matter of fact, based on what you have heard so far, that a similar result will not be reached at the end of the fiscal year 1949 if you pass this bill now before the House? In view of the uncertainties that must exist in your mind in regard to the figures that have been mentioned on the floor of the House, do you not think it is wise, therefore, that we take some other action than that called for by H. R. 4790?

Mr. Chairman, if there is any doubt in the mind of any Member that the fiscal affairs of our Government will not permit a reduction of \$7,000,000,000 for the next fiscal year, I do not understand how in good conscience he can support that type of reduction. If there is no concern or doubt in your mind, if you know that we can remain on a balanced budget and pay a substantial amount on the public debt and at the same time support this bill, then you know more than any of us on the committee have been able to determine with any degree of certainty.

What is the alternative? There is an alternative that you can support in all good conscience and with the utmost degree of certainty that its passage will not result in the unbalancing of the budget for the fiscal year 1949, and that there will be a substantial payment made upon the public debt, and also provide needed relief for individuals. That is the motion to recommit which today will be offered, as I understand, by the distinguished minority leader, the gentleman from Texas [Mr. RAYBURN]. That motion to recommit will provide, as you have been informed through the press and radio, an increase in personal exemptions of \$200 per capita, from \$500 to \$700, at a loss in revenue of \$3,250,000,000. It will provide further for the splitting of income on the principle of the community-property States. In other words, the motion to recommit removes the inequity that we have referred to since 1913 as existing in income-tax laws as between community- and non-community-property States.

There is another and third item in the motion and, Mr. Chairman, I feel that because of its inclusion in this motion to recommit there may be some cause for concern on the part of some of the Mem-

bers of the House. The third item of the motion is the one perhaps on which there now rests some degree of controversy. I feel certain that everyone on the floor of the House who desires any degree of reduction in individual income tax levies can support the first two propositions. It is the third about which there is some concern.

Let us consider it. The excess-profits tax contained in the motion to recommit is not the same excess-profits tax that we had in time of war. It differs in three primary respects. First of all, the normal profit under this motion is increased from 100 percent of prewar normal profit to 135 percent. How does that affect corporations? Even those corporations that figure normal profits on the basis of invested capital would be permitted under this proposition, for the purpose of this tax, to consider 11 percent as normal earnings, 11 percent, Mr. Chairman, on the first \$5,000,000 of invested capital. In addition to that, there is an excess-profits tax exemption of \$50,000 contained in the motion to recommit. A corporation that was permitted to make \$100,000 in time of war as normal profits under this proposition would be permitted to make \$185,000 as normal profits and before the excess-profits tax would apply. The rate of tax is different under the motion excess profits, as determined, would be taxed at a rate of 75 percent, not 85 percent. It is not, therefore, the same old excess-profits tax; it is entirely different.

How can we justify repealing it in 1945 and reimposing it now? That is a question that may be bothering you. Congress did repeal the excess-profits tax, the old wartime tax, in the fall of 1945. But do any of you doubt that now the circumstances, the economic conditions, are entirely different than they were in the fall of 1945. Business, Government, all said that by April of 1946 there might be unemployment of six to eight million people. We could not afford to leave in the law anything that we were told by business or Government might serve to defeat production during the year 1946. Just because the results were not those predicted does not minimize the fact that the Congress may have been wise then in repealing the tax. Yes, it gave us some degree of insurance. But we are now under entirely different circumstances. We are under circumstances where corporations during the year 1947 have made greater profits after taxes than in all of their peacetime history and perhaps even in wartime history. You must make up your minds in the spirit of fairness whether some corporations now making these great profits are in a position to better make more substantial payments on the national debt than are some of those in the first and second brackets of our individual income tax. Are they in better position to make this payment?

For all my life I have heard it said, that this great party in opposition to us, the great Republican Party, is the party of big business. We have heard it, and the party is so charged. This is the one opportunity you have had since I have been a Member of this body to remove yourselves from that characteriza-

tion and finally and utterly convince the people during this year 1948 that you are not the party of big business, that you are a party that believes in a sound fiscal policy, that you are a party that believes in splitting and dividing the costs of Government on the basis of ability to pay.

If the corporations have a greater ability to pay than the individuals in the lower brackets, what answer will you give these individuals if you vote against the motion to recommit? That is the big question involved. They must know your bill, H. R. 4790, will not pass, that they will not get relief through it. Can you bring yourselves to the conclusion that we can justify, in equity and fairness, the reimposition of a greater tax on these corporations, 22,000 of them out of a total of 360,000 taxable corporations so that individuals may have a saving in their yearly tax bills? "Yes," is the only answer you can reach.

Since over-all revenue losses must be held to a minimum if substantial payment on the public debt in fiscal 1949 is to be made and since we do desire relief for individual taxpayers, I know of no other way to obtain both goals than the motion to recommit. This motion should prevail.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Chairman, it is said that life is but a succession of disillusionments. Fallacies which we have taken unto our hearts and embraced with fervor, must so often be yielded in the light of immutable truth. Someone is always breaking our dolls; and from iconoclastic rudeness I, too, have suffered at times.

In the days of my high-school debating, I was easily convinced that the income tax was the fairest, the most just, and the most equal of all methods for revenue raising. Years of observation of the impact of income taxes upon the economic structure of the country, of years of experience gained both as a Member of Congress and as a member of the tax levying Committee on Ways and Means, has brought me my disillusionment. Instead of the income tax appearing to me now as the fairest, the most just, and the most equal of all taxes, it is to me the most unfair, the most unjust, and the most unequal tax ever devised by man.

It is my considered opinion that the time has arrived when it should be exposed to the American people for what it really is, an instrument of discrimination, a destroyer of incentive, a penalty upon the talented, a sapper of our national economic strength, a rattler of the chains of communistic slavery in a country that asks naught but the right to remain free.

Great changes have come over the tax structure of the United States, the economic system under which our country has achieved its present greatness, in these last several years. Because of those great changes that have occurred in our system of taxation, changes of the greatest significance, it is now incumbent upon us to reinvestigate the tax structure, to

restudy the influence of the income tax upon our economic system, and to arrive at a determination as to whether we can go on with it as we have in the past without endangering the very things which we hold nearest and dearest, among them, the American way of life, that indefinable thing of which the poets sing and bards recite.

A glance at the record discloses that, in 1939, the over-all of the national budget was only \$9,000,000,000. By 1948 it had crept up to the stupendous figure of \$39,600,000,000, to four and one-half times what it was in 1939, the last peace year.

Reference to these same statistics discloses that, in 1939, we had 4,000,000 taxpayers but, by 1947, the number had grown to 52,000,000—to 13 times as many as we imposed the income tax upon during that year next preceding the commencement of war.

Then we notice, to our astonishment that in 1939 we raised but \$1,000,000,000 in individual income taxes but that by 1947 the collections had jumped more than 17 times, to the stupendous figure of \$17,600,000,000.

Then, as we scrutinize the entire revenue system, we notice to our still greater amazement that we are now taking over 80 percent of our total national revenues by the income-tax method; and last year we found that that levy only reached 40 percent of the national income, this by reason of exemptions, exclusions, and deductions. In fiscal 1947, \$105,000,000,000 of the national income escaped the income tax completely. Have we not too many of our golden eggs in one basket?

These are startling facts, amazing figures. The time has arrived when this Congress should give very, very serious consideration as to what we are going to do about it. We cannot go on much longer as we are. We must make up our minds in respect to where we are going, and chart our course accordingly. Disaster stalks us.

Can we justify a system of income taxation which places 52,000,000 taxpayers on the rolls and expects but 52,000 revenue bureau employees to collect the full amount which is due the Government? Is it not manifestly impossible for 52,000 revenueurs to properly police 52,000,000 taxpayers? If it were possible, it would mean that each one of them would have to check a thousand income-tax returns, not only check them with a red pencil but to ascertain from them and by independent investigation whether or not the returns reflect the true tax situation of the individuals who filed them.

In this situation of sheer helplessness in which the Internal Revenue Bureau finds itself is the invitation to fraud which all the power of government is unable to stem.

Let us look into the history of the income tax. Where does it come from? What are its antecedents? Who were its first apologists? How did it come to be fastened upon the country? I have listened to many income-tax speeches but I have never heard anybody devote much time to the history and philosophy of this system under which the American people have grown so restive.

It is interesting to note that income tax was first written upon the statute books in England in 1799, under the Pitt government. It was laid upon the British people because the English were in great need of funds with which to win its war with France, a war in which much was involved and the outcome was most uncertain. The war came to an end in 1802 with the signing of the Treaty of Amiens. In accordance with the demands of the people, its first venture into income taxing was quickly repealed, to the rejoicing of the entire nation. Bonfires were lighted all over England as the people celebrated the elimination of a tax system which they abhorred. Later, under bills introduced in Parliament, all records of taxes collected under this inquisitorial system, so hateful to a free people, were to be burned and destroyed. Every name, every figure, every record having to do with it was to be blotted from the papers of the King's Remembrancer. As a result of this agitation, only a bare statistical outline of the war income tax remained in the musty files of that ancient day.

The Treaty of Amiens failed along in the middle of the next decade and the British and the French were again at war. With the resumption of hostilities, the income tax was reimposed upon the English people to make certain that the fruits of the victory over France would remain England's. This time it remained on the statute books for a few years more, only to be again repealed, in 1816, in response to the insistent demands of an aroused people grown restive under the inquisition which is so inseparably a part of that hated program. And, again, there were bonfires and rejoicing among the people everywhere as the traditional British right of privacy in their books and papers and business transactions was restored unto them by the Parliament that had taken it away.

Then there was a long period in which there was no income tax in England.

It was not until 1846, at a time when the repeal of the corn laws had so reduced the customs revenues of England as to have created a crisis in British finance, that the then government of Prime Minister Robert Peel, over the violent objection of the tax-paying public, but in response to the demands of the demagogues of that day, the "soak the richers" and the "spread the wealthers," reimposed a third income-tax law upon the people.

At that time, who were the outstanding advocates of the graduated income tax? During the course of my remarks I will mention some whose names will be familiar to you, but, first let me digress to point out that this is a very important year in the estimation of a lot of people, far too many for the good of our country. If you do not know it, permit me to remind you that this year is the one hundredth anniversary of the Communist manifesto of Karl Marx.

Karl Marx is the real father, the first real proponent of the income tax as we now know it. In his manifesto he listed the graduated income tax as the second of his 10 most important steps to be taken in the communistic drive to destroy the capitalistic system of free enterprise in



all countries, this as a means to the nationalization of private industry. And as we evaluate the force of his recommendation, let us not forget that it was Marx who said:

The theory of communism may be summed up in one sentence: Abolish all private property.

His partner in communism, Frederick Engels, also a prolific writer of subversive literature in those days, placed the graduated income tax, the progressive income tax, as he referred to it in his *Grundsätze des Kommunismus*, as point No. 1 in his list of steps to be taken as a means of accomplishing the destruction of private enterprise everywhere.

Why did they advocate it? Why did they so earnestly desire the graduated income tax? What magic is there in it as a means of getting rid of the private enterprise system, the system under the influence of which England, Germany, and the United States have become, each in its turn, the greatest and most powerful nation the world has ever known? The answer should not be difficult to fathom. Capitalism must be constantly fed with new capital and new capital can only come from savings, from the accumulations of the people. The source of new capital must be destroyed. That is why Karl Marx constantly admonished his followers to advocate graduated income taxes in whatever country they might reside.

Both Marx and Engels counseled their disciples not to be concerned over how light the levies might be in the beginning. As they and others pointed out, the graduated income tax is essentially a politicians' tax, so much so that one need not worry about what would happen to it in the future. Just get it on the statute books, they counseled. Place this incomparable money raising potential in the hands of the politicians and bother not as to how they will use it, for as a certainty, every time a budget gets out of balance, every time there is a pet extravagance to finance, the politicians will raise it a point or two, and keep on raising it a point or two at a time, until they break the back of their camel with their last straw.

To Marx and his crew it was as certain as night followed the day that it would not be long before the politicians and their blessed income tax would be taking all of the earnings of the people over and above that which they need for a day-to-day living. When this point is reached, the capacity of the people to save and accumulate capital will have been effectively destroyed and the saving groups, upon whom private enterprise depends for the new capital which is indispensable to its continued existence, will have been liquidated. With this drying up of new capital accomplished, there will be no way for private enterprise to turn save to socialism, or to what is worse, to that collectivism in which England flounders today.

Coming on down into this modern era, we hear the Honorable Cordell Hull, then a Representative from Tennessee, talking about this politician's tax. He said—smacking his lips, no doubt:

With the income tax a permanent part of our fiscal system, Congress can readily pre-

vent a deficit or reduce a surplus in the Treasury without disturbing business by the simple lowering or raising of the income-tax rates.

Scoffing at the predictions of the Honorable Elihu Root, a great Secretary of State in his day, and, in debate, a worthy antagonist of the best of them, that the keeping of income-tax records would, in time, become a burden to the people, and that the rates would be gradually raised until they would become confiscatory, this same Representative Hull, in 1913, reassured the country in these honeyed words:

Every good citizen \* \* \* should be willing to devote a brief time during some day of the year when necessary to the making up a list of his income for taxes (and to contribute) \* \* \* not the Scriptural tithe, but a small percentage of his net profits.

Despite these comforting assurances from our distinguished Secretary of State-to-be, it is interesting to note that, within less than 5 years, this ingenious legislator, then a high-ranking member of the Committee on Ways and Means, reported a revenue bill to the House of Representatives in which the normal income-tax rate was fixed at 12 percent and the surtax rate at a top of 65 percent.

What happened to the genial Tennesseean's "Scriptural tithe" is too sad a tale to dilate upon at this moment. Nor is there profit to be gained in commenting upon his soothing assurance that but "a brief time during some—1—day of the year" would be "when necessary" sufficient to make out an income-tax return. The harried businessman, all but driven to distraction by his income-tax calculations, will have his own ideas on that.

So let us return to merry old England and weigh carefully the words of her greatest statesmen, Gladstone and Disraeli, often at dagger's points, but on the issue of the income tax as one.

As a means of achieving the socialization of private enterprise in all countries, it was not only Karl Marx and Frederick Engels who saw in the graduated income tax the instrument for which they were searching. Other great minds of the day, and they were indeed great minds, those of Prime Minister Gladstone and Prime Minister Disraeli, saw in the graduated income tax the same evil potential. Each of them—and many others—opposed the income tax for the selfsame reason that Karl Marx and Frederick Engels and their subversive followers favored it.

Mr. Gladstone said in public debate upon the floor of the Parliament:

Of all the taxes on the statute books, the income tax is the one tax through which it is possible that socialism or communism or anything like them can, in the nature of things, find an entrance into our system. It cannot be done by indirect taxation.

The debate rushes on, down through England's eventful history. Gladstone, indeed an authority whom we must respect, again and again cries out against the inequities of the income tax. We hear him declaiming:

I believe it (an income tax) does more than any other tax to demoralize and corrupt the people.

Later he said, when apologizing to his countrymen for not bringing about the repeal of this hated system of taxation:

I think some happier chancellor of the exchequer may achieve this great accomplishment and that some future poet may be able to sing of him: "He took the (income) tax away, and built himself an everlasting name."

Disraeli, whose name will ever live in history as the builder of the British Empire, said:

The odious feature of this tax (the income tax) cannot by any means be removed or modified.

Then, when the income-tax debate shifts to the United States in later years, we hear the prophetic voice of Representative Sereno Elisha Payne, not one of the lesser but one of the greatest chairmen of the Committee on Ways and Means, as he rises to his feet in this House one day—in 1909—to thunder his denunciation upon those who would impose this soul-destroying tax upon the American people. Harken to his words:

As to the general policy of an income tax, I am utterly opposed to it. I believe with Gladstone that it tends to make a nation of liars; I believe it is the most easily concealed of any tax that can be laid, the most difficult of enforcement; and the hardest to collect; that it is, in a word, a tax upon the income of the honest men and an exemption, to a greater or lesser extent, of the income of the rascals; so I am opposed to any income tax whatever in time of peace.

At this point I want to pause to make a comment. Until we added two amendments to the Constitution of the United States there was indeed a recognized constitutional right of privacy, in this freedom-loving country of ours. But when we got the sixteenth amendment, the income tax, and the eighteenth amendment, prohibition, that constitutional right to privacy was dealt a staggering blow. That mythical figure, Uncle Sam, had been a beloved member of everyone's family. Until then, he was held in the highest esteem and warmest affection. He led us in all of our parades and celebrations and presided at all of our ceremonials. As a symbol of liberty, he was large in the hearts of the American people. But, when the sixteenth amendment and the eighteenth amendment were written into our Constitution, that beloved figure almost overnight became a symbol of inquisition, of something hateful in our way of life, something to be despised rather than loved—and respect for him visibly waned. To those who revere law and ever plead for order, this was tragedy.

Under the influence of these two amendments, twin instruments of disaster, Uncle Sam's eye went to everybody's key hole. His long nose was soon in everybody's books. He went about sniffing everybody's breath and making himself generally obnoxious. His surveillance was such that everyone was soon under the sense of oppression which results from being watched. With it all, he became an American inquisitor, and with him crafty men matched wits.

Mr. Chairman, we struck one blow for freedom and rid the Constitution of the eighteenth amendment. And the statute books of the Volstead Act.

Mr. Chairman and friends, is the time not here when the American people must rise up once again and strike another blow for freedom, this time against the sixteenth amendment and all of its incentive-destroying intendments?

To further illustrate the un-American character of the sixteenth amendment, I want to read something which I have culled from a decision of the Supreme Court of the United States, a paragraph from the decision rendered in the case of *Boyd v. United States* (116 U. S., p. 631):

Any compulsory discovery, by extorting the party's oath or compelling the production of his private books and papers to convict him of a crime or to forfeit his property, is contrary to the principles of a free government. It is abhorrent to the instincts of an Englishman. It is abhorrent to the instincts of an American. It may suit the purposes of a despotic power, but it cannot abide the pure atmosphere of political liberty and personal freedom.

To revert again to Gladstone, let me read these words as I pass from this subject:

The public feeling of its (the income tax) inequity is a fact most important in itself. The inquisition it entails is a most serious disadvantage. And the frauds to which it leads are an evil which it is not possible to characterize in terms too great.

Karl Marx was for it as a means of achieving a nationalization of industry. He predicted that any nation that adopted the graduated income tax would in time be compelled to turn toward socialism. He was for it for that reason—which he deemed desirable. Just how accurate was he in his predictions? In England has come the very thing for which Marx and Engels struggled and against which Gladstone and Disraeli warned.

The gradual raising of the income-tax rates to the point of confiscation, as Marx advocated and Gladstone predicted, has completely liquidated England's saving groups. The source of new capital, so essential to the preservation of the private-enterprise system, has been effectively destroyed. The people could no longer supply the capital which industry needed; and, because they could not, English industry fell into obsolescence. Their productivity per man-hour fell lower and lower with the passing of time.

Finally the time arrived when English industry could no longer finance its own modernization, could no longer reequip itself with new tools and machines, could no longer avail itself of new inventions or make use of the newest methods. Such was the natural consequence which was the prophecy of Karl Marx. It left England with no way to turn but into the morass of socialism in which it now flounders.

All this is as easily traceable in the statistical records of that country as is the evolutionary development of the world in the rocks of antiquity.

Prior to World War I, the British people were saving from 13 to 15 percent of their national income. As income taxes rose to higher and higher levels under the influence of the doctrines of the Lloyd George government, the saving capacity of the English people fell,

by 1919, to but 7 percent of their national income. In 1924 it was down to but 5 percent of the national income. Continuing in its downward course, it hit bottom in 1938, leveling off at 3.84 percent. It was then too late to save England from socialism. Today she is just where Karl Marx said she would be 100 years ago.

Many eminent economists say that the United States is but 10 years behind England in this process. The dark picture which they paint does, indeed, find color of correctness in the statistical records of the Department of Commerce. We note that in 1944 the American people were saving 24.4 percent of their disposable income. In 1945 they were saving but 19.3 percent. In 1946 it fell to 9.3 percent. In 1947 it was down to 6.4 percent.

What do these figures portend? Is the same immutable process at work in America today that, 10 years ago, foretold England's destruction? Is this another deadly parallel?

Let me say to the greater glory of both the Republican and Democratic Parties that neither of these truly American political agencies ever urged the imposition of a graduated income tax upon the American people. It remained for the Communist Party, the Greenback Party, the Union Labor Party, the People's Party, the Farmers' Alliance, the Industrial Union, and the Socialist Party to advocate the adoption in America of the graduated income tax; as the 1912 platform of the Socialist Party recites: to raise funds, the proceeds of which "to be employed in the socialization of industry."

What is the sum total of it all, and what is the warning that I bring to you now? The saving groups in America are liquidated as they were in England a decade ago. The saving groups in the United States are no longer able to supply the capital necessary to the maintenance and the modernization of private industry in America. All the great financial magazines in this country are proclaiming over and over again the utter unavailability of new capital, of which industry is in such desperate need.

According to the economists, we are going to need \$105,000,000,000 to modernize American industry, which is now largely in obsolescence, in the next 5 years. That means we must raise \$21,000,000,000 every year for 5 years. Private industry can provide two-thirds of that, or \$14,000,000,000, by internal savings, but the remaining portion must be supplied from the savings of the people, and the people cannot provide those savings under the confiscatory income-tax levies now the vogue.

In the light of this discouraging trend, no wonder the National City Bank in their report of November 1947 cry out in these words:

In the present structure, the supply of new savings out of current incomes of individuals is seriously deficient in relationship to the demands of capital. For example, the individual investor has come close to disappearing as the source of new capital for private business. Estimates of the Securities and Exchange Commission indicate that individuals in all of 1946 added

nothing net to their holdings of corporate stocks and bonds. The same is true for the first half of 1947. A major cause is income tax levels so high as to force continuous dissaving in the higher income brackets and shut down new supplies of savings further down the line—

And so on for page after page.

So I come to the end of my discussion, not because I have cited anything like the full amount of authority I have in my folder here, but because I know that I am intruding upon the time of others who themselves have a right to express their views upon this great question.

I am for the Knutson bill earnestly and sincerely, not because I consider it complete in its levies, or because I think it is a perfect bit of legislation, but because it points in the right direction. It makes levies which will bring our income-tax levies down—true, not far enough, but far enough, indeed, to revive a very necessary saving group which is so essential to the welfare of our country and its future. It is this group which must supply the savings out of which will come the capital which will modernize industry, provide it with the necessary new machinery and tools, making it possible for industry to avail itself of the most modern methods, the only thing which will preserve America as the kind of a country that we all want it to be.

And the workman must be reminded that in the restoration of this saving group lies his salvation. He must not forget that it takes from \$8,000 to \$10,000 of newly invested capital to create one new job. If industry is to be deprived of the new capital it needs for its modernization, to reequip its plants with the newest tools and machinery, to avail itself of the newest methods, this deprivation will be reflected in obsolescence—and that spells out, in plain English, less production, fewer jobs, and lower wages, all to be reflected in a lower standard of living for everyone.

May God forbid it!

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. OWENS].

Mr. OWENS. Mr. Chairman, the individual income taxpayers of the Nation are still paying the same high percentage of taxes that they were paying during the war years. This is unjust, especially when we have the history of the past to guide our actions. After the First World War ended, the taxes were lowered immediately. The result was that business and the national income expanded, and it was possible to reduce the national debt. Taxes were lowered further and further, with the same favorable result, so that within a period of 10 years the income-tax burden upon the people was insignificant, and in the same period of time the national debt was reduced almost 40 percent.

It clearly appears that the present bureaucratic administration feels that it is dangerous to allow money to remain in the hands of the people. The guiding geniuses at the helm know how to spend the money better than those who work so long and hard to earn their weekly wages. But what have these geniuses been doing with the vast sums which have been collected each year? They



are continuing to retain on the pay rolls of the Government many persons who might better be out in the industrial world helping to increase production which is so greatly needed. At the same time, the necessary Federal employees cannot be paid the wage to which they are entitled, and which they desperately need to meet the advancing living costs. The administrative leaders are continuing to maintain bureaus, departments, and commissions which could well be discontinued now that the war is ended. In the effort to maintain such a status quo, they have conjured emergencies here and abroad, and have as a result thereof, entered into competition with private business in order that many commodities might be exported to foreign countries. This has caused shortages, and our prices have increased. Then they have asked the people to desist from consuming certain food products such as poultry and eggs and then, in fear that the prices might drop on those items, they have gone into the open market to compete for them in order to maintain the price thereof. Does that make sense?

The same persons who are opposing H. R. 4790, the Republican sponsored income-tax reduction bill, and predicting dire consequences if the same should be passed, are hardly in position to act as prophets of the future, if we are to judge from the past. They, and this includes the Secretary of the Treasury, estimated a budget for 1947 which was \$11,700,000,000 under the final figure. In other words, they missed by approximately 37 percent. And at the end of the war they stated that within 6 months there would be 8,000,000 persons unemployed, and they took definite inflationary action to offset such possibility. They were 80 percent wrong in their estimate. Therefore, how are we to judge their present prognostications?

They well know that the President's proposal, which has been introduced as H. R. 4968, would be very costly to both the people and the Government. While it would give a \$40 credit which would have the effect of causing approximately 10,000,000 persons to pay no tax, such persons would have to file returns, and deductions would have to be made from their weekly pay, both of which operations would be very expensive to business and to the Government, although it would thereby continue many persons in tax administrative work for the Government who could otherwise be in private industry. While H. R. 4790 would cause approximately 7,000,000 persons to have no tax to pay, they would be completely removed from the tax rolls, and there would be no expense incident thereto.

The President's proposal will undoubtedly be ignored by the Members of his party in Congress, as it should be, but from remarks which have been made it is apparent that an effort will continue to be made to seemingly give tax relief to the most numerous of the taxpayers, who are in the lower tax brackets, but retaining practically the same amount of revenue by increasing the taxes of certain corporations. They well know that those corporations have the power to pass such tax on to the consumer by increased prices all along the line of dis-

tribution, so that, in the final analysis, the millions who were supposed to be removed from the tax rolls, as well as 19,000,000 others who have not been receiving enough wages to pay taxes, and also every person who continues to pay taxes, will have to respond by payment of high prices which in turn will constitute a further argument in support of the administration's effort to secure price control.

The people of this Nation want relief. If the money is returned to the States, then the people can use it for living costs, education, municipal improvements, charity, to purchase housing which is greatly needed, and also for a few luxuries which they crave. They know how to spend the money as well as the Federal Government and will waste much less. They should have the opportunity for a change.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Tennessee [Mr. PHILLIPS].

Mr. PHILLIPS of Tennessee. Mr. Chairman, the Eightieth Congress should not delay tax reduction. The American people are looking to this Congress for tax relief. It is the constitutional duty of the Congress to enact tax legislation. The Members of Congress are familiar with the history of the present Knutson tax bill, H. R. 4790. I supported this bill before the first session of the Eightieth Congress, when it was first introduced as H. R. 1. I thought it was a good bill then, and I am now more convinced than ever that it is sound and constructive tax legislation. The present Knutson tax bill was not thought up overnight. It represents the study of thousands of man-hours of careful research by the finest tax experts available. The bill before us is based upon lengthy hearings and testimony from many able witnesses. The Ways and Means Committee has reported a good bill.

Tax rates are so high they have arrived at the point of diminishing returns. Taxes should not continue to be the highest in our history. Under a proper tax reduction new business and new taxpayers would come into existence. The present high level of taxation has considerable influence upon the present high cost of living. It is alarming to realize that it costs the average American more money to pay his taxes than it does to eat. The present high rate of taxes has crippled business and has eaten into the buying power of the Nation, and is in many cases depriving those in need of food and clothing. Under the present rate of taxation the big item in the cost of living in these times of inflation is not the expense of food, shelter, and clothing, but the amount of the American dollar which the Government takes in the form of taxes. The steadily increasing prices of essential commodities since the war is greatly aided by both direct and indirect taxes. When the average American spends money for clothing, food, shelter, and luxuries there is a choice, and the decision in many cases is an individual matter. However, the estimated 31 cents taken out of every dollar for your taxes, together with a multitude of hidden taxes, is a burden over which the average citizen has no

voice. The only legislative body that can give actual relief is the Congress.

It is estimated that the present tax bill will give back to the American people, or leave with them, \$6,500,000,000. That amount of money placed into the channels of trade and business development will greatly strengthen the purchasing power of America and will stimulate business.

The American people have historically opposed unjust and suppressive taxation. Our forefathers fought to unshackle themselves from taxation without representation. The American Colonies fought against unjust taxation by the British Government. It has been truthfully said that the power to tax may be the power to destroy. The taxing power can be, and is now being, used as a weapon to deprive millions of people of that which belongs to them.

We are passing through a period of readjustment similar to the aftermath of the First World War. As far back as 1918 many people opposed tax reduction. The Congress after the First World War wisely lowered taxes, both personal income and corporate taxes. History shows that this action was in the interest of our national economy. Many people today advocate that there should be no tax reduction, but that any surplus which may accumulate should be applied to the payment of the national debt. Debt reduction is essential, but we cannot justify burdening our citizens throughout this land with a heavy wartime tax. We now have oppressive wartime taxation in this country. America should take the lead in convincing the world that our Republic is founded and maintained upon the principle that all of our citizens shall receive just treatment at the hands of the Federal Government. Canada, to the north of us, since the recent World War has given its people three substantial tax reductions. England has given heavy tax reduction to its people since the close of World War II, and has taken from its personal income-tax rolls millions of its people by raising the personal exemptions. The British Government has received large amounts of money from our Treasury through gifts and loans since the war closed. Yet, they have given tax reduction to their people. It is difficult to sustain a position of opposition to tax relief, and at the same time offer to vote billions of dollars to foreign countries for the relief and rehabilitation of nations all over the world.

The British loan, which amounts to a gift of some \$3,750,000,000, is difficult to explain in the light of the heavy tax reduction by the British Government for the people of Britain. The continuation of voting billions of Federal dollars for foreign aid by this country will weaken the spirit and desire for self-help on the part of foreign countries. Our economic stability and the safety of our productive power will depend upon the protection of our standard of living by encouraging individuals as well as business by fair tax reduction. It is now time that we give more attention to our own people. In the hour of desperate trouble, and when this Republic is in danger, we must rely upon the resources, the tax dollars, and

the energy of the people of the United States to defend our Nation. We cannot look to other people throughout the world to help us. History proves that we must pay the bill, and that we must likewise contribute not only materials but men on the fields of battle. The best guaranty to national security is a strong nation of united people, who are 100 percent in support of their Government, because they think it is fair, just, and honest with them, and willing to cut unnecessary expenses, reduce taxes, and maintain its financial solvency. The hue and cry is now going up all over America that we must be mindful of our own people, and stop the present trend of tax, spend, and tax for millions of people all over the world at the expense of Americans, who are being bled white by excessive taxation.

Reduction in taxes is essential to improve the American standard of living. Millions of workers throughout this land are paying such high rates of taxes that their fixed salary and wages under the high cost of living makes it difficult for them to pay their bills. The tax relief in this H. R. 4790 will amount to the equivalent of a wage increase throughout this country, and will thereby increase the purchasing power of our people. The reduction in taxes will boost the pay envelope of millions of people in this country, but at the same time the unit cost of production in industry will not be increased. Tax reduction will, therefore, help solve the problem of inflation and at the same time will not require the producers to add the added cost to the price of commodities sold on the market. For the average family, and especially the poorly paid worker with a large family of little ones to support, this necessary tax reduction will increase the purchasing power.

The farmer who is struggling to make both ends meet is in need of tax reduction, and the present bill will aid him. Many of our farmers are feeling the heavy hand of Federal taxation. It is a wise policy on the part of this great Congress to lift the oppressive yoke of taxation from that great group of farmers, in order that they might continue to produce and defend the liberty and freedom of this country as they have in the past. The people of this country are today seeking freedom from the shackles of taxation, and waste of public funds, with as much zeal as they used in the fight of other great battles in the history of this glorious Republic.

Under the present high cost of living the present bill will give relief to more than 6,000,000 taxpayers, who will be taken from the tax rolls when the personal and dependency exemptions are increased from \$500 per capita to \$600 per capita. Tax reductions ranging from 30 percent to 10 percent, according to the size of the income, will be provided for all taxpayers. It is estimated that approximately 25,000,000 taxpayers will receive a 30-percent reduction under the provisions of this bill. Persons with net incomes of \$1,000 or less after exemptions receive a 30-percent reduction; persons with net incomes of \$1,000 to \$1,400 after exemptions receive a reduction of

30 to 20 percent; persons with net incomes of from \$1,400 to \$4,000 after exemptions receive a reduction of 20 percent; and persons with net incomes in excess of \$4,000 after exemptions receive a reduction of 20 percent on the tax imposed on their first \$4,000 net income after exemptions, and 10 percent on the tax imposed on any remaining net income after exemptions.

Under the provisions of H. R. 4790, the inequality of the tax burden in common-law and community-property States is corrected so as to permit husbands and wives to split their income for tax return purposes. Under this theory the husband and wife may receive considerable tax relief because they may not be subject to the high percentage increase of the income tax paid under the progressive plan of taxation. As I understand it the husband or wife under the existing law in common-law States may be subject to the high-bracket income-tax percentage where the income for the whole family is earned by either the husband or wife, but the present bill under consideration corrects that situation, and permits the husband and wife to file two separate income-tax returns, and thereby places each one of them in a lower tax-income bracket, which gives considerable tax relief. The bill, therefore, corrects the Federal income-tax differences existing between common-law and community-property tax law States.

When we talk about tax reduction, it is well to take into consideration that great group of Americans who have attained the age of 65 or over, many of whom are unable to engage in active earning pursuits. Under the provisions of this bill an additional exemption of \$600 is granted if the taxpayer is 65 or over by the end of the year. It is estimated that this provision will benefit 3,700,000 taxpayers, and will remove 1,400,000 persons from the tax rolls. The above provision is a very worthy provision, because persons in this age group are handicapped in economic opportunity, as well as in physical strength. This group of individuals for the most part are not acceptable for full-time jobs at prevailing wages, and therefore, are in need of this extra exemption and consideration in view of the present high cost of living. It is commendable that the committee has reported a bill providing a special exemption of \$600 for blind persons. Blind persons who are 65 or over may claim this special exemption in addition to that based on age.

I come from a small town, and throughout the congressional district which I represent, there are many small business enterprises, small shops, retail stores, dairy businesses, tobacco establishments, farming interests, and business establishments of every kind, all of which taken together constitute the economic strength of that congressional district. These people have indicated that they desire tax reduction. It is my opinion that increased production will strengthen our national economy. To accomplish this goal business managers and agricultural producers must be stimulated, and profits after taxes must be of sufficient size to attract investors

into risk-taking enterprise. The present high wartime tax rate is one of the chief obstructions to the achievement of a high level of production. The availability of risk capital to meet the needs of business is greatly reduced by the present high wartime taxes.

The bill under consideration will leave an estimated surplus of at least \$2,500,000,000 to \$3,000,000,000 which can be applied on debt reduction. Therefore, the Knutson tax bill will help solve the high cost of living, increase the production in industry, equalize the inequality of the tax burdens in common-law and community-property States, give relief to millions of low-income taxpayers by removing them from the tax pay rolls, increase the amount of take-home pay for millions of people, will give millions of veterans who have worn the uniform with honor and returned to their homes the extra necessary amount of money to pay for a home, rather than pay money into the Government under the high rate of taxes, give relief and hope to deserving old people who have reached the age of 65; will place venture capital into circulation, and will aid agriculture by placing more purchasing power in the hands of millions of Americans in the white-collar group, middle classes, and men and women in all walks of life.

When the Eightieth Congress enacts the present tax bill into law, we will have kept faith with the American people, and will have given a ray of hope to a tax-ridden and sorely burdened American people. For the reasons heretofore stated, I am pleased to have the privilege to vote for tax reduction.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Massachusetts [Mr. GOODWIN], a member of the Committee on Ways and Means.

Mr. GOODWIN. Mr. Chairman, as the newest member of the Committee on Ways and Means I have not had the benefit of previous studies and experience with tax legislation enjoyed by other members of the committee but during that limited period of service I have endeavored to be diligent in study and research, and I enthusiastically support the Knutson bill, H. R. 4790.

The passage of this bill today will be hailed with great rejoicing. The people are confidently looking to this Congress to grant them relief from the excessive burden of individual income taxes.

It is a fair bill. It affords the greatest measure of relief, something well in excess of 72 percent to those with incomes less than \$5,000. At the same time it reduces the rate in the middle and higher brackets and will thereby have the effect of giving some encouragement to those taxpayers from whose earnings our industrial economy so largely relies for venture capital.

Nothing will contribute so much to bringing prices down to a lower level as production and more production. We must have risk capital to insure the expansion of business enterprises and the promotion of new ones. Business expansion means more and better jobs for more people and more goods to satisfy the wants of ready buyers. We have



been stifling venture capital by keeping income taxes high, thus impeding production and continuing the inflationary spiral.

Even some of the soundest of American business enterprises are having difficulty today in financing needed expansion through the sale of stock. More money is continually needed to build and equip new plants, expand and modernize existing ones, and replace obsolete, outmoded, and worn-out equipment. Without fresh venture capital business expansion suffers, without business expansion production suffers, and without more and fuller production of wanted goods we continue to postpone the day when supply and demand will again be brought into balance, and prices, through the normal and natural working of economic laws, brought down to a reasonable level.

I have had many letters urging a uniform rule embodying the advantage heretofore enjoyed by taxpayers in the community-property States. Thus I know that the provision in H. R. 4790 permitting married couples to split their income for tax purposes will meet with great favor. In addition to being highly desirable because it has an equalizing effect by removing an unfair discrimination which has been a source of justifiable complaint in the common-law States, I regard this feature as definitely anti-inflationary. By allowing uniform treatment for husbands and wives, no matter in what State they live and permitting them to split their income for income-tax purposes, there will be such a substantial cut in the middle and upper brackets that a large amount of savings in the hands of the taxpayers affected should become available for investment. So we are encouraging saving rather than spending, and that is certainly a salutary policy in a period of high prices.

It is estimated that the number of married persons in the United States who will receive additional benefits by the provision for split incomes under the Knutson bill will be approximately 12,000,000.

It is understood that a recommittal bill will be suggested as a substitute for the Knutson bill, containing a proposal to reenact the excess-profits tax. Whatever other unwise features it may contain, that one alone is enough to condemn the substitute and make it entirely unacceptable.

The reason alleged for increasing corporate taxes must be to produce additional revenue to offset that which will be lost in granting tax cuts to individuals. If the argument is that individual taxpayers, including in particular those in the lower income group, are going to get the benefit of a tax cut and not suffer a corresponding detriment through an increased tax on corporations, it ought not to be difficult to show that the argument is fallacious.

It seems to me absurd to believe that bringing back the excess-profits tax will not work to the disadvantage of those who most need relief from taxes and high living costs. An increase in corporate taxes is certain to be reflected in the price to the consumer of goods produced. What is the use of giving the taxpayer a cut in his income tax and

at the same time threaten to take the saving away from him in higher prices for the things he will buy? Contrast with this the incentive features of the Knutson bill which should bring about lower prices while granting a tax cut which will be really effective and beneficial as money saved.

And let us not make the mistake of thinking that none of the great rank and file of taxpayers in the lower brackets would be adversely affected if bringing back the excess-profits tax should result in the cutting of dividends. The holding of stock in corporations is by no means limited to the ranks of the wealthy. Stockholders, the real owners of the corporations, are found widely represented in every community in the country, and in many cases are those for whom the cost of living is a very real problem, and in countless cases where such holding constitutes all or a major part of the income.

I hope we will pass the Knutson bill by a vote so overwhelming that the people may know the House is determined to give them the relief they are entitled to by taking from their shoulders a portion of the tax burden which they have been bearing too long.

Mr. KNUTSON. Mr. Chairman, I yield 12 minutes to the gentleman from Missouri [Mr. REEVES].

Mr. REEVES. Mr. Chairman, we are well into the third year since the close of hostilities in World War II. Excessive income taxes are still overburdening our people and smothering our economy. Tax reductions are long overdue for the people of the United States, and I shall support H. R. 4790 because it makes a start in that direction. This country is actually lagging behind other nations in the matter of postwar tax reductions. Australia has reduced income taxes; England—to whom we are asked to give more than \$5,000,000,000 in relief under the Marshall plan—has reduced personal income taxes twice; Canada, which sent more aid per capita abroad during the war than we did, is about to reduce income taxes again for the fourth time in 4 years—last year she reduced taxes an average of 29 percent in all income brackets; even the Benelux countries, Belgium, the Netherlands, and Luxemburg—to which we are asked to give more than three and one-half billions in aid under the Marshall plan—have reduced taxes and are prospering. The able members of the Ways and Means Committee have established beyond question the availability of surplus funds sufficient to permit the reductions proposed by this bill and provide funds for debt reduction as well. The American taxpayer is entitled to relief and will get it this year upon the final passage of this bill.

It is gratifying to see support for this bill coming from the Democratic side as well as the Republican side of the aisle. It is a little surprising to see where the opposition to tax reduction comes from.

Mr. Chairman, I have reviewed carefully the 2 days of debate we have already had on this bill. The principal argument made against it is that it provides a measure of tax reduction for middle and upper bracket incomes. It has been pointed out repeatedly that by far the

greater part of the tax reduction in these brackets arises out of the fact that the privilege of reporting income on a divided basis, now enjoyed only by married couples in the 11 community-property States, is extended by this bill to husbands and wives in all States.

Married taxpayers in the 37 non-community-property States may pay as much as 40 percent more Federal income taxes than married couples in the community-property States pay on exactly the same income, as shown by the following table:

*Comparison of tax liabilities of married couples (with no dependents) in community-property and in non-community-property States*

Combined net income before personal exemption	Total tax on married couples		Amount and percent greater tax paid in non-community-property State	
	Non-community-property State (only 1 spouse has income)	Community-property State (income divided equally between spouses)	Amount	Percent
\$4,000.....	\$589.00	\$570.00	\$19.00	3.33
\$5,000.....	798.00	760.00	38.00	4.80
\$6,000.....	1,045.00	969.00	76.00	7.84
\$7,000.....	1,292.00	1,178.00	114.00	9.68
\$8,000.....	1,577.00	1,387.00	190.00	13.70
\$9,000.....	1,862.00	1,596.00	266.00	16.67
\$10,000.....	2,185.00	1,843.00	342.00	18.56
\$15,000.....	4,047.00	3,154.00	893.00	28.31
\$25,000.....	9,082.00	6,460.00	2,622.00	40.59
\$50,000.....	24,795.00	18,724.50	6,070.50	32.42
\$100,000.....	63,127.50	50,274.00	12,853.50	25.57

Who is it who objects so loudly to eliminating this obvious and unfair discrimination against taxpayers in the non-community-property States? Who is it who denounces us for giving married taxpayers in the non-community-property States the same benefits now enjoyed only by taxpayers in the community-property States? Why, Mr. Chairman, eight of the Democratic Members of this House who attacked this tax-reduction bill last Thursday and Friday represent districts in community-property States. Three of them represent districts in States which adopted the community-property system for the express and declared purpose of giving their middle- and upper-bracket taxpayers the very same equalizing reductions which we are giving married taxpayers in all States under the provisions of this bill. It seems to me that their opposition comes with exceedingly bad grace.

The thing that prompted me to request this time was the discovery of an amazing statement made by the gentleman from Michigan [Mr. DINGELL] on this floor during the debate last Thursday afternoon. He said, according to the RECORD, that the present bill—

Contains two important items of Democratic origin, increasing exemptions and income splitting between husband and wife, which we proposed in the consideration of H. R. 1 and H. R. 3950.

Mr. Chairman, I will not let that statement go unchallenged. During all the years the New Deal Democrats controlled the Congress and increased surtaxes to unprecedented and confiscatory levels, they permitted this vicious and

inequitable discrimination to develop. They did absolutely nothing to correct it, except to make an ineffectual attempt to deny married persons in community-property States the privilege of making separate returns. The idea of permitting all married couples to make tax returns on the divided-income basis never occurred to them; if it did, they neither said nor did anything about it. As a matter of fact it was not proposed by anyone, so far as I have been able to learn, until a tax legislative counsel for the Treasury Department mentioned it late last year as a possibility, but obviously without the sanction of the Department.

Simply to keep the record straight, and to refute the claim made by the gentleman from Michigan [Mr. DINGELL] that he and other Democratic Members of the Ways and Means Committee originated legislation on the subject, I desire to relate the facts.

The first bill introduced either in the House or in the other body to authorize "income splitting" by all married taxpayers was H. R. 1759, which I introduced on February 6, 1947, and discussed under a special order a few days later. That bill set out the principle and formula which have been incorporated into this bill. Ten days after H. R. 1759 was introduced in the House, its entire title and text were borrowed and an identical measure was introduced in the other body. Since that time various other identical or substantially identical measures have been introduced in the other body, including the amendments to the two tax bills which were considered last year.

On March 14, before H. R. 1 was considered in committee, I filed a memorandum with each member of the Ways and Means Committee, including the gentleman from North Carolina [Mr. DOUGHTON] and the gentleman from Michigan [Mr. DINGELL], attaching a copy of H. R. 1759 and urging that committee to incorporate its provisions in H. R. 1.

The Treasury Department filed a report on H. R. 1759 with the chairman of the Ways and Means Committee on April 24, 1947, expressing "sympathy with the desire to equalize the impact of the income tax on family income." But it listed universal income splitting as only one possible approach, and in effect suggested that the whole question be deferred.

On April 28, 1947, almost 3 months after my bill was introduced, the gentleman from North Carolina [Mr. DOUGHTON], the ranking minority Member of the Ways and Means Committee, introduced a bill (H. R. 3228) on the same subject. He gave out a press release on it. It was not merely a similar bill. It was an identical bill. I defy anyone to find a word of difference between the text of his bill and the text of the bill which I had introduced nearly 3 months earlier. It is an exact copy.

During hearings conducted by the Ways and Means Committee, on June 19, 1947, I filed a further statement with the committee reiterating my conviction that there should be reported out and passed a single bill which would combine a graduated percentage reduction

in income taxes for the lower-income brackets with the "income splitting" privilege for middle- and upper-income brackets. I incorporate the text of that statement in these remarks, as follows:

STATEMENT OF HON. ALBERT L. REEVES, JR., OF MISSOURI, BEFORE THE HOUSE WAYS AND MEANS COMMITTEE, THURSDAY, JUNE 19, 1947

Mr. Chairman and gentlemen of the committee, the purpose of my appearance before the Ways and Means Committee today is to urge the enactment of appropriate legislation to correct the discriminatory application of the Federal income-tax laws against citizens of the 36 remaining non-community-property States.

That such discrimination exists is not seriously questioned by anyone. The Federal Government recognizes the community-property system and permits husband and wife in the community-property States, of which there are now 12, to divide their income, each reporting and paying the income tax upon one-half of the community income. In this period of extremely high surtaxes the result is that incomes in the community-property States pay substantially less in income taxes than identical incomes in the 36 non-community-property States. The inequalities of this situation are recognized by the Treasury Department. Stanley S. Surrey, tax legislative counsel for the Department, who has favored universal application of the split-income principle, is the source of tables which clearly illustrate the tremendous tax advantages enjoyed by taxpayers in the community-property States. The tables are as follows:

TABLE 1.—Comparison of tax liabilities of married couples (with no dependents) in community-property and in non-community-property States

Net income before exemption	Total tax on married couples		Tax saving in community-property States as a percentage of tax liability in non-community-property States	Percent
	Non-community-property State (only 1 spouse has income)	Community-property State (income divided equally between spouses)		
\$5,000.....	\$798	\$760	\$38	4.8
\$10,000.....	2,185	1,843	342	15.7
\$15,000.....	4,047	3,154	893	22.1
\$25,000.....	9,082	6,460	2,622	28.9
\$50,000.....	24,795	18,725	6,070	24.5
\$100,000.....	63,128	50,274	12,854	20.4

TABLE 2.—Aggregate tax savings of married couples (with no dependents) in community-property States in the income years 1937 through 1946<sup>1</sup>

Combined net income before exemption	Aggregate amount of tax savings
\$5,000.....	\$320
\$10,000.....	2,864
\$25,000.....	20,633
\$50,000.....	53,144
\$100,000.....	132,187

<sup>1</sup> Tax for non-community-property States is computed on the assumption that only 1 spouse has income, and in community-property States that income and exemption are divided equally between the spouses.

Various State legislatures, the American Bar Association, and many other organizations have urged the Congress to enact legislation to rectify this manifest inequity.

Under the existing situation most of the non-community-property States are experiencing a loss of capital, business, and income to the community-property States. It

is common for an individual of means to carry on his business or profession in a non-community-property State, where he earns his income, and to maintain his domicile in a community-property State in order to enjoy a more favorable tax status. In self-defense, several States, such as Oklahoma, have very recently adopted the community-property system, although with considerable reluctance because it creates multiple problems affecting estates, domestic relations, and commercial credit. Congress should not, by failing to take action on the matter, compel other States to take so serious a step. Many are contemplating it as a last resort, if the Federal laws are not changed.

Sentiment in the Congress and throughout the country overwhelmingly favors extension of the right to split incomes for Federal tax purposes to all married taxpayers.

Early in this session of Congress I introduced H. R. 1759, which would accomplish this purpose. Under its provisions a husband and wife could elect to file a joint return of all their income. The tax would be computed upon one-half the aggregate income, and then multiplied by two. The result is exactly the same as though each filed a separate return on one-half the income, but the number of returns would be greatly reduced. The bill provides also necessary adjustments in the standard deduction. It seems to be agreed by many that a simple and effective approach to the problem is provided by this method, and a number of identical or similar bills have been subsequently introduced in both Houses of Congress.

But the change should be included in a tax-reduction bill, not in a tax-revision bill as the committee apparently contemplates. I shall endeavor to show why.

Extension of the privilege of splitting income to all married taxpayers is not actually a matter of revision of existing laws. The tax advantages now enjoyed by citizens of the community-property States does not arise from anything inherent in the Internal Revenue Code. It arises out of a situation altogether extraneous to the Federal tax laws—namely, the existence and characteristics of the community-property system in a limited group of States. In this respect it differs from matters which could be reached only by revision—such as the double taxation of dividends. I do not mean to take a position at this time on the question of double taxation of corporation income, but it is an excellent illustration of the kind of situation which inheres in existing law and is subject to revision, in contrast to the extraneous origin of "split income" practice.

Moreover, extension of the "split-income" privilege would not affect all taxpayers in all States. With relatively minor exceptions, it would affect a geographical segment of the population—that is, taxpayers in the 36 non-community-property States only. In addition—and more important—the amounts involved are larger than ought to be included in a revision bill. As examination of table 1, above, will show that the "split-income" privilege would reduce the tax liability of a \$25,000 income by 28.9 percent, or by \$2,622. Such a reduction cannot properly be regarded as a "revision"; it is a substantial tax cut.

But there is a vastly more important reason for including the "split-income" privilege in a tax-reduction bill, rather than in a revision bill. It is reported that in consequence of the veto of H. R. 1 it is proposed to offer a new tax-reduction bill, providing percentage cuts, early in the next session, and to follow it with a revision bill which among other things would extend the "split-income" privilege to all married taxpayers. I submit that if a straight tax-reduction bill is passed, it will be impossible thereafter to extend the "split-income" privilege to the non-community-property States.

If a new tax-reduction bill were to provide, as did H. R. 1, a 30-percent reduction



in the lowest brackets and a 20-percent reduction in the medium and higher brackets, extension of the "split income" privilege would be effectively foreclosed by the fact that, taken in conjunction with the tax reduction, it would discriminate in favor of the surtax brackets. For example—referring again to table No. 1—the percentage reduction of 20 percent (assumed), coupled with the percentage tax savings realized from the "split-income" privilege, would give total reductions of more than 30 percent at the \$10,000-income level, almost 40 percent on a \$15,000 income, and 45 percent on a \$25,000 income. At the \$50,000 level the total tax reduction would be about 40 percent, and at \$100,000 and above only slightly less. The result would be extraordinary tax relief in the middle and higher brackets, far exceeding the moderate reductions provided in the lowest-income brackets. For this reason if the Congress first passes a straight tax cut bill it will find itself unable to authorize universal application of the "split income" privilege with its additional advantages to the surtax brackets only. Thus the inevitable effect of a straight tax reduction would be to perpetuate the existing tax discrimination against the 36 non-community-property States, and to enable the community-property States to continue to exploit their advantage by further siphoning off business and wealth from the non-community-property States.

It is therefore my conviction, and my urgent recommendation to the Ways and Means Committee, that a single bill be prepared which would combine a graduated percentage cut in the lower brackets with the "split income" provision, the latter being of benefit only in the surtax brackets. To illustrate: A substantial percentage cut of 30 percent or perhaps more should be provided in the lowest-income brackets. The "split income" privilege should be made of universal application. "Income splitting" alone would provide a reduction of 20 percent or more in all income brackets above about \$12,500. In surtax brackets below \$12,500 percentage reductions should be made which, in combination with the "split income" feature, would provide an aggregate cut of 20 percent. At the \$10,000 income level, for example, the "split income" privilege would produce a reduction of only 15.7 percent. A total tax reduction of 20 percent could be accomplished by a percentage adjustment in the appropriate surtax bracket. The same formula would result in a uniform 20-percent reduction (if that percentage of reduction is agreed upon) in still lower surtax brackets where the benefits of income splitting are less—as at the \$5,000 level, where income splitting reduces the tax liability by only 4.8 percent.

Preparation and passage of such a combination bill is still possible in the present session of Congress, even though the time remaining is short. I feel that, in all justice, we should not leave the people of this country without definite assurance of relief from the terrible burden of taxes they are now carrying. Uncertainty as to whether, and when, income-tax reductions will become effective is creating confusion and exerting a sharply depressing effect on business activity.

Strong equities support the kind of a bill I have proposed. It should be made effective January 1, 1948, which is the effective date of the income-splitting bill I have already introduced. I do not think it would encounter veto. If it did, sentiment for adoption of the income-splitting proposal is sufficiently strong in both Houses of Congress to assure that it would be overridden.

This recommendation is not made lightly, or without encouragement from others in the House. I earnestly urge the committee to give immediate consideration to the introduction at this session of a tax-reduction bill,

designed to accomplish the objectives I have outlined, and effective January 1, 1948.

We have an obligation to the American taxpayer to clarify the Federal tax situation and to tell him in advance how he may plan his affairs for next year.

Mr. Chairman, the gentleman from Michigan did not get around to originating the income-splitting measure until he embodied it in the tax bill which he introduced last month and which is not before the House. His State, Michigan, adopted the community-property system last year for the express purpose of reducing Federal income taxes for their well-to-do people. It did not give a nickel's worth of tax relief to the little fellow.

"Of Democratic origin"? The Treasury Department is still opposed to authorizing income splitting by married couples in all States. In his testimony before the committee on January 16 of this year the Secretary of the Treasury said, with reference to this proposal:

I believe, however, that it would be unwise to make this or any other major structural change in the current situation which would result in a substantial revenue loss. As previously indicated, splitting the incomes of husbands and wives would result in a loss of \$803,500,000.

So the Secretary was against it as recently as less than 3 weeks ago. His testimony simply means that the present administration is perfectly satisfied to continue the rankest and most unjust discrimination that exists anywhere in our tax laws. Ever since I introduced H. R. 1759 in the House in February last year, there has been a growing and insistent demand that the Internal Revenue Code be amended to eliminate the discrimination, so that the citizens of my State, Missouri, and other non-community-property States would not be obliged to pay more Federal income taxes than the citizens of 11 community-property States pay on identical income.

No, Mr. Chairman, the bill to equalize the Federal income-tax burden through universal income splitting was not an "item of Democratic origin which we proposed in the consideration of H. R. 1," as the gentleman from Michigan so blandly said on Thursday. He knows better. The origin was H. R. 1759, and it was of Republican origin. It was the rank discrimination against citizens of the non-community-property States which was of Democratic origin 15 years ago, and it has taken a Republican bill to point the way to correct it.

In view of the Nation-wide approval of the measure I suppose I should not be surprised at the efforts which have been made by others to purloin it and claim credit for it.

There is this much to be said for the gentleman from Michigan and the gentleman from North Carolina and others who have had more than a passing interest in this measure. They know a good thing when they see it. But the record speaks so clearly for itself that there can be no doubt as to where income-splitting legislation originated, and it was unquestionably not on their side of the aisle.

[From the Kansas City Star of April 30, 1947]

#### EQUALITY ON INCOME PAYMENTS

Important aid to a needed tax reform has been given by Representative DOUGHTON, of North Carolina, former chairman of the House Ways and Means Committee. He has introduced a bill to apply the community-property tax principle to all the States. This would enable husbands and wives to make an equal division of income for tax reporting, as now is done in nine of the States, with the consequent benefit of lower income-tax payments.

Early in the present session Representative ALBERT L. REEVES, Jr., of Kansas City, introduced such a bill. Mr. DOUGHTON might simply have endorsed this bill instead of submitting one of his own. Mr. REEVES pointed out at the time and since has emphasized that the nine States have an unfair advantage over the others, that additional States are looking to adoption of the community-property system, and that as a matter of justice it should be applied uniformly to all.

A measure of this nature could be incorporated in the pending tax-reduction bill, as Mr. DOUGHTON says and as Mr. REEVES previously had advocated. But this phase of tax relief would not become effective until next year, whereas the broader proposal would apply to the current year, beginning either with July or becoming retroactive to January 1, as Congress may decide.

Families would be saved an estimated \$1,000,000,000 a year under the community plan. The States now without it desire the plan for their own protection. But, as Mr. REEVES has explained, the trend to State action should be halted because of numerous legal complications in the varying systems adopted. The most effective means of dealing with the problem is a change in the Federal system. A companion bill to the Reeves measure has been introduced in the Senate. Both should have the attention they deserve in order to end an unjust situation and to establish equality under the law.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I was unaware that the gentleman from Missouri [Mr. REEVES] would question the veracity of my statements with regard to the split-income provision which is included in the Knutson bill, H. R. 4790. I claim this provision as having originated with the Democrats, as did the demand for liberalizing dependency exemptions. I restate most emphatically that the record supports my position. Long before the gentleman from Missouri gained membership in this body, I have examined witnesses and discussed the question and the desirability of splitting incomes for tax purposes only, in order to equalize the tax burdens whether or not the taxpayer resided in a so-called community-property State.

The Committee on Ways and Means pursued this question over a period of many years. In fact, the Committee on Ways and Means in the early part of my 14 years of service on this committee sought to wipe out this inequality. We decided, by direct action, to eliminate the preferential status of the taxpayer residing in the community-property States, but the House did not sustain our position, and it was then that I advanced the idea that we may well arrive at the same result by splitting the income of husband or wife for tax purposes only

and thus eliminate the tax advantage of the community-property States.

I pursued this question over the years. I discussed it with Secretary Morgenthau and with his successors, Secretary Vinson and Secretary Snyder.

Bringing the matter up to date, it will be recalled that the gentleman from North Carolina [Mr. DOUGHTON], the ranking member of the minority, had an understanding in committee that this question would be considered, and if my memory serves me correctly, I believe it was agreed that it would be inserted in the present tax bill. Therefore the Knutson bill, H. R. 4790, contains a provision, the formula of which antedates the service of the gentleman from Missouri [Mr. REEVES] by many years. When the gentleman charges others with having purloined an idea which seemingly he claims as originating with himself he is either in error or seeks to mislead his constituents. Members of this House are not impressed with the claims of originality advanced by the gentleman because it is known that the alternative of the split income was advanced and advocated by those of us who explored the problem involved in the community-property question and who sought to solve it for the benefit of all.

I would not go so far as to claim that the idea of splitting the income to accomplish the purpose is original with me. I would not even say I was the first to advance such an idea. I do, however, claim that I have advanced this argument over a period of years and insisted upon its adoption at the earliest possible date. The gentleman from Missouri, in his enthusiasm, has resorted to some rather unkind and unwarranted references when he charges members with purloining ideas that in his estimation originated in his mind. I am quite certain that members of the Committee on Ways and Means have thought of this and other similar ideas long before the gentleman introduced his bill.

Mr. Chairman, now let me discuss briefly the prospective motion to recommit. I am as anxious as any individual Member of this House to bring the earliest possible cut in taxes and to make it as deep and as widespread as might be justified.

As a member of the Committee on Ways and Means charged with the responsibility of providing a sufficiency of revenues for the Treasury, I have no choice but to fulfill my obligation to all of the people. I must take into consideration first and above all, the needs of Government and then to assess the burden on the basis of ability to pay. Such relief as might be given from time to time must be brought about by periodic adjustment of rates and schedules.

The minority offers today a motion to recommit the Knutson bill for reasons which are obvious and tenable. The motion for a taxpayer's increase of \$200 for each individual dependent, which will strike from the tax rolls approximately 10,300,000 income taxpayers, will, however, effect a saving to all taxpayers from the lowest to the highest bracket. The greatest percentage of benefit in volume, however, will go to the great

number of overburdened and needy in the lowermost brackets. This \$200 exemption figure will be approximately the same amount as the President's flat \$40 cost-of-living credit. The total amount in this reduction approximates a loss to the Treasury of \$3,200,000,000. Over 70 percent of the relief will go to taxpayers with incomes below \$5,000.

Furthermore, the minority motion to recommit provides relief by way of allowing the splitting of incomes, for tax purposes only, between husband and wife and is intended to equalize the tax burden as between community and noncommunity States. This provision will give great benefit to the taxpayer with an income of above \$5,000. To be more specific, the split-income provision will give relief to approximately 97 percent of the taxpayers enjoying a taxable income above \$5,000. The loss to the Federal Treasury as a result of the adoption of this amendment would amount to approximately \$800,000,000 per annum.

In order to offset as far as possible these losses to the Treasury and thereby help maintain the solvency and credit of the Government, the motion provides for the imposition of a limited excess-profits tax to be levied upon 22,000 corporations out of a total of approximately 360,000 income-tax-paying corporations. This provision is taken from the President's recommendations as included in H. R. 4968, which bears my name. This provision would recapture an amount approximating \$3,200,000,000, which would offset a like figure occasioned by the tax cut accruing to the benefit of the small income-taxpayers. The net loss, therefore, to the Treasury would amount approximately to \$800,000,000, occasioned by the split-income provision. It may be desirable, although not necessary, to briefly restate facts and figures with which most people are familiar as regards the reimposition of the excess-profits tax.

There can be no question of justification under present conditions. First, it must be borne in mind that the move conforms with the practice of periodic tax adjustments, not only in rates but in sources of income. Today when the corporations of America are enjoying the highest rate of net taxable income in the history of the country and at a rate never before anticipated, the volume of profits which have pyramided to over \$17,000,000,000 after payment of Federal taxes which top previous figures by successive increases and only the future will tell how much higher they will go, makes mandatory some method of recouping losses resulting from tax relief given in the low and needy brackets. This excess-profits provision is not so stringent and it cannot compare with the wartime excess-profits tax which applied to a far lower amount of income and which skimmed off greater percentages without allowing the latitude which is provided in this motion to recommit. In fact, I should say that this provision is most generous to the corporations in that it would affect only those with the highest average income. It will affect only about 6 percent of such corporations as might be classed as the favored few. It

will exclude all small corporations. It provides a \$50,000 exemption for the specific purpose of letting out these small corporations.

Taking the 1936-39 base for the calculation of average earnings, this provision would in addition allow 35 percent more in profits to a corporation than was permitted the same corporation on the same amount during wartime. The amount subject to excess profits after allowing an exemption of \$50,000 plus a 35 percent above-wartime-earnings credit would be subject to 75 percent as compared with 85½ percent, which was the wartime excess rate, but in no instance would the gross tax exceed 70 percent as compared with the over-all tax of 80 percent in the wartime act. I cannot too strongly emphasize the fact that this tax would not affect the stockholders or the rate of dividends, it would not jeopardize the financial standing of the corporation, or in any manner reduce allowances for obsolescence, or restrict expansion. This excess-profits levy would be imposed on corporations where the amount of profit is so great that it is being held in reserve in amounts far in excess of what is deemed as prudent and necessary. This move could not be passed on to the consumer because the tax would be imposed on the corporation whose products have already brought an unreasonably high price for their products and further increases would be reflected in excess profits and be subject to further levies of the excess-profits tax.

Then, too, there is a powerful element of constriction upon inflation and the ever-present temptation to increase prices to the consumer for all that the traffic will bear.

The amount of revenue going to the Treasury from this imposition will still leave the corporations after taxes, on the basis of present calculation, approximately \$14,000,000,000 per annum which will remain as a record unmatched in either peace or wartime. The tax would apply to profits earned during the year 1948.

While it would have been better not to reduce the Treasury receipts at this time, it seems inevitable. If the income taxpayers in the lower brackets are to benefit from tax reduction, it is only fair and logical that taxpayers in the higher brackets must receive a fair share of consideration.

This motion to recommit will in my estimation not jeopardize the Nation's credit and it is hoped it will leave unimpaired our financial solvency. The bonds in the hands of over 85,000,000 American citizens, in the portfolios of insurance companies, in banks, in trust funds, and in possession of corporations will remain intact. More specifically, they will be redeemed as pledged by the Government at 100 percent of their face value. Because this move will permit the greatest possible reduction of our national debt, it will save the taxpayers approximately \$2.50 in interest for each dollar of deferred or suspended debt reduction which may be occasioned by unwarranted and premature tax cuts.

However much I dislike to oppose overall tax reduction at this time, I am in



conscience bound to discharge my duty as I see it and thus to protect the people's interest. In this instance the people's interest and the Treasury of the United States are one and inseparable. You cannot underream or jeopardize one without injuring the other.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Arizona [Mr. MURDOCK].

Mr. MURDOCK. Mr. Chairman, unless this Knutson tax-reduction bill is amended today by a motion to recommit, I find that I must vote against it on final passage. This determination to vote against the bill is not due to political reasons and it is not due to my not wanting tax reduction of a proper kind. I have heard some of my colleagues on the minority side proposing a substitute which is the only amendment we, of the minority, may offer when a motion to recommit is made. As I understand this substitute to be offered by our minority leader, it is much to be preferred over the bill brought in by the committee.

There are several reasons why I cannot vote for the Knutson bill, but I can only list some of them, although I recognize that the committee bill does have some good features. Without going into the merits of the question of how much aid we shall give to rehabilitate war-torn countries or furnish them immediate and long-range relief which I favor, I believe that it will be impossible to extend such relief if this measure, known as the Knutson tax-reduction bill shall pass and become law in its present form. As I see it, a vote in favor of this bill means a vote against extending any further aid to Europe or to other critical areas because we simply will not have the money to give such relief unless we borrow it.

Again, I cannot bring myself to vote in favor of this bill because it means a return to deficit spending, a thing which we hoped we could get away from soon after ending this most expensive of all wars. The total reduction in our next year's revenues under this measure as law would mean that the Government would have to borrow money to carry on its legitimate functions and commitments. When I consider the situation as it was a year ago and the similarity of the present time, I am convinced that no sufficient reduction in expenditures can be made or will be made that we may have a balanced budget under this reduction of revenue, even though absolutely nothing be paid on the great public debt.

Another reason why I cannot bring myself to vote for this Knutson tax bill is that we must have some regard for the Nation's credit. There are more than 80,000,000 bondholders and others who are creditors of this Government. This bill in seeking to give tax relief to a few taxpayers would thereby jeopardize the credit of the Nation and the savings of a much larger number of those who have the bonds and to whom the great debt is owed. No one can convince me that ignoring payments on the public debt in these prosperous times is sound fiscal policy.

Furthermore, I cannot bring myself to vote for this bill in its present form because I do not regard it as a fair and just measure. It furnishes least relief for those who need it most and most relief for those who need it least. We have had plenty of figures to show that fact. It is not at all surprising that the Republican majority should bring in a revenue bill that heavily favors big business and scantily favors the great multitude of our taxpayers. The Democratic policy, which I think is the correct policy, would exactly reverse the results.

If a bill is offered by the minority leader as a substitute for the committee bill when the motion to recommit is made, I shall support the motion to recommit and offer such substitute. What are the provisions proposed to be substituted? One would increase the personal exemption and raise it from \$500 to \$700. That would give more relief to more low-salaried taxpayers than would the Knutson bill. I have felt even during the war itself that a \$500 personal exemption was too low, and I had hoped before this to see that exemption raised, not merely \$100 as in the Knutson bill, but raised \$200 or more as in the proposed substitute and thereby release from Federal taxation about twice as many low-income taxpayers as the committee bill would release.

On the question of excess profits it is said that we must not touch the excessive profits of our leading corporations, for they must "plow back" these profits into their capital investment in order to make expansions and increase their facilities. As a member of the Colmer committee I voted to help business, but I cannot see this claim and I know of no economist who advocates so large a reserve for capital investment as the present excess profits permit. While recognizing the truth of the statement that corporate enterprise must have suitable reserves for replacements and expansion, I think that this obvious economic fact is being put up as a front in an effort to make the public believe that these phenomenal profits are not only justified but necessary for business growth. It is often said, that a corporation like an individual should lay by something for a rainy day and that is understandable, but as I see this philosophy used at the present time these corporations are preparing for a cyclone instead of the proverbial rainy day, and well they might prepare for a cyclone like the French Bourbons a century and a half ago who said, "After us, the deluge." This committee bill is an exceedingly dangerous bill.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. SABATH].

#### KNUTSON BILL, IF ENACTED, WILL CREATE FURTHER INFLATION

Mr. SABATH. Mr. Chairman, shortly after opening his speech today, the gentleman from Arkansas [Mr. MILLS] made it clear that the Knutson bill will not permit the reduction of our great war debt; that nearly 80 percent of the tax reduction will go to those in the higher income brackets, namely, the rich and the wealthy; and that it will not balance

the budget, and is certain to cause a deficit of over \$500,000,000. He expressed the opinion that if the bill is enacted into law it will be bound to create still greater and more dangerous inflation and to avoid that he urges the adoption of the motion which will be offered by the gentleman from Texas [Mr. RAYBURN] to recommit the bill with instructions to amend it to give relief to about 10,000,000 taxpayers in the lower income brackets. The motion will nearly follow the recommendations of President Truman by actually relieving those in the lower income brackets of paying any income taxes and, as has been pointed out, may exempt nearly 10,000,000 taxpayers.

#### EFFORT TO CONFUSE AND MISLEAD THE AMERICAN PEOPLE

For the purpose of offsetting these facts and truths given to the House by the gentleman from Arkansas, nearly 30 Republican Members have obtained permission to extend their remarks in the Record in an effort to confuse and mislead the American people as to the iniquities of the Knutson bill. I therefore urge all those who wish to have the real facts as to the effect of the provisions of the bill to read the remarks of the gentleman from Arkansas and I am confident that if they will do so they will come to the conclusion that the Knutson bill is not only unfair, but dishonest. The proof is there that, instead of giving real tax relief to those in the lower income brackets, the bill is mainly in the interest of the well-to-do classes who are afforded greater tax reductions.

Mr. Chairman, it is the claim of a large majority of the Republican membership that business needs relief from high income taxes in order to expand and improve their plants and factories. My answer to that contention is that the people who will mostly be relieved under the Knutson bill are those having incomes above \$10,000 and nearly all of them, by raising the prices of their products, have increased their profits far above the income tax they are now paying.

I fully appreciate that the gentleman from Minnesota [Mr. KNUTSON] and many Republicans dislike to hear the truth from me. They have taken exception, and I refer especially to the gentleman from Minnesota, to my designating the rule providing for the consideration of the bill as the most vicious gag rule ever brought to the House and sought to show that I brought in a similar rule on the same kind of bill. The gentleman from Minnesota failed to state that I brought in the rule because of a unanimous agreement on the part of the Democratic and Republican members of the Committee on Ways and Means for that rule. However, the rule was not on a tax-reduction bill but on a complicated revenue measure, which you forced as a compromise on the then divided Democratic membership. Furthermore, it was at the time that the Republicans joined hands with big business in a ballyhoo campaign that large unemployment was imminent and, in the hope of scaring American labor, claimed that we would have from eight to ten million people unemployed. The record will show I insisted that, in-

stead of their being eight or ten million people unemployed after the war, the demand for labor would continue and employment would exceed even the 57,000,000 persons then employed and would possibly reach to 60,000,000 persons. The demand of the Republicans then was that if unemployment was to be averted an adjustment of taxes on business was necessary and the bill to which the gentleman from Minnesota referred in his remarks on January 29, 1947, was forced through.

#### RELIEF FOR THOSE WHO NEED IT MOST

Throughout the debate on this bill by Members on the other side all we have heard were pleas for tax reductions for business in order to expand, for improvements, and for venture capital. In the face of the high profits of business in 1946 and 1947, I still contend that if the Republicans aimed to do the right thing by the people they would have brought in a bill that would be fair and afford relief to those that need it most instead of relief to those that need it the least.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, under the program of the Republican Party it will take over 100 years if we have no more depressions or no more wars to discharge the public debt. I wonder if this is going to interest anybody who is living today? Their children, their grandchildren, and their great-grandchildren, and probably generations beyond that—at least to the extent of the great-grandchildren—will be paying off the public debt, \$216,000,000,000 of which now existing was necessary to save the independence of our country and the liberties of our people. Every bill through which this \$216,000,000,000 debt was incurred was voted for by every Republican Member of the House as well as every Democratic Member of the House during the war. I wonder how our businessmen are going to view that, especially with the security of business and bonds and the deposits in savings banks involved when they know that the Republican Party instead of supporting sound money and sound stabilized economy is taking a journey that is very dangerous. If we hit a depression, a major depression, it will probably be just unfortunate.

The present bill of the Republican Party is bad for two reasons: First, it gives the greatest tax relief to those who need it the least. It means less than \$2 a week reduction in taxes for a \$3,000 income to an average American family of four. It means \$12.50 a week to the average American family of four with a \$10,000 income, and it goes up to \$2,036 a week for the millionaire. Secondly, the Republican tax bill is bad because the present bill under current income receipts will probably put the country in the red for possibly the year 1949.

Under the proposal made by the Democratic Party, which gives a \$200 per capita additional exemption, it will mean 70 percent of the total tax relief would go to people in the low-income-tax brackets, below \$5,000 a year income.

The proposal would also relieve over 10,000,000 taxpayers from paying any Federal taxes and take them off the Federal income-tax rolls; that in contrast with 300,000 taxpayers under the Republican proposal. On the other hand, the community-property proposal which will be invoked will give the greatest amount of tax benefits to those with a net income of \$5,000 or more. To a person with a net income of \$100,000 that will mean over \$12,000 a year reduction. Ninety-seven and five-tenths percent of the total benefits of that proposal will go to persons who have a net income of over \$5,000 a year.

The proposal of the Democratic Party of a \$200 exemption will give greater benefit to those in the smaller income brackets. The community property proposal will give a benefit of 97½ percent to those receiving \$5,000 a year or more, as I just stated.

Mr. Chairman, this is the third bill that has come from the Republican side. The first bill was a 20-percent across-the-board reduction. What a hypocritical tax bill that was. Then the second bill gave a little bit more relief to those in the lower income group, but was still inequitable. This bill disregards a cardinal rule of taxation that where reductions are made the smaller income group should receive the larger amount.

Last year our Republican friends made permanent certain excise taxes when President Truman had recommended extension for 1 year.

The Republican tax bill is based upon inequality while the Democratic measure is equitable and just.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. SIMPSON].

Mr. SIMPSON of Pennsylvania. Mr. Chairman, it is quite important to remember before we come to a vote that this bill presented by the Republican side of the House is a tax-reduction bill. It is an honest bill. It does not attempt to kid everybody into promising them a tax reduction, on the one hand, and then in the very same proposal levying a new tax.

The American people have gone through the trials and tribulations of war, of high taxes, and all the troubles we have had during the past 15 years, and they are now justified in expecting that the Members of Congress will deal honestly with them. That is what the gentleman from Minnesota [Mr. Knutson] is trying to do in the form of this bill. On the contrary, the motion to recommit, we are told, will come from the Democratic side of the House and contains a provision which would pay every taxpayer for himself and his dependents some \$40, if he owed that much in taxes. It would then levy a new tax which would take away from the taxpayers the very money that was given them. Our fellow citizen is not going to be kidded in that way. He knows that the motion to recommit is not a tax-reduction bill. If the newspaper information we get is cor-

rect, in an effort to sweeten up this proposal so that the people with more money—those who have over \$5,000-a-year income and pay an income tax—may get a benefit, it is proposed to give them the community-property provision to equalize the tax burden, whether they live in a community-property State or in a non-community-property State. Those provisions are in the bill now before us offered by the gentleman from Minnesota [Mr. Knutson]—the Republican bill.

Mr. Chairman, think what we would do by giving \$40 to the low-income group and also to the wealthy; then, by levying a tax on manufacturers, which will be passed on directly to every consumer in this country, you will take the tax refund directly back from the very same people. But the people who will benefit under the community-property provision are those who will get the large tax reduction measured in dollars. They will not have to pay back that which they get under your bill. No, indeed. You are taking it off the little man, for your small taxpayers, numbering fifty-odd million, far outnumber the six or seven million who will benefit under the community-property provision. Oh, it is not a fair proposal to sell to the American people, and I personally think that what I said the other day is true. You would have done far better to recognize that the Republican proposal is honest. It recognizes a progressive method of tax reduction. It carries out the policy that both parties in this Congress in the Committee on Ways and Means have endeavored to make the basis of our income-tax laws for many, many years. So, to see some leaders of your party—which does not include the former chairman of our great committee, the gentleman from North Carolina [Mr. Doughton]—expect that group to persuade the public that this is an honest proposal, is more than I think they will accomplish. The American people want and they deserve tax reduction today. They want fair treatment, and, under the Republican bill, they will get it. Under the Democratic proposal, they will not give fair treatment to the low-income group—and I repeat this with emphasis. The whole income-tax-paying group, promised a reduction, are given a new tax. Certainly the great Democratic Party does not want that to stand as a policy when they promised tax reduction.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. KNUTSON. Mr. Chairman, I yield myself 7 minutes.

Mr. Chairman, my good friend from Massachusetts was in error when he said that H. R. 1 provided for a 20-percent cut across the board. I have a copy of H. R. 1 here, if he wishes to look at it. He will find that the cuts were 30 percent, 20 percent, 10 percent, and 5 percent. If the gentleman wishes to inform himself, I will be glad to have him take this copy. There is nothing to be gained by making misstatements.

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

Mr. KNUTSON. I yield to the gentleman from Massachusetts.



Mr. McCORMACK. Was not the original proposal 20 percent across the board?

Mr. KNUTSON. It was not. We were speaking of H. R. 1.

Mr. McCORMACK. Was not the original proposal the gentleman introduced 20 percent across the board?

Mr. KNUTSON. No. H. R. 1 is the original bill.

Mr. McCORMACK. Was there not one introduced before that?

Mr. KNUTSON. No. How could there be, unless you called it H. R. zero?

Mr. McCORMACK. Yes; but the gentleman advocated 20 percent across the board.

Mr. KNUTSON. Well, we may say a lot of things that do not eventuate. It just does not add up. It does not add to either the knowledge of the House or to orderly parliamentary procedure to make misstatements that cannot stand up.

I listened to the remarks made by the gentleman from Arkansas [Mr. MILLS], a valuable member of our committee, and for whom also I have very high regard. He went to some pains to explain to the House that the excess-profits tax, which it is proposed to impose or reimpose in the motion to recommit, is a different excess-profits tax from the one we repealed in 1945 at the request of the President of the United States and the Secretary of the Treasury. The difference, my friends, is between tweedledee and tweedledum. A rose would smell just as sweet by another name. As a matter of cold fact, the motion to recommit will call for the reimposition of the excess-profits tax.

Let us see what some of your great leaders said about the excess-profits tax when the matter of repealing the tax was before Congress in 1945. Secretary Vinson, who was then Secretary of the Treasury, appeared before the Senate committee and made this statement. I wish you would listen. I recommend this particularly to the gentleman from Arkansas [Mr. MILLS]. Mr. Vinson then said, in advocating the repeal of the tax:

The over-all impact which this tax is likely to have on business planning as well as business profits constitutes a serious threat to our postwar employment objectives. The testimony of businessmen is that they are unable to take the risk of full peacetime business expansion until this tax has been removed. That testimony comes not only from corporations subject to the excess-profits tax; indeed, it comes primarily from businessmen contemplating organization and expansion in competition with established corporations.

That is what Secretary Vinson said.

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

Mr. KNUTSON. I yield to the gentleman from Tennessee.

Mr. COOPER. I am sure the distinguished gentleman will recall that the bill in 1945 as reported by the Committee on Ways and Means and as passed by the House did not repeal the excess-profits tax. It reduced it but did not repeal it. That was put on in the Senate.

Mr. KNUTSON. That is true. In doing so the Senate at least on that occasion, displayed superior wisdom.

Now we are asked to go back to the good old excess-profits tax. Before we repealed the excess-profit tax the administration sent up a bill asking for \$300,000,000 to tide over the 8,000,000 unemployed that they said would be unemployed while we were converting from war to peace. We repealed the tax, there was no unemployment, and there was no need for the \$300,000,000, so we did not appropriate it. As a matter of fact, we did not even authorize it. So I would say that Secretary Vinson, now Chief Justice, has been fully vindicated by subsequent events. I cannot conceive of this House committing the folly of reimposing that tax, which will do more to discourage incentive, production, and employment than almost anything the Congress can do.

Mr. EVINS. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. EVINS. Mr. Chairman, I am opposed to the pending bill, H. R. 4790, as presently drawn. The present draft of this measure provides for 33½ percent of the tax reduction thereunder to 7 percent of the people of the United States. I cannot find any fairness in this proposed legislation. Those benefited most by this bill (the Knutson bill) are officials of large corporations and persons of the high income groups—those who have already been given tax relief when the excess-profits tax was removed in 1946. I want to vote for tax reductions this year. I want to vote for tax relief where it is most needed—for persons in the low-income groups. The question presented in this legislation is of vital interest and importance to the people of our country. Why do we engage in shadow-boxing activities? Why do Members of Congress try to fool the American people? Why do we not be honest—honest with ourselves and honest with the American people—honest with the people we are privileged and honored to represent—honest with our own Government and its responsibilities?

Last year, Mr. Chairman, the Congress failed to pass a tax-cut bill which would have reduced Federal revenues by \$4,500,000,000. There were many Members at that time who wanted to vote for a fair and just and honest tax-reduction measure, but the measure that was offered was not of that type. We were forced to take it or reject it, as that was all that was offered—that was all that we were given a chance to vote on—a measure which was not equitable and which provided disproportionate tax relief. So that measure was twice rejected. It was said, at the time, that by next year we would have had an opportunity to study the tax structure more thoroughly—the revenue needs of the Federal Government—and that a year later we would be in a better position to know just what the needs and commitments of our Government would be, taking into consideration a reasonable sum being set aside for payment on the national debt, and that thereafter a proper

tax bill could be considered. This year, when many Members hoped we would be given an opportunity to vote for a fair and honest and just tax bill, a measure is brought forth providing for deficit spending, a bill which if enacted into law would call for a cut in Federal revenue of more than \$6,500,000,000. Last year the \$4,500,000,000 cut was considered too much and this year—an election year—the Republican leadership supports a bill much more extravagant and unreasonable in amount, a bill which calls for the loss of Federal revenue in an amount in excess of \$6,500,000,000, a measure which Members on both sides of the aisle, privately and honestly, admit will never become law; and, yet, it is the only bill we are given a chance to vote on. So, I repeat, Mr. Chairman, why do we engage in shadow-boxing activities? Why are we practicing deception? I know that the statements made on this bill by our distinguished colleague and my fellow Tennessean, Congressman JERE COOPER, a ranking member of the minority on the Committee on Ways and Means, are not misrepresentations of fact, they are not false figures but true facts representing the Federal fiscal situation as it exists today. The Knutson bill, H. R. 4790, has been properly labeled "An act to borrow and reduce taxes," because that would be the effect of the bill if enacted into law. This bill would provide for deficit spending during the next fiscal year. Secretary of the Treasury Snyder and other informed officials of the Government have asserted that if this bill is enacted into law a deficit for 1949 of more than \$2,000,000,000 would result and that our national debt would be increased by this amount. Do we want to pass such a bill which would result in our Government having to borrow money to provide tax reduction, especially to those who are least in need of tax reduction?

As a new Member, I come fresh from the people and have faith in their collective will and good judgment and say to you that you cannot and are not and will not fool the people of our country with the deception that is here attempted to be practiced. They know—the people know—that adequate revenues are necessary for the operation of our Government—they know that our defense needs and world commitments are greater than at any peacetime in our history—they know, too, that the only time a debt can be paid is when we have the money to make such a payment. They know that the best time for this is when we are prosperous—the American people want and expect these needs and requirements to be met. They expect honest representation. They also would like tax reduction. It has been clearly demonstrated that a reasonable and fair tax cut can safely be made while at the same time taking into consideration the necessary obligations of our Government. This could be done if we would only cease practicing deception—cease shadow boxing and cooperate to the extent to bring forward a fair and equitable bill to accomplish these purposes.

As a new Member, I greatly esteem the Congress of the United States, but have

been disappointed at the actions of its Members in failing to give and take—in failing to get together and cooperating in working out this most important matter of our fiscal policy. This is primarily the responsibility of the Members of the House of Representatives of the United States—the body in which all legislation providing for Federal revenues and appropriations originates.

There have been three measures proposed and there exist three schools of thought on the question of providing tax reduction at the present time:

First. The Knutson bill, H. R. 4790, the measure under consideration, the bill of Republican leadership, which provides a drastic cut-back of more than \$6,500,000,000—some experts estimate in excess of \$7,000,000,000. It has been clearly demonstrated that this bill goes much too far and cannot—certainly should not—be enacted into law.

Second. The President's proposal, which would grant tax relief at this time only to persons in the low-income groups by providing a shift or adjustment of the tax load and a reimposition of certain excess corporate taxes, thereby resulting in not losing any revenue for the Treasury of the Federal Government during this period of present prosperity. It is conceded that the composition of the Congress being as it is today, the President's proposal cannot be passed.

A third course of action constitutes a middle-of-the-road or compromise proposal, advocated by Congressman DOUGHTON, Democrat of North Carolina, dean of the House of Representatives and ranking minority member of the Committee on Ways and Means. The measure is desired by many who view this matter from a realistic point of view—from the position of what can reasonably and honestly be accomplished. This proposal would provide for tax relief to all groups by cutting in half the extreme provisions of the present bill under consideration. I should be pleased to support a measure which would remove from the tax rolls some 10,000,000 persons in the low income groups. The membership of the House has not been given an opportunity to vote on such a measure. We have been denied this right—the opportunity to vote for a bill which will provide the necessary revenue for essential operation of our Government and which at the same time will permit of tax reduction on a safe and reasonable basis.

No, Mr. Chairman, the membership of the House is given an opportunity to vote only for the Republican measure, this extreme and dishonest measure, the deficit financing bill, a measure which would attempt to appease some low-income taxpayers with a little reduction while giving enormous tax relief to the rich. We are given a chance to vote only for the Wall Street tax-cut bill—a bill to fill the pockets of those who profited most during the war. A measure which if adopted would weaken the solvency of our Government and deny to us the means of providing for our own national defense and security, which today is so vitally important.

Considering these facts, I ask, Mr. Chairman, is it any wonder why a new

Member becomes disappointed at the absence of statesmanship evidenced, at times, by Members of the Congress? It is time that the Congress cease practicing this continued deception. It is time to endeavor to solve the problems of responsibility of our Government and at the same time honestly endeavor to provide a fair and equitable tax-relief program—a measure which will also take into consideration the necessity of endeavoring to balance the Federal budget and substantially reduce our war debt while also providing for the national defense, security, and welfare of the people of America.

Mr. MACKINNON. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. MACKINNON. Mr. Chairman, this bill is exceptionally meritorious in many respects. I refer specifically to:

First. The increase in the exemption for individuals and dependents.

Second. The provision providing for equalization of taxes for those in non-community-property States with those taxpayers who reside in community-property States.

Third. The increased exemptions to the aged—those 65 years of age and over.

Fourth. The increased exemptions to the blind.

In addition to the foregoing, this bill provides for a reduction in rates and in this respect the greatest percentage of benefit is given to those taxpayers whose net incomes are under \$5,000. They are the ones who need it most. This group will receive 72 percent of the total cut. In addition it should be pointed out that this bill applies only to individuals and not to corporations.

The bill is thus well balanced. It corrects inequities and provides a small reduction in the unconscionable wartime tax rates. As a tax bill it is good, and so far as the revenue aspects are concerned, I am convinced that if the actions of this House on appropriation bills are upheld in the Senate that we will have sufficient funds remaining to keep the budget balanced and to make a substantial payment on the Federal debt. Of course there is the possibility that the Senate may increase a number of appropriation bills. If they do I am sure they will make their action on the tax bill consistent with their action on appropriations. Their concern for the public welfare is as great as our own, and I feel it is entitled to as much respect. They should be given an opportunity to act on a tax bill. Under the constitutional restriction, the only way that can be done is for us to send them a tax bill. We should do this early so they can give it full consideration. We cannot expect them to rush through a bill hastily at the last of the session. Our own committee has been holding continuous hearings since November. The Senate should have an equal opportunity for full consideration. Only by passing this bill now can that opportunity be afforded to the other body. When they have acted there will be a conference committee,

and then the House will again consider the measure.

That is the time to determine if it provides adequate revenue. Our revenue needs will then be clear. I consider it absolutely essential that we keep our budget balanced and provide sufficient funds to make a substantial payment on the national debt. This bill presently conforms to that requirement. I shall support it for that reason and for the other reasons previously given.

Mr. DOUGHTON. Mr. Chairman, I yield myself 30 minutes.

Mr. Chairman, it is with considerable reluctance that I am taking the time of the House to discuss the pending bill, H. R. 4790, entitled "A bill to reduce individual income-tax payments and for other purposes."

I realize that what I say today must be largely repetitious of what has already been said since we opened debate. The bill has been fully explained and ably debated by those favoring and those opposing the legislation. In fact, I have heard so many statistics and figures that I am a bit dazed by figures and am threatened with a bad case of "figuritis."

Before proceeding with discussion of the bill, I would be derelict to my senses of gratitude were I not to express my appreciation to our distinguished chairman, the gentleman from Minnesota [Mr. KNUTSON], for the able, courteous, and impartial manner in which he has presided over the deliberations of our committee since he first assumed the duties of the chairmanship of the Committee on Ways and Means.

The bill has an appealing title. I am sure the 52,000,000 Federal taxpayers of the country are anxious for, and feel they are entitled to, some relief from the burdens of the heavy taxes they have been carrying since the outbreak of World War II.

With respect to this important legislation, I desire that my position be made clear to the Congress and the people of the country. Frankness impels me to state that I believe the time has arrived when we can, and should, lighten the heavy burden of Federal taxes. In doing this, however, there are several important factors that we should take into consideration.

First, we must have a sound fiscal policy. By a sound fiscal policy I mean one that will provide adequate revenue for meeting necessary governmental expenditures—mind, now, I say necessary—and at the same time provide for a substantial payment on our huge public debt. I would not support any bill that I did not think would accomplish these objectives.

In my opinion, the pending bill does not meet the requirements that I have stated. No tax bill is preferable, in my opinion, to an unsound tax bill. Consequently, it is with much regret that I find myself, much as I am in favor of some reasonable reduction of taxes, unable to give the bill my support.

We have often heard the remark "too little and too late," but in my opinion it is equally serious to make the other mistake of "too soon and too much." In the first place, I believe the bill is premature and that we have the plow before the



mule. We should have had revision of taxes first, then reduction of taxes, or if not, we should have had them simultaneously or in the same bill. To have a well-balanced tax bill, there should have been some reduction, or removal, of other taxes, along with reduction of individual income taxes.

Certainly excise taxes are equally, or in fact, more burdensome than individual income taxes, many of which bear no relationship whatever to ability to pay, such as the taxes on communications, transportation, women's handbags, baby powder, automobile tires and tubes, electric light bulbs, and many others.

The bill gives no relief whatever from these burdensome taxes which could only be justified under wartime conditions.

Since the other body is not going to act on tax legislation until they have disposed of the European recovery plan, there would have been plenty of time for tax revision in the House. For these reasons I think this bill is too soon. The decision has been made, however, and we must consider the bill that is now before us.

My principal objection to the pending bill, however, is that it is too much. It threatens a balanced budget and possibly deficit spending for fiscal year 1949. Very probably, under this bill, we would be unable to make a substantial payment on the public debt in 1949.

If this bill were to be enacted in its present form, under the Treasury estimates of receipts of \$44,500,000,000, there would be a deficit of \$2,100,000,000 for 1949, assuming no cut in the President's budget. Even under the greater estimates of receipts by the staff of the Joint Committee on Internal Revenue Taxation, of \$47,300,000,000, there would be only \$500,000,000 to apply on the public debt. In my opinion, the \$209,000,000,000 level of personal income estimated by the joint committee staff is too high, and the \$200,000,000,000 estimate of the Treasury is too low. If we split the difference between the Treasury and the joint committee staff we would have a deficit under H. R. 4790 of \$800,000,000. The effect of H. R. 4790 upon the budget for fiscal year 1949 under the foregoing estimates is summarized as follows:

	Treas- ury	Joint com- mittee staff	Split- ting the difference
Estimated receipts under present law.....	\$44.5	\$47.3	\$45.9
Expenditures, President's budget.....	39.7	39.7	39.7
Surplus before tax reduction.....	4.8	7.6	6.2
Tax reduction under H. R. 4790.....	6.9	7.1	7.0
Surplus (deficit) under H. R. 4790.....	-2.1	+ .5	-.8
Surplus (deficit) if budget cut \$2,000,000,000..	- .1	+2.5	+1.2

But the majority paint for us beautiful pictures of vast reductions to be made in the President's budget. However, as Saint Matthew reminds us:

By their fruits ye shall know them.

The only fruit of the budget cutting efforts is the record in the First Session

of the Eightieth Congress. The 1948 budget, submitted by the President on January 3, 1947, estimated expenditures for fiscal year 1948 at \$37,500,000,000. The House of Representatives insisted upon a cut in the President's estimates of \$6,000,000,000, and the Senate upon \$4,500,000,000. This difference was never resolved. The performance was far short of the promises. Estimated expenditures for fiscal year 1948 now will exceed the original estimate of the President by approximately \$200,000,000. So it appears there will be an increase rather than a reduction in the President's budget.

One might think that this experience would be a lesson to men of ordinary prudence in fiscal matters. The majority, however, resolve all doubts in their favor in estimating revenue receipts and budgetary expenditures. They ignore the Biblical admonition:

Which of you intending to build a tower sitteth not down first and counteth the cost, whether he has sufficient to finish it.

So, I say there is an alternative to the two extremes—to the excessive tax reduction proposed by H. R. 4790 on the one hand, and to the insistence by the President on the other that there shall be no loss in revenue at this time. I believe that there is room for a moderate safe, sane tax-reduction law.

The bill contains two good provisions, one for the eliminating the community-property discrimination, and the other an increase in exemptions to help the low-income taxpayer. I would not support any bill that did not contain these two provisions.

If H. R. 4790 is sent to the White House in its present form, it will certainly be vetoed, and the veto, in my opinion, will be sustained unless the picture as to revenue receipts and expenditures changes, and as a result we would have no tax relief whatever.

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

Mr. DOUGHTON. Yes; I yield to the gentleman.

Mr. KNUTSON. I am sure my good friend has no assurance from the White House that his bill would be signed. Everything indicates that the President does not want tax reduction. In fact, he has said so.

Mr. DOUGHTON. I will leave that for the President and the gentleman from Minnesota to discuss. It would take the faith of an Abraham to believe that this bill, in its present form, or the motion to recommit, which I understand will be made, could possibly become law.

My principal and greatest opposition to the pending bill, however, is largely one of degree rather than of formula. The bill simply loses too much money. If the percentage reductions of 10, 20, 30, as contained in the bill, were reduced to 5, 10, 15, as I proposed in the committee, and were to be combined with income-splitting to solve the community-property discrimination, and an increase in exemptions of \$100 per capita, or more, to relieve principally the low-income tax group, thereby removing 5,000,000 taxpayers from the tax rolls and benefiting all individual income taxpayers, we would

have a bill that would lose no more than four to four and one-quarter billion dollars. Such a bill, in the absence of any cut in the President's budget, would permit a payment on the debt in fiscal year 1949 of one and one-half billion dollars as a minimum.

In my judgment such a bill would become law with or without the President's sanction. If only a moderate cut of \$1,000,000,000 to \$2,000,000,000 is made in the President's budget, which I think can reasonably be done, if we will uphold the hand of the distinguished chairman of the Committee on Appropriations, the gentleman from New York [Mr. TABER], to cut expenditures to a reasonable minimum level, it is safe to say that under my proposal we could make a substantial payment on the public debt of from \$2,500,000,000 to \$3,000,000,000.

That is my opinion. If we send the President a reasonable bill, one under which we can reasonably assume that we will be able to balance the budget and make a reasonable, sizable, substantial payment on the public debt, and if the President should veto that bill, his veto would be overridden and the action of the House sustained, and the public would get tax relief.

And at this point I pay my respects to the able and distinguished gentleman from Pennsylvania [Mr. RICH], who is such an ardent apostle and crusader for economy in Government. I would take off my hat to him if I had one on.

Those favoring this bill and those who believe there should be no reduction in the amount of revenue at the present time represent two extremes. My experience in life has been that safety does not abide in extremes. If we enact a reasonable tax-reduction law, it will have a stimulating effect on business, be an incentive to expansion of industry, have a tendency to increase our revenues, and help remove the temptations to evade taxes.

There is such a thing as having taxes so high as to reach the point of diminishing returns, and many people feel we have reached that point already.

If we do not make a sizable payment on the public debt now—when the national income is at its peak—can we ever expect to begin debt retirement? The Congress must not break faith with the 85,000,000 bondholders, who in the hour of their country's greatest need sacrificed and saved in order to finance the most expensive war in all history.

On the other hand, if we do not give some tax relief now, at the time of greatest prosperity in our history—with revenues at record levels under present taxes producing a surplus—when can the extremely heavily burdened taxpayers hope for any relief? Surely they are now entitled to a little smoother road and a little lighter load.

While we are providing so liberally for so many purposes, both domestic and foreign—for foreign relief and recovery, aid to agriculture, veterans, reclamation, aid to the dependent and the blind, and many other worthy causes, but some possibly not so worthy, why would it not be an act of both wisdom and justice to give the heavily burdened taxpayers a little break and encouragement, for they

are the ones to whom we must look to finance these heavy expenditures.

Mr. Chairman, how much time have I consumed?

The CHAIRMAN. The gentleman from North Carolina has consumed 15 minutes.

Mr. DOUGHTON. Mr. Chairman, I regret very much to find myself in disagreement with a number of my colleagues with respect to the motion to recommit. It is always painful to me to disagree with those with whom I usually labor. However, in my opinion, the motion to recommit is equally as objectionable and unsound as the bill under consideration.

I hold no brief for corporations, but I want corporations to have the same consideration at the hands of our Government as any other taxpayer. They are entitled to that consideration—no less and no more.

In my opinion, a tax revision affecting 140,000,000 people and billions of dollars in revenue should have some consideration by a committee. You can always reduce taxes without giving those affected a hearing, but when you come to increasing taxes, when you impose a new tax upon 22,000 corporations, out of some 360,000, I submit that it is unfair, unsafe, and unreasonable to do this without giving them an opportunity to be heard.

An excess-profits tax is a war measure. We had an excess-profits tax during World War II. At the same time, we had price controls. In my judgment, the only way you can successfully have an excess-profits tax is to have price control at the same time. We have a seller's market today, not a buyer's market. It takes no superior judgment to realize that those corporations are not going to pay this increased tax. They could pass the tax on to the consumer in the form of higher prices, or they could pass it back to labor in the form of reduced wages, or they could do both. They are in position to take care of themselves.

Mr. Chairman, there is another thing about this proposed excess-profits tax and that is its lack of uniformity. It is not like the excess-profits tax we had during the war. It picks out 22,000 corporations, and imposes an additional heavy tax. Who are the 22,000 corporations? They are not the old corporations with the large invested capital and the large base period earnings. Not those at all. They are chiefly the new corporations formed during the war and since. This will result in unjust discrimination and in unfair competition. You are taxing one class of business and leaving another free of taxation. As a consequence, Mr. Chairman, the excess-profits tax in time of peace, in my judgment, is not defensible. This position has been the unanimous view of every Secretary of the Treasury but one over the last 25 years, including such eminent men as ex-Senator Carter Glass and former Secretary of the Treasury, now Chief Justice of the United States, Fred M. Vinson.

In 1945 the tax was repealed at the urgent request of the administration and

the Secretary of the Treasury. At that time we were advised that repeal of the excess-profits tax would be an incentive to business and a stimulation to the re-conversion and expansion of industry.

Now that the war has been over for two and one-half years, with our present revenue laws producing a substantial surplus, there is no justification for saddling a load of \$3,250,000,000 on a limited number of taxpayers.

In my judgment the reimposition of the excess-profits tax is a chimerical scheme, and does not represent the views of the Committee on Ways and Means. And so far as I know, is not supported by any reputable economist. It is not a matter that can be safely prepared by six or seven men meeting for a little more than an hour, as in the case of this motion to recommit.

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

Mr. DOUGHTON. I yield to the gentleman from North Carolina.

Mr. BARDEN. I understood the gentleman to say that the proposal with reference to this excess-profits tax was never considered or studied by the committee and that there were never any hearings held, and no one affected ever had an opportunity to come before the committee on this matter.

Mr. DOUGHTON. That certainly is true.

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

Mr. DOUGHTON. I yield to the gentleman from Texas.

Mr. RAYBURN. The gentleman will agree with me that the so-called Dingell bill was before the committee during the consideration of the Knutson bill, and witnesses were heard on it in committee.

Mr. DOUGHTON. Does the gentleman mean the Dingell bill?

Mr. RAYBURN. Yes.

Mr. DOUGHTON. Why, that is nothing like it at all.

Mr. RAYBURN. I think I can give a demonstration.

Mr. DOUGHTON. The Dingell bill expressed the views of the President, and that made no provision whatever for removing discrimination as between the community and the noncommunity property States. It made no provision for raising exemptions. It made no provision for increasing exemptions for the blind; not at all. I am surprised at my good friend, the distinguished minority leader, that he would say the bills were similar, because I know they are not similar, and I stake my reputation on it that the Dingell bill is not the same as the motion to recommit.

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

Mr. DOUGHTON. I yield to the gentleman from Kentucky.

Mr. ROBSION. What the gentleman has been talking about is the proposed motion to recommit, bringing in for the first time the excess-profits tax on 22,000 corporations. That is what the gentleman is talking about. Those corpora-

tions were formed during the war or since the war; is that not correct?

Mr. DOUGHTON. That is correct.

Mr. ROBSION. So this proposition would not include the United States Steel or Standard Oil?

Mr. DOUGHTON. I think not.

Mr. ROBSION. Or any of these great corporations?

Mr. DOUGHTON. That is my understanding.

I know and my good friends know that they never expect this motion to recommit to become law. Neither do I really think that those who bring in the committee bill are very firm in their conviction that it will become a law.

It will not be necessary to vote for this bill in order to get tax-relief legislation, because the tax bill will finally be written in the other body and in conference. It has been stated that the other body is not going to act upon tax legislation until it has disposed of the European-recovery program.

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

Mr. DOUGHTON. I yield to the gentleman from Minnesota.

Mr. KNUTSON. Of course my good friend from North Carolina recognizes the fact that in order to get this bill to the Senate and to conference it will first have to pass the House.

Mr. DOUGHTON. Certainly.

I want to see some tax reduction. I am not engaged, and I do not charge that anybody else is engaged, in political activity in connection with this matter, but I sincerely want to see this Congress send the President a reasonable and practical tax-reduction bill. Then, should the President veto such bill, which I am inclined to hope he will not, he will do it on his own responsibility. I do not speak for the President. We all know that the responsibility for initiating and imposing tax legislation is reposed by the Constitution in the Congress, not in the Executive. After the Congress has acted, then the President may approve or disapprove the bill. In so doing, he must accept responsibility.

While I am no prophet, I make the prediction for what it is worth that neither the motion to recommit nor anything similar to it, will be contained in the tax bill as finally passed by Congress.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. MASON].

Mr. MASON. Mr. Chairman, in 1945, the Congress passed a tax-reduction bill. It was an excellent, well-balanced tax reduction bill. It gave \$6,000,000,000 tax relief. It was well spread and it cut some 10,000,000 people in the low brackets off the tax rolls. It gave to business corporations the major part of the relief, a little over \$3,250,000,000. That tax-reduction bill was sponsored by and was tailored by the gentleman from North Carolina [Mr. DOUGHTON], who, in my opinion, is one of the greatest living Americans today. He is the greatest Roman of us all. He has well earned the title "The Grand Old Man of the House."

What did that tax-reduction bill in 1945 do which the Congress passed, and which the President signed in the face of



a \$20,000,000,000 deficit from the Treasury? This is what it did. First, it gave a shot in the arm to business. It enabled business to plow back into an expansion program some three to four billion dollars, which meant a tremendous business expansion, almost a boom. Second, it increased the national production index by 15 points. Third, it provided 5,300,000 new jobs in America in this expansion program. That, my friends, meant that we had arrived at the goal that F. D. R. had set for 1950, 2 years before the time set. What else did it do? The fourth thing that it did, and you will hardly believe it, but it is true, is that it increased revenues taken in by the Treasury. In this year there will be \$40,000,000 more taken in by the Treasury than was taken in in 1945, the all time peak of Treasury receipts. Next year it is estimated that the Treasury will receive a billion dollars more than it received in 1945 when they received \$46,500,000,000, and next year it will be \$47,300,000,000. That 1945 tax reduction bill was sound, and the results show it. We repealed the excess-profit taxes at that time and gave industry the necessary shot in the arm to expand. The motion to recommit proposes to reverse that trend and to travel in the opposite direction which will mean a reduction in the number of jobs that will be available. That is exactly what such a reversal in the trend will mean, because it will be a handicap to business in this expansion program. There is no getting out of that. Taxes and jobs are Siamese twins, and they cannot be separated. Whenever you have high taxes you always have a contracting national economy and fewer jobs. When you lower taxes you always have an expanding national economy and more jobs.

I ask my colleagues whether you want to follow the lead of sound taxation, the lead set by the grand old gentleman of your party and of the Nation, or whether you want to reverse the trend that he established in 1945.

The CHAIRMAN. The time of the gentleman from Illinois [Mr. MASON] has expired.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL of Michigan. Mr. Chairman, the question I want to discuss today is "Can Federal Expenditures Be Reduced?" Do we need and can we have Federal tax reduction? Before I proceed I want first to give the sources of my information.

#### SOURCES OF INFORMATION

In 1945 I was a member of the Labor-Federal Security Subcommittee of the Appropriations Committee. At that time I offered an amendment in committee to the Labor Department appropriation bill earmarking \$586,000 for an up-to-date study of the city worker's family budget. This was a study of what a typical city worker's family budget ought to be and what he could live on in 34 of the largest cities of the United States. The family consisted of a father, mother, a child 13, and a child 8. After 2 years of work the study authorized in 1945 was

completed and the United States Department of Labor issued their report in December 1947. On December 22, 1947, the Research Department of the United States Treasury issued another interesting report. This was a study of the low-income group, the tax burden of that group and particularly a study of the personal exemptions of the low-income group in all fields. I am basing my conclusions here today primarily on these two reports, which I consider the finest that have been made for some time in this particular field.

#### NEED OF TAX RELIEF

Everyone wants tax reduction. The need in my judgment is greatest for the low-income group. It is this group which has suffered most. They have been squeezed between rising tax rates and reduced tax exemptions on the one side and increased living costs on the other.

I use the phrase "low-income group" because it includes all people in this group. The wage earner—organized or unorganized, the farmer, the school teacher, the white-collared worker, in fact every person is included who requires all of his income to make a decent living under our American standards. I take the position that an old couple who are depending for a living upon retirement pay or upon a return on life savings invested in stocks or bonds can be just as hungry if the retirement pay or return on their investment is inadequate to buy decent food, clothing, and housing as though they were standing in a bread line.

I want to discuss first the question of tax exemptions.

#### TAX EXEMPTIONS

In 1939 a single person had a tax exemption of \$1,000. In 1944 this tax exemption was reduced by an act of Congress 50 percent, from \$1,000 to \$500. According to the reports and study referred to above by the Department of Labor and the United States Treasury research department, there was an increase of 64.8 percent in the cost of living from 1939 to September 1947. Three hundred and three dollars bought the same living in 1939 when a single person's tax exemption was \$1,000 that the present exemption of \$500 buys today. While the tax exemption was reduced 50 percent, living costs went up 64.8 percent. In 1939 a married couple had a tax exemption of \$2,500. In 1944 that tax exemption was reduced by an act of Congress to 40 percent of the 1939 exemption or to \$1,000. Again, according to the Labor Department and Treasury studies, \$606 bought the same living cost in 1939 when that couple had a tax exemption of \$2,500 that the reduced tax exemption of \$1,000 bought in 1947. This couple was reduced in exemption from \$2,500 to \$1,000 or to 40 percent of the exemption they had in 1939, at the same time living costs went up 64.8 percent. While wages are high in terms of dollars, they are low in terms of purchasing power. While the farmer's product is high in terms of dollars, his purchasing power is low in terms of the same dollar. Three-dollar wheat in September 1947

was worth \$1.82 in 1939 purchasing power.

The city worker's budget referred to above says it requires approximately \$3,000 in addition to taxes and other similar items for a typical family of four to live in the city of Detroit. A \$3,000 annual income seems large for a worker. However, when we consider the matter in the light of a 64.8 percent increase in living costs, we find that \$1,800 bought the same living costs in 1939 that the \$3,000 buys today. These people in the low-income group, whether on the farm, in the city, or wherever they may be, regardless as to where their income is derived from, are squeezed between the increased taxes and the increased living cost until millions of them find it impossible to make a decent living—all this during the greatest era of so-called prosperity in the history of the world. The decrease in tax exemption plus the increase in living costs virtually wiped out what tax exemption they had. The increased number of dollars they are receiving do not bring increased food, just increased taxes. Let us take a man and wife with an income of \$1,200. According to the tax tables they pay \$38 in income taxes and are exempt \$1,000. Six hundred and six dollars bought the same living cost in 1939 that \$1,000 buys today. They could not live on \$606 in 1939, and they cannot live on \$1,000 or \$1,200 today, and the tax money you are taking from them is blood money. We are taking the bread and butter out of their mouths and reducing their living standards to an unprecedented low.

#### HEAD OF FAMILY EXCEPTIONS

Before the war and ever since the 1920's, we had a tax-exemption policy which gave one exemption to the head of a family and one to the single person. We gave an additional exemption to each dependent. For instance, in 1939 the head of a family was given a \$2,500 exemption for the household and a \$400 exemption for each dependent. The wife was considered a part of the household and included in the head of a family exemption. If the father died the mother retained the head-of-family exemptions because she had the same household expenditures required by the family. Under the present system, the husband and wife are given \$500 exemption each with a separate exemption for each child. Should the father die, the mother loses his exemption despite the fact that she not only must continue the same household expenses, but must both take care of and earn money to support the household. Each New Year's day Washington newspapers publish the name of the first child born after the passing of the old year. They reported that a child was born 1 minute after 12 o'clock New Year's Day. Had that child been born 1 minute before midnight, December 31, 1947, instead of 1 minute after midnight on the morning of January 1, that child, 1 minute old, would have been given the same 1947 tax exemption that the widowed mother would receive whose husband has passed away and left her with the responsibility of supporting the family and the household. That is how

ridiculous the present tax-exemption laws are. This is one of the principle differences between the present Knutson bill and the Engel bill I introduced.

#### MR. TRUMAN'S TAX POLICY

Mr. Truman in his recent message came out proposing a tax credit of \$40 to every taxpayer. Forty dollars of course would help some. He contends that this would make it unnecessary for 10,500,000 people to pay taxes who are now paying taxes. The difference between Mr. Truman's plan and mine and the present Knutson bill is this: I want to increase their exemption; I want to say to these taxpayers, individually and collectively in this low-income group: "You do not have to pay any more taxes; you do not have to make any more returns; we will take you off the tax roll and you can forget all about taxes until your income is greater." I do not want to employ hundreds of Treasury workers to process these 10,500,000 returns and I want to reduce the workers in the Treasury Department by the number required for that purpose. What does Mr. Truman propose? Mr. Truman is going to require these 10,500,000 people to make their regular tax returns and pay some lawyer or someone to help them make out those returns as many of them cannot make them out alone. That tax return will say, "You owe the Government \$40." Then Mr. Truman is going to try to make them believe he is giving them \$40 by giving them a tax credit. The report will then go down to the Treasury Department, hundreds of Treasury employees will draw their salaries for processing these 10,500,000 returns and for writing these people that after all they do not have to pay any taxes. The Government is not giving the taxpayer anything; the taxpayer is giving to the Government. Let us get that straight. Mr. Truman and the Government are not giving this little taxpayer anything. He should not pay taxes in the first place. Here is a good chance to reduce some of the thousands of employees we have in the Treasury Department.

#### CAN GOVERNMENT EXPENDITURES BE REDUCED?

Regardless as to whether we have tax reduction, waste and extravagance must be reduced. The more successful we are in reducing governmental expenditures and waste, the greater will be the tax relief we can give to all taxpayers and particularly to the taxpayer in the low-income group.

I believe that Government expenditures can be reduced materially. This is my twelfth year as a member of the War Department Subcommittee of the Appropriation Committee and the second year as its chairman. I want to discuss the question from the War Department expenditure point of view. What applies to the War Department applies to the Navy and other departments in varying degrees.

#### WAR DEPARTMENT

In order to reduce taxes we have to reduce expenditures. You will recall a year ago when the budget was published the War Department's budget for the present fiscal year of 1948 amounted to approximately seven and one-half billion dollars

for all purposes and the Navy Department's budget was \$3,541,000,000. The War Department announced that this was the irreducible minimum; that we could not take a dollar off that budget. The Secretary of War and Secretary of the Navy so testified. They brought out the big guns, General Eisenhower, Forrestal, Patterson, and others, and began propagandizing the country. You may recall at that time I made the statement that the War Department would have available for expenditure for the present fiscal year not seven and one-half billion dollars, but \$10,038,000,000; that the Navy would have available not three and one-half billion dollars, but \$6,600,000,000. That, combined, we would have not \$11,000,000,000 available for expenditure on national defense but over \$16,000,000,000. You will recall that I made the statement that if Secretary of War Patterson and Chief of Staff Eisenhower could not cut that \$10,000,000,000 they had available for expenditure for the War Department by one and one-half billion, they better get out and give somebody else a chance. I stated further that if Secretary of the Navy Forrestal and Chief of Naval Operations Admiral Nimitz could not cut at least three-fourths of a billion from the \$6,600,000,000 the Navy had available for expenditure, they ought to get out and let somebody else try.

Now let us see what happened. I am chairman of the War Department Subcommittee of the Appropriation Committee. We handle all War Department appropriation bills. We had four men on the War Department work from February to April 1947. We had some of the best accountants in America who were following our instructions. The War Department admitted that it had \$5,700,000,000 in 1946 and prior years' funds that they had not even been able to obligate. \$5,700,000,000 is \$100,000,000 more than the Knutson tax reduction bill now before the House calls for. The budget office of the War Department testified that the President's Budget Bureau estimated that of the \$5,700,000,000, \$3,000,000,000 would be obligated. According to this testimony we could rescind and kick back into the Treasury \$2,700,000,000. General Richards, budget officer of the War Department, himself estimated that they would obligate \$3,700,000,000 in which case we could kick back into the Treasury \$2,000,000,000. We were finally able to rescind and turn back into the Treasury \$1,100,000,000. While these moneys had not been actually spent, the efforts that were made to keep us from rescinding these old appropriations were the best evidence that they would be spent if not rescinded. Let me give you some idea of what we were up against on that committee.

Each branch of the service in the War Department, that is, the Ordnance, Engineers, Quartermaster and others, has a budget officer. Some of these budget officers are civilians and some are Army officers. Then we have Gen. George Richards in the Army who is over the whole group and whose orders they follow. I had each of these budget officers in my office alone and went over their

statements. I did this to get them away from the influence of General Richards. Here is what happened. I had the budget officer of the Ordnance Department of the Army before me. His books showed he had \$566,000,000 of 1946 and prior years' funds which were not obligated. At 11 o'clock in the morning he told me he was not going to obligate and that I could rescind that \$566,000,000. At 4 o'clock in the afternoon of the same day, after reporting back to General Richards, he called me back and said that he was mistaken, that General Richards had transferred \$344,000,000 of these funds. Here we had one Army officer transferring one-third of a billion dollars of taxpayers' money to some other agency for expenditures which had not been justified before any congressional committee and he did not even take the trouble to inform the agency from which it was transferred that he had done so, and then they told us the budget was irreducible.

The taxpayers have not a chance with a budget officer like General Richards. That is why the Army promoted him. Let me give you another instance.

#### TRANSPORTATION DEPARTMENT

The transportation department of the Army had a \$400,000,000 budget. I had them before me. After talking to them for 1½ hours, I couldn't get a thing out of them. They just would not talk. These were Army officers, not civilians. They admitted that every time they took a classified employee off the pay roll under the Byrd law, they put the same man back unclassified outside of the Byrd law, and gave that as a reason why they could not cut under the Byrd law. For instance, they took a chauffeur off who was a classified employee and put the same man back on as a truck driver who was not classified. I finally got disgusted. I told them I knew that their budget could be cut, that to make sure we cut enough I was going to recommend a cut of 25 percent or \$100,000,000. That if the cut was too deep they could come back to the Deficiency Subcommittee of which I am also a member and they would have to talk to get it back. I told them the interview was finished and they could leave. They sat there for some time refusing to leave. They wanted to discuss it some more. I finally turned to them and said, "Just what would you say if we cut you 10 percent or \$40,000,000?" The ranking officer turned to me and said, "Mr. ENGEL, if you cut us \$40,000,000 or 10 percent, you will not hear a squawk out of us; any of them can take a 10 percent cut." Here we had the budget officer of a department admitting that the War Department budget was padded at least 10 percent. The man who was responsible for the padding was Major General Richards, now comptroller of the Army and who will undoubtedly be promoted to the rank of lieutenant general. These officers were acting on instructions of Gen. George Richards.

#### PERSONNEL

The original so-called irreducible budget was based upon officer personnel far in excess of the number and rank required, and of civilian personnel far in excess of the number required. When



the bill left the House we cut off over 17,000 officers and 74,000 civilian employees. The other body as usual put them all back on again. But when we came out of conference we cut off approximately 15,000 officers and more than 58,000 civilian employees, and yet General Eisenhower, Patterson, Forrestal, and that group came out before the public and said the budget was irreducible.

#### ARMY OFFICERS

When the justifications came justifying the amount of this so-called irreducible budget, we asked for and received a break-down of the number of officers the Army asked for in each grade. Were General Eisenhower's and Secretary of War Patterson's faces red when they had to admit that this so-called irreducible budget contained money to pay five captains, five majors, three lieutenant colonels, one and one-half colonels for every second lieutenant they had in the Army outside the Air Force. Excluding the Air Corps, which has about 50 percent of the officers, the Army asked for the following:

Four thousand and twenty-three second lieutenants.

Six thousand seven hundred and nineteen first lieutenants.

Twenty-one thousand one hundred and seventy-seven captains.

Twenty thousand seven hundred and six majors.

Twelve thousand six hundred and thirty-seven lieutenant colonels.

Six thousand and two colonels.

They had 16 more major generals than they had brigadier generals. They had so much stardust in the budget that it looked like the Milky Way. They asked for 197 major generals, 181 brigadier generals, 26 lieutenant generals, 6 four-star generals, and 2 five-star generals for less than 600,000 men in the Army, excluding the Air Forces, and yet the Secretary of War and Chief of Staff told the Nation that this was an irreducible budget. During all this time that old couple with a \$1,200 annual income was paying \$38 a year bread and butter money in taxes which the Army was throwing down a military rat hole.

Of course governmental expenditures can be cut. Of course national defense expenditures can be cut. I want national defense as much as any man in America. I believe, however, that the taxpayers of America have a right to demand a dollar's worth of national defense for every dollar spent. We can have reduction in Government expenditures and in Army expenditures. We can have the resulting tax reduction if we can stop the Army and other agencies from throwing money down a military or bureaucratic rat hole.

#### 1949 NATIONAL DEFENSE BUDGET

I do not know as yet just what can be done in the way of cutting the 1949 budget. The budget figures seem to indicate substantial cuts can be made.

To keep a clear picture before the public on national-defense expenditures, I am making the following statement taken from the 1949 budget:

It will be seen that while the total 1949 appropriation requested for all military functions of national defense is

\$11,420,383,250, there will actually be \$14,544,333,087 available for expenditure for national defense during 1949.

If we add the Army's civil functions budget requests including Government relief in occupied areas and the Panama Canal estimates, there will actually be available for expenditure for all national defense and military purposes during 1949 the enormous sum of \$17,485,532,187.

Following is the complete picture in table form:

	Appropriation for 1949	Total estimated expenditures available for 1949
Office of Secretary for National Defense.....	\$6,395,000	\$6,565,000
Department of Air Force.....	1,169,426,000	1,168,926,000
Department of Army, military.....	4,683,834,000	7,277,440,068
Department of Navy, including supplementals.....	3,574,427,700	6,091,402,019
Total military.....	9,434,082,700	14,544,333,087
War civil functions.....	1,982,115,750	2,006,961,154
Panama Canal.....	24,184,800	34,237,946
Grand total.....	11,420,383,250	17,485,532,187

<sup>1</sup> This amount covers only the money that will be appropriated directly to the Department of the Air Force. Pay, clothing, and rations of the Air Corps will be contained as usual in Finance and Quartermaster appropriation of the Army. In 1948 the Air Corps received 56 percent of total Army appropriations.

#### THE KNUTSON BILL

I have taken the position that the only way the low-income group can get real tax relief is to increase tax exemptions while we are decreasing tax rates; that the tax cut should be a two-way cut, (a) increase of exemptions and (b) decrease in rates. While the present Knutson bill does not go as far as I would like, it does recognize and apply tax reduction by (a) increasing exemption and (b) decreasing rates. I introduced a bill recently which I hoped might be considered. My bill restores a modified "head of family" tax-exemption clause. It does not go as far as I wanted to go. It is in effect a modified Knutson bill which I thought might be a fair compromise. I am including a statement at the conclusion of these remarks showing the difference between the Engel and the Knutson bills. We cannot all have our way in proposed legislation. The present Knutson bill goes much further my way than I expected it would. I shall support it. Bills that die in committee do not give tax relief.

#### COMPARISON BETWEEN H. R. 4790 (THE KNUTSON BILL) AND H. R. 5172 (THE ENGEL BILL)

While H. R. 5172, the tax bill I introduced, does not represent my views in their entirety, the changes my bill makes in the committee tax bill are not so drastic but what the committee, either in this or the other body, might reasonably accept them. What I want primarily is to get the maximum tax relief for the low-income group that is possible at this time.

The Engel bill is in effect the Knutson bill with the following important changes: First, an increase in the tax exemption of a single person to \$750 and of a married couple to \$1,500, the exemption for dependents, in general, to re-

main at \$500; second, the insertion of a modified head-of-a-family provision which, after the death of one spouse, would give the remaining spouse a \$750 exemption and which would give \$750 to the first dependent where the husband or wife passes away leaving the burden of supporting the family on the other spouse. This new head-of-a-family provision is easier to enforce than the head-of-family provision contained in the old prewar law; third, the elimination of the split income and estate tax provision.

With respect to my first suggested amendment, an addition was made to section 25 (b) (1) (A) of the code, as amended by section 201 of H. R. 4790, and a new subsection 25 (b) (D) (ii) was inserted. The former addition would grant a husband an exemption for his spouse where she dies during the year, under certain conditions. The latter addition, with respect to dependents, would grant an exemption of \$250, additional to the usual exemption, for the first dependent of an unmarried person. In order to relate the exemption changes which I have outlined to the optional tax table (section 400 of the code) and to the withholding provisions (subchapter D of chapter 9 of the Code), it is contemplated that the tables and the calculations under the sections will involve units of \$250. In this way a \$500 dependency exemption will entitle a taxpayer to two such units, an additional dependency exemption will entitle him to a third, and the usual individual exemption will entitle him three such units. You will also note that sections 301 (a) and 402 of the draft involve a simple substitute for a recalculation of the tables inasmuch as they could not have been prepared in the time available. This advice has been used on other occasions.

The raising of the exemptions under my second suggested amendment was accomplished by changing the figures in the Knutson bill. I am informed that my bill as drafted will reduce revenues by approximately the same amount as the Knutson bill.

The elimination of the split-income and estate-tax provisions under my third suggested amendment, was primarily accomplished by omitting title III of H. R. 4790, the new Knutson bill, husband and wife, parts 1 and 2. In view of the situation which exists in the community property States, I certainly am not opposed to the Knutson bill split-income-tax provision. I do feel strongly, however, that in view of the tremendous increase in living costs the reduction of taxes in the low-income group should come first before we lighten the tax burden on the higher income individuals. My opposition is merely one of emphasis. I think it is primarily important, in terms of justice and widespread purchasing power to do a fully adequate job of tax relief for the low-income group first. The split-income-tax provision should be secondary and should be included only if and when real relief in terms of dollars, not percentages, is granted the low-income group.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. Johnson].

Mr. JOHNSON of California. Mr. Chairman, in considering the present tax legislation—the Knutson bill—several considerations pass through my mind. I intend to support the bill, but with reservations and some misgivings.

This bill makes drastic cuts in income taxes. I believe that there should be some cuts in income taxes. This bill follows the correct principle of giving those with low incomes the biggest proportionate cuts. It also gives cuts to those who will gain and have more capital to invest in new ventures, which is what makes employment and increases production.

But we cannot forget that we have a stupendous national debt. We must start paying it off, or those who fought the war will carry an undue proportion of the financial load due to the war, despite the fact that they are the ones who sacrificed greatly to win the war. When we have big national income, that is the time to tax and get the surplus needed to reduce the debt.

Also, to move in the direction of world peace, we must be involved in relief and rehabilitation in various parts of the world. That is a gamble that I firmly believe we must take to move toward a peaceful world.

For this reason, I was hoping the cuts this year would be smaller. I am hoping that the Senate will modify the bill so my general ideas will be embodied in it. It is a pleasure to vote for less taxes for our people, but we cannot overlook the fact that there may be other benefits of much more importance to our people and their children than cutting taxes. The balance is a situation where we cut but still leave room for the long-range program of bringing peace and keeping a balanced budget.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, I have been in this body for a long time. I have had an opportunity to study, to observe the sincerity of that grand old man, the gentleman from North Carolina [Mr. DOUGHTON]. I think today you are all agreed that he is fearless, that he is courageous, that he is able, that he is a patriot when faced with a situation such as we are confronted with here today.

We all want this country to go forward. We do not care what political program we follow, so long as it is the right program and one that will tend to build up this Republic and enable it to meet its obligations, stimulate business, give the present generation of young people an opportunity, if they are willing to accept it. This bill will do just that. I will say, frankly, it does not go quite as far as I would go, but I am delighted to support it as a constructive and sane tax measure.

It is impossible for me to understand the attitude of the President of the United States. In the first place, I cannot conceive of any man who has the capacity to serve as the Executive of this great Nation coming in here with the type of tax bill which he proposed, known as the Dingell bill. Any child in school could see that that bill was purely

a political bill and nothing else. It was a plea to buy votes at \$40 each. The Democratic side has repudiated it and I congratulate them on the fact that they have repudiated it. They did not even mention it in their minority report. But one point that has been emphasized by the distinguished gentleman from North Carolina [Mr. DOUGHTON] is the fact that his Democratic colleagues in their motion to recommit are trying to turn now and go back; not to create pay rolls, but to destroy pay rolls. There has been some evidence taken. The Senate has caused a very interesting pamphlet to be published. They have gone into this question of excess profits, and they have called in the best experts in this country to elucidate the problem. I want to read what some of those arguments are. Here is one:

"The excess-profits tax is an emergency measure related to war expenditures and war profits, is completely unsound as a permanent feature of the national tax structure, and, in peacetime, would act as a major deterrent to investment of capital in productive enterprise. . . . Elimination of the excess-profits tax would once more make feasible business growth through reasonable accumulation of earnings, particularly in the case of small businesses." (American Institute of Accountants tax plan, pp. 3-4.)

Again it is said:

"The arguments against a peacetime excess-profits tax—in our judgment—far outweigh the reasons advanced in support of the view that this form of taxation should be continued permanently. . . . such a tax would tend to throttle new enterprise and impede investment. It would affect various classes of business unequally. The mature and established firm in a relatively riskless industry that consistently earns profits about equal to the rate at which the tax becomes applicable would be least affected. Such a situation could not be reconciled with the requirements of an expansionist tax policy which favors the small, the growing, and the risky enterprise rather than the large, the mature, and the relatively riskless business." (Kimmel tax plan, p. 11.)

One further point is especially emphasized:

"The leading argument against the excess-profits tax is that monopoly profits cannot be distinguished from the rewards due to superior efficiency and extraordinary risk taking. A tax on the latter type of profits is particularly discouraging to enterprise. The public has the choice between (a) recapturing some monopoly profits while penalizing efficient management and risk taking, and (b) levying no special tax on monopoly profits but neither on efficiency and risk-taking rewards. A further factor to be weighed in the decision is that, in the absence of price controls, we cannot be certain that the monopolist will absorb the excess-profits tax. An excess-profits tax is, in no sense, a regulatory and preventive measure like public-utility rate control or renegotiation of contracts. Moreover, monopoly profits can be taxed to individuals under the personal income tax as well as to companies under a business tax.

"The conclusion is that the excess-profits tax should be repealed at the close of the war, the repeal to become effective when extraordinary war-caused profits have ceased to exist (perhaps a year after the war ends)." (Harold M. Groves, *Postwar Federal Taxation*, NTA proceedings 1944, p. 201.)

Many other persons and groups have urged repeal. Some of them are cited in the accompanying note below.

(American Institute of Accountants tax plan, pp. 3-4; Association of American Roads

tax plan, pp. 13-14; CED tax plan, pp. 20, 24; Colmer committee report, p. 41; Groves tax plan, pp. 50-57; Kimmel tax plan, p. 11; Nelson tax plan, p. 5, 14; Ruml and Sonne tax plan, p. 10; Twin Cities tax plan, p. 23. See also George E. Barnes, *A Plan To Simplify Corporation Taxes and A Solution of Double Taxation of Corporate Earnings*, the Exchange, September 1944, p. 2; Alvin H. Hansen and Harvey Perloff, *State and Local Finance in the National Economy*, p. 256; Eustace Seligman, *A Postwar Program for Taxation of Corporations and Stockholders*, Commercial and Financial Chronicle, March 2, 1944, p. 908.)

Mr. Chairman, I wish to emphasize the point that it is the natural and commendable instinct of a normal young man to enter into business for himself. He wants to provide for his own future security and that of his family.

What does he face?

He is confronted with a tax law that destroys incentive.

He finds a confiscatory tax bill that prevents savings to build up risk or venture capital.

He meets with a tax law in which rates are so high that he cannot make the hurdle as against well-established monopolistic enterprise.

Income and estate tax rates, at present levels, make it virtually impossible for a young man starting at scratch to accumulate any competency for his old age and that of his family after he is gone.

Because of the character of the taxes imposed during war and continued in peacetime, the young man starting in business faces an almost insurmountable task.

Does any person who is interested in the future of this Republic and its free-enterprise system dispute the fact that there must be a steady flow of new capital, new pay rolls into the blood stream of the Nation?

Why play politics with legislation vital to the future welfare of our people?

The present wartime taxes are striking at the very foundations of individual initiative.

James Madison pointed out the philosophy of our free-enterprise system when he said:

The economic foundation of the American political system is the protection of the differing and unequal capacity of men to acquire and use property.

The war taxes are striking at those men of capacity for developing pay rolls by means of risk capital, who are being discouraged in their effort to acquire and use capital.

Under the proposal of the Truman administration the very men who are capable of creating pay rolls, high wages, and the production necessary to defeat inflation, are prevented from doing these desirable things, but more than that there can be nothing to provide security for them and their families in their old age.

Here is what these men of capacity face. Take these examples:

Here are three married men—each with two children—residing in New York. The first earns \$10,000 a year; spends \$7,750 for living expenses; pays \$1,825 in Federal and State income taxes; and saves \$425 per annum. The second receives \$15,000 a year; spends \$10,200 for



his family's living; pays \$3,585 in income taxes; puts aside \$1,215 per annum. The third enjoys earnings of \$20,000; spends \$11,950 for living expenses; pays \$5,745 in income taxes; and saves \$2,305 per annum. Living costs in each case have been carefully estimated item by item.

If the \$10,000 man invests his entire annual savings of \$425 regularly every year with compound interest at 2½ percent, it will take him 36 years to accumulate enough to leave his family a net estate of \$20,000—after paying modest funeral and legal expenses and the New York estate tax of approximately \$200. If the \$15,000 man invested all his yearly savings with compound interest at 2½ percent, he would have to work 34 years to provide a net estate of a little over \$50,000 for his widow; the \$20,000 man, 37 years to leave approximately \$10,000 to his dependents. Note, too, that all three of these men, if they died at 65, would have had to reach their maximum earning levels at the comparatively early ages of 29, 31, and 28 years respectively—a situation which would be the exception rather than the rule. No provision for life insurance was made in any of these cases so that all would remain on the same comparative basis. Invested at 3 percent, the first man's widow would receive the munificent annual income of \$600; the second's, \$1,500; the third's, \$3,000—all subject to income-tax rates at prevailing rates.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. KNUTSON. Mr. Speaker, I yield 5 minutes to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, it is gratifying to know that when the roll is called on this bill it will receive a very large vote. It is a bill that the country ought to have. It is a bill that will do a great amount of good.

A great many individuals have raised questions about the size of any tax reduction that might be undertaken at this time. It must be borne in mind, however, that this bill is a tax-reduction bill for all the American people. We have 50,000,000 income-tax payers in the United States. We are currently gathering in taxes amounting to around forty or forty-seven billion dollars. This bill is worked out so it gives a just and equitable reduction to all categories of taxpayers within the United States.

I am sure everyone agrees with the principle that exemptions ought to be raised somewhat and that those in the lower-income brackets ought to get a considerable reduction; in fact, the largest reduction. There are some people who would stop there. If they did, they would deny tax reduction not only to millions of American people but they would destroy all the gains that tax reduction brings. There are others who say, "Yes; let us take care of the lower brackets and provide the splitting of income for tax purposes and let us stop there, thus making the reduction less." What are you going to do about the people who are already in a community-property State? They are expecting some tax reduction.

How about the single individuals who are not heads of families, a widow or a

widower with no one with whom they can split their income? Are those people entitled to tax reduction? Certainly they are. Every individual is entitled to tax reduction.

We have brought about some added tax relief for the aged of the country. This will not amount to a great deal; but, added to the other things, it means we have to have a bill that does substantially what the Knutson bill does.

Let us consider the old folks for a little bit. Here is someone who gets a retirement check which is tax-free. Across the street there is someone who gets a retirement check on which he must pay a tax. Over on the other corner is someone who cannot retire at 65, but who must work to eat and pay an extra tax because somebody else's retirement check is tax-free. The Knutson bill says that everyone who has reached the age of 65 shall have an additional exemption because of his age. That is sound, that is fair, and the people back home would like to have you adopt the provision and make it the law of the land.

The bill before you has been carefully worked out. It is not simple and easy to reduce the amount of the Knutson bill, because if you once start reducing it you will destroy it; you will take the benefits of tax reduction away from some particular group. All are entitled to consideration. Certainly the poor of the country need what the Knutson bill offers; certainly those in position to provide capital need tax reduction, and if you go that far how can you deny a tax reduction to that great group of middle-class American people who are neither rich nor poor, but who make up America, the people who make up the communities that you and I represent?

I fear that the tax scheme worked out in the motion to recommit will not treat the people back home, the middle-class people, the aged, the heads of families who have no one with whom to split their income, as you would like to have them treated.

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. WOLVERTON].

Mr. WOLVERTON. Mr. Chairman, I rise in support of the pending measure—Knutson tax reduction bill—for the reasons that were so well stated by the gentleman from New York [Mr. REED] when he said that "it is a constructive, sane tax bill."

A careful examination of the provisions of the bill will justify this statement. No attempt has been made to make this bill a political measure.

The plan offered by the President to make a straight \$40 cut across the board was open to the charge that it was political and without regard to the fundamental principles upon which a tax bill should be based.

The President's bill was even discarded by the members of his party who serve upon the Ways and Means Committee in not being even mentioned in the minority report. Nothing could more clearly indicate the insufficiency of his plan; and the vote upon this bill when taken today

will demonstrate that many serious-minded Democrats have given their support to the Republican measure now before us for consideration.

To draw a tax revenue bill is no easy matter. No bill can be drawn to suit everybody. In fact, there are provisions even in this bill that I think might properly be changed, but taking an over-all view of the whole complicated matter I think the present bill can well be termed "a constructive, sane tax bill," and therefore I give it my support.

This bill, H. R. 4790, provides tax reduction and relief for millions of our people. The present high rate of Federal taxes is a product of wartime conditions. The war has now been over for nearly 3 years. It is time that our people, who have carried the burden of these war taxes so long, should be relieved. The continuance of such high taxes is not only a burden to the individual citizen but is also an obstruction to business and delays that full production that is so necessary if we are to overcome the present inflationary forces and the high cost of living.

Some relief from the present high cost of living is provided by an increase in exemptions under the individual income tax. This relief will be particularly among taxpayers in the low-income class. Such taxpayers also receive preferential treatment in the percentage tax reductions made by this bill. Additional relief in the form of greater exemptions is given to persons 65 years of age and over, and also to the blind.

This bill also equalizes the tax burdens of married couples. It places all married couples, regardless of the State in which they reside, on the same basis as those who have lived in so-called community-property States and who have thereby enjoyed a pronounced preference. It also corrects existing inequalities under the estate and gift taxes, as well as individual income tax.

The changes in the rates and exemptions of the individual income tax under this bill are effective January 1, 1948. The changes in the estate and gift taxes become law on the date of enactment of this bill.

A brief description of the changes provided in the bill is as follows:

First. Personal and dependency exemptions are increased from \$500 to \$600 per person.

Second. Tax reductions ranging from 30 percent to 10 percent according to the size of the income are provided for all taxpayers. The distribution of these tax reductions is as follows:

(a) Persons with net incomes of \$1,000 or less after exemptions receive a 30-percent reduction in their tax.

(b) Persons with net incomes of \$1,000 to about \$1,400 after exemptions receive a reduction of from 30 percent to 20 percent in their tax.

(c) Persons with net incomes of from about \$1,400 to \$4,000 after exemptions receive a reduction of 20 percent in their tax.

(d) Persons with net incomes in excess of \$4,000 after exemptions receive a reduction of 20 percent on the tax imposed on their first \$4,000 of net income after exemptions, and 10 percent on the tax

imposed on any remaining net income after exemptions.

Third. Husbands and wives are permitted to split their income for tax purposes.

Fourth. An additional exemption is granted to taxpayers who are 65 or over. If both husband and wife have attained the age of 65, the \$600 exemption is granted to each spouse.

Fifth. An additional \$600 exemption is granted to taxpayers who are blind. If both husband and wife are blind, the \$600 exemption is granted to each spouse. A blind person 65 or over may claim this exemption in addition to that based on age.

It is said that this bill will reduce the amount received into the Treasury from Federal taxes by over \$6,000,000,000. That is probably true. Fortunately, our country is now at the highest peak of national income that it has ever reached. This situation makes it possible to give tax reduction to our citizens, and at the same time have a sufficient surplus to make substantial payments on our national debt. This highly satisfactory state of our fiscal affairs is due in no small measure to the vast reduction in governmental expenses that has come under Republican control during the past year. Thus we are enabled at this time to reduce taxes and at the same time pay off a substantial part of our national debt. It is a record of which every citizen may be proud. It shows that under wise management of our national affairs that even the humblest citizen gains some benefit.

I will close as I commenced, this bill is a constructive, sane tax bill. My vote will be cast for it.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. JAVITS].

Mr. JAVITS. Mr. Chairman, when the tax-reduction bill was before us in 1947 I supported it because I believed that people in the lower- and moderate-income brackets, now 2 years after the war, must have some tax relief from the wartime tax structure to help them meet the high cost of living—up over 60 percent over 1939. The cost of living has risen materially since then—the spring of 1947—until today food costs for example are up over twice what they were in 1939.

I do not like certain of the features of the bill before us, and I have profound reservations about the aggregate amount by which we can cut our revenue for tax reduction purposes, but the bill before us will get the legislative process going. The need of my constituents for some kind of help to meet the high living costs is so great that I feel as their representative that I must vote for this bill with its imperfections rather than to afford them no help at all at this time.

When the legislative process is complete, I believe it is capable of allowing for a reasonable readjustment of personal income taxes, and adequate revenue for substantial debt reduction and for support of the European recovery program, both of which I consider essential to the future of the country.

I have again surveyed the opinion of the rank-and-file citizens in the various

parts of my district as I did on the occasion of the previous tax bill, and consider that this is what they want me to do by an overwhelming majority.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from West Virginia [Mr. ELLIS].

Mr. ELLIS. Mr. Chairman, thoughtful men agree that the dangers threatening this country from within are greater than any that threatened us from without.

There is general agreement among thinking men that before we can consider any major expenditures for Europe we must first master the domestic crisis caused by an alarming inflation, coupled with the debt of unprecedented proportions, and a Federal Government the size and cost of which is out of all reason. It has become a Government by professional wasters. This combination creates a situation too grave to exaggerate, yet with determination and intelligent direction it can be successfully dealt with.

However, it is apparent that those now in authority have no understanding of these problems, and it follows that they have no solution. Certainly the President in his address on the state of the Union gave the American people no basis for hoping that he recognized the danger of the situation. His tax and other proposals, if carried to their ultimate conclusion, would lend impetus to the dangerous inflationary spiral and insure continued rise in prices and continued scarcity of commodities.

It is well for us to remember that our American political philosophy after 175 years is still the new, liberal, and revolutionary philosophy in the world today. On its record, it is the best political organization that has ever been developed to promote the well-being of all the people. It recognizes the rights of the individual and is based on promoting the initiative of the millions and not the dictatorship of the few. Under it our country has made great progress in developing social and economic values and in what our forefathers called the pursuit of happiness.

Today that system is threatened from within, not from without. We will not be deceived by being told that the big bogeyman is over the horizon. It is imperative that our domestic crisis be mastered now.

This tax bill is the first step on the road back to a sane fiscal policy. It is an honest and equitable tax-reduction program.

All of us know that there is no tax reduction or tax relief unless the whole Federal tax income is reduced. That is just simple arithmetic and is understandable by any high-school student.

The best recommendation for this tax bill is that the opposition, after 2 months of sleepless nights, have been unable to improve it and their attack and criticism has been anything but impressive.

The budgetary requirements of the Federal Government are the primary factor in the consideration of tax matters, but today we are confronted with a shocking and dangerous situation. In addition to our own budgetary requirements, there is a group in this House

maintaining that we should also take into consideration the budgetary requirements of 16 European nations and levy taxes on the American people accordingly. This undertaking is without parallel in all history.

The opposition speaks of additional corporate taxes. There has been no justifiable evidence presented in support of this proposal. They speak of exorbitant profits, yet no Government witness before the committee could point to one single industry that was enjoying exorbitant profits. Certainly there is some profiteering. No industrial nation such as ours could scarcely be without it, yet it is recognized that it is not a major factor in high prices. They recommend that additional taxes be placed on some 22,000 corporations; those with income in excess of \$50,000, relieving some 300,000 corporations with income less than \$50,000. This in effect is saying the big corporations are profiteers and the smaller corporations do not indulge themselves in exorbitant profits. This arbitrary division is within itself the height of stupidity. Their proposals of additional taxes on corporations ignore the large volume of business done in an inflationary period and the fact that profits have not changed materially in ratio when related to the national income. It omits mentioning that the profit dollar is taxed twice and that the purchasing power of the profit dollar has shrunk by 51 percent while the worker's dollar has diminished 39 percent.

It ignores, moreover, the fact that profit margins or percent per dollar of sales have not varied materially from prewar averages. It overlooks entirely the fact that the book value of capital in terms of the cost of plant or buildings or equipment is low and that any use of "net worth" when applied to 1939 figures will necessarily be wrong today. For the "book value" of capital is not a true picture on which to make measurements of profit.

A locomotive still running today was bought at about \$50,000 in prewar days. A new one costs about \$150,000. A plant unit to produce an ingot of steel is on the books at a depreciated level of about \$50 whereas a new unit would cost close to \$200 today.

Plant is wearing out. Machinery must be replaced at present-day costs—not "book value" costs. Where is the capital coming from to replace what is worn out?

After eliminating the inventory profits, which are temporary, and the benefits due to carry-back provisions in the tax laws, corporate profits in 1946 were lower than in 1945. This is the statement recently made by the economic staff of the Legislative Reference Service of the Library of Congress in response to inquiries from the Senate Committee on Labor and Public Welfare.

This bill relieves 7,000,000 persons from any direct Federal taxes. Seventy-one percent of the \$6,500,000,000 goes to the men and women in the lower-income bracket. It is a bill to relieve all the people. This bill will give new hope to the American people and confidence to American business. A demoralized and



bankrupt America can make no contribution to a suffering world.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. WOODRUFF.]

Mr. WOODRUFF. Mr. Chairman, unfortunately, it has not been possible for me to be present prior to this time during the debate on the Knutson tax-reduction bill now before us. It was my privilege to sit as a member of the Ways and Means Committee during the hearings on the measure. My vote on reporting the bill to the House was cast in favor of such action. The proposal represents the best judgment of a majority of the committee having had the same under consideration for many weeks.

I take this opportunity to state that I shall vote against the motion to recommit the bill and in favor of the measure on final passage. I am in complete harmony with the others members of the committee who voted to report the bill, and in my opinion the House will approve the judgment of the committee overwhelmingly.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. COLE].

Mr. COLE of Kansas. Mr. Chairman, the tax cut of \$6,300,000,000 contemplated by the bill now before the House will not hinder in the least the present program of reducing our \$256,000,000,000 public debt by an average of \$5,000,000,000 each fiscal year.

We have, during the past few weeks, heard many assertions to the effect that our towering public debt prohibits an over-all tax reduction at this time. Such assertions fly in the face of the plain implications of the present redemption schedule of our national debt. The assertions, moreover, tend to be quite vague in phrasing—they exhort us to reduce the debt by keeping taxes at their present level, but they do not tell us what part of the debt is to be paid, or when the payment is to be made.

All of these pleas to keep taxes at their present level to retire our public debt tend to obscure one important fact; namely, an examination of the redemption schedule of our national debt discloses that 1948 is the best year out of the next 10 in which to reduce taxes.

Seen in this perspective, the current outcry against cutting taxes, lest the cut end debt reduction, is just another aspect of the unceasing and resourceful effort to "tax and tax, spend and spend, and elect and elect" at the expense of the American people.

For the redemption schedule of our public debt is such that a slash in taxes, coupled with a deflation of the hot air which balloons the projected 1949 budget to \$39,700,000,000, can produce by June 30, 1949, a cut to the public debt of \$247,000,000,000, without relying on wartime tax rates and reckless, inflationary spending.

The same situation will prevail during the 1949 fiscal year, but with different causes. Barring the drastic expedient of merely printing the money as required—and I am sure that not even our con-

firmed "scientific spenders" want this to happen—the Treasury will have to exchange new securities for the debt which matures during fiscal 1949, because it will simply not have enough money to do otherwise. For example, between September 15 and October 1, 1948, \$11,000,000,000 matures in bonds, notes, and certificates. In the best of circumstances this sum cannot be redeemed in full because there could hardly be a surplus exceeding \$1,000,000,000, or even half that sum, before December. Until we have administrators who profess, at least, a nodding acquaintance with the idea of a budget which balances at \$30,000,000,000, we shall have to defer most of our debt reduction until the second half of the fiscal year, when about three-fifths of the total revenues are gathered. But during this period of fiscal 1949, the only marketable maturities are in short-term notes, certificates, and Treasury bills. Any reductions which result solely from refunding these issues—and I believe they will have to be refunded—will be completely offset by an unavoidable increase resulting from the sale of savings bonds and special issues.

As a matter of fact, the Treasury can, during the coming fiscal year, employ a prospective surplus to best advantage only if it calls for redemption of \$1,600,000,000 in 2-percent bonds which are not otherwise payable until fiscal 1951. This amount is about one-third of the surplus in prospect if we pass this tax bill and hold Government spending to the entirely reasonable figure of \$36,000,000,000 to assure reduction of the public debt to \$247,000,000,000 by June 30, 1949. But it happens to be the administration's only justification for denying a tax cut at this time.

By the testimony of Secretary of the Treasury John W. Snyder before the House Ways and Means Committee, the present tax bill, if it becomes law, will still leave a surplus of \$6,000,000,000 for the 1948 fiscal year, of which \$1,500,000,000 has already materialized and been used to reduce the public debt. If we add to the remaining surplus of \$4,500,000,000 the extra \$1,800,000,000 which the Treasury expects to secure before June 30 from the sale of savings bonds to individuals and special issues of Government agencies, and the \$1,000,000,000 available from the present Treasury cash balance, we will have \$7,300,000,000 on hand before June 30 with which to slash the marketable debt in the hands of the public.

What will happen to all this money?

Most of it, or \$5,400,000,000, ought to redeem the three marketable bond issues which can be paid off on March 15 and June 15 of this year.

About \$1,250,000,000 may be paid on the 1-year, low-interest certificates of indebtedness which mature in February, March, April, and June.

A small amount may be paid to reduce the \$15,000,000,000 now outstanding in Treasury bills; but since nearly all of these 90-day securities are now owned by the Federal Reserve System, which returns as taxes nine-tenths of the interest paid to it by the Treasury, a substantial reduction of this type of debt would cost more than it is worth.

All told, the debt this fiscal year could be reduced to \$252,000,000,000 after the current tax bill becomes law. In his budget message President Truman projected a reduction to \$251,000,000,000. The difference, I contend, is so slight as to compel a tax slash at this time.

At best, it is a picayune justification. At worst, it is an artful dodge. It is a dodge which obscures the fact that the coming fiscal year offers the lowest bond-redemption totals possible before 1956. Tax reduction in 1948 is challenged by only \$2,000,000,000 worth of marketable bonds which can be paid off during the 1949 fiscal year. During the 1950 fiscal year, tax reduction will be challenged by \$7,600,000,000 in redeemable, marketable bonds. The total of such bonds during the 1951 fiscal year is \$10,400,000,000. For fiscal 1952, the total is \$18,700,000,000; and for fiscal 1953, \$9,400,000,000. The possible redemptions of \$681,000,000 in fiscal 1954 and \$2,611,000,000 in fiscal 1955 will be complicated by the maturing of many billions of dollars' worth of war-bought savings bonds. Not until fiscal 1956, with only \$1,449,000,000 in long-term marketable bonds then eligible for redemption, will there be as favorable an opportunity for tax reduction as we have at this moment.

This, then, is the blunt truth: If we fail to cut taxes now, the structure and demands of our public debt may force Americans to wait a decade for tax relief.

Mr. RAYBURN. Mr. Chairman, I ask unanimous consent that all Members of the House who desire to do so may extend their remarks on the pending bill at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LANHAM. Mr. Chairman, I am opposed to the Knutson tax-reduction bill, and shall vote against it. My decision has been reached after careful consideration of the bill and its effects upon our economy. I know that tax reduction is a thing to be desired when it can be had without danger to our economy and national welfare. But desirable as is tax reduction, it is my opinion that tax revision should precede a blind tax reduction as provided in the Knutson bill.

There are many inequities in our tax structure and there are many excise taxes that are burdensome to those of our people who are least able to bear the burden. I refer to the excise taxes on leather goods, telephone and telegraph messages, cosmetics, and upon the transportation of persons and goods. The war rates on these and other items and classifications are still in existence. To me it seems incontrovertible that these wartime rates at least should be removed before there is any reduction in the income tax. And should not the double taxation imposed by taxing the income of corporations and the dividends when distributed to the stockholder be removed before there is a general reduction in income taxes? If the Knutson bill is passed it will reduce the Government's income to such a point that the reductions inherent in tax revision will

not be possible. For this reason alone, I would oppose the Knutson bill, if for no other.

But there are more compelling reasons than this for my opposition. In the first place, it will reduce the Government's income by some \$7,000,000,000. This will wipe out the expected surplus of revenue over expenditures for the next fiscal year, and put us in the red. What will those who come after us think of us if we do this foolish thing, and leave nothing to apply upon our huge national debt? As we found in our efforts to reduce the budget last year, it is impossible to make any substantial reduction in our budget so long as the threat of Russian aggression hangs over us, and so long as it is necessary for us to spend large sums in Europe and Asia for our own protection, and still larger sums to maintain our armed strength in the face of the many threats to our very existence as a free people.

To vote for the Knutson bill or any sizable tax cut is unthinkable until we know what our expenditures and incomes will be for the coming fiscal year. I believe it cannot be successfully maintained that there ought to be a tax cut instead of the application of all our surplus funds on the national debt. It hangs like the sword of Damocles over our economy and the stability of our fiscal system. It must be reduced, and there is but one way to reduce it, and that is to apply the surplus of the Federal revenue over our expenditures each year until it is greatly reduced.

In the next place, the tax reduction proposed by the Knutson bill is most inflationary. Its proponents have gone so far as to say that it will help to curb inflation. Those who make this statement are either careless of the truth or are badly misled by the powerful forces who are selfishly demanding this tax cut. No recognized economist has made any such statement about the effects of this huge tax cut. On the contrary, the conservative United States News, edited by David Lawrence, has stated repeatedly that the Knutson bill would add much to the flames of inflation which are sweeping our economy toward the destruction of a depression. That grand old man, Bernard Baruch, has warned us that there should be no tax cuts for 2 years, and that all our surplus revenue should be used to reduce the national debt, especially by using it to retire short-term loans held by the banks, thus reducing the basis for credit. A sound economy demands the reduction of the short-term loans held by the banks, and a regular and sizable yearly cut in the over-all debt.

Last, but not least, I am opposed to the Knutson bill, because it does not give sufficient tax relief to the very people who need it most—the people of the low-income group. Actually we are taxing some of our citizens—unmarried persons—who are making less than \$50 a month. They are the people who ought to get the most benefits from any tax reduction that we can afford.

For all these reasons I shall vote against the Knutson bill and shall vote to send it back to the Committee on Ways and Means, with instructions to bring in

a bill that will provide for the raising of the exemption from \$500 to \$700; that will provide the extension of the privilege of dividing income between husband and wife now given in the community-property States to the married people of all our States. I will vote for this tax reduction for these two classes of individuals only because the instructions to the committee will include also the imposition of an excess-profits tax to make up for the loss of revenue entailed by the other provisions of the motion.

I know the sound proposals of the motion to recommit will be voted down, and the Knutson bill will be passed. It is discouraging to see the party in power bow to the wishes of the people with large incomes, who are selfishly or ignorantly demanding this large tax cut which endangers the fiscal soundness of our economy. It is tragic that we do not have the courage, even in a Presidential election year, to discipline ourselves as recommended by Mr. Baruch and others so as to prevent the impending catastrophe of depression and unemployment that will come inevitably unless we check the deadly spiral of inflation that has us in its grip.

Mr. THOMPSON. Mr. Chairman, I came to the present session of Congress thoroughly committed to, and in favor of, reduction of income tax. My people want it, and I want it myself. I am willing to go to any reasonable lengths to accomplish it. Letters from my constituents indicate very clearly that they expect me to support some form of income-tax reduction.

A very few have suggested that taxes should be reduced even without regard to the national debt. For the most part, however, those who have advised me have stressed their concern over the national debt and have in effect taken it for granted that I would protect their interests and the interests of every holder of Government securities.

I have listened to the argument, over the several days of debate, on the Knutson bill. I am convinced that it is not a sincerely drawn measure and that the Republican majority knows perfectly well that it can never become a law. I cannot believe that the conservative men on the other side of the House would, under any conditions, endanger the national credit and take such an unsound step as that which was so ably characterized by the gentleman from Tennessee [Mr. COOPER] as "borrowing money to reduce taxes."

I shall vote against the measure although presumably it is going to pass the House. I hope that the Senate will modify it along lines of good government and good business, and that when it returns to our body for final action it will be in such shape that I can vote for it without apology.

Mr. GRANT of Alabama. Mr. Chairman, I am going to vote to recommit this tax bill to the Ways and Means Committee with instructions to report out a more equitable bill.

I wish it were possible to submit amendments to the present bill that we have under consideration; however, I know that under the rule we are not permitted to do so. I appreciate the fact

that a tax bill is highly technical and that it requires a lot of effort and time in perfecting it and that, ordinarily, it would be a mistake to attempt to write such a bill on the floor. Therefore, I do not criticize the Rules Committee for disallowing amendments as it is following the precedent that we Democrats have used for many years. The Republican say for us to take this bill or leave it.

Last year I voted on two occasions against the Republican-sponsored tax bill and also voted to uphold the President's veto which, as you will recall, was upheld by the House. However, the present bill gives additional relief to married couples and to low-income groups.

Personally, I feel that the bill should not be brought up at this time, but that we should have sufficient time in which to ascertain if the budget is to be reduced and in what amount.

The chairman of the Appropriations Committee, who has a large voice in the cutting of the budget, states that it will be cut in an amount sufficient to justify the present tax bill. While I am sure that he is sincere in his statement, we must recall that this was not done last year. Be that as it may, the time has arrived for a reduction in taxes. I do not believe that many Members would today stand upon this floor and argue that there should not be some reduction.

I have long felt that the present law allowing community family income splitting was neither fair nor just. Married couples in about 12 community-property States may equally divide their total community income regardless of whether such income is property or earned income. Married couples in non-community-property States with earned income cannot split such income resulting in greatly increased income taxes when compared with married couples in community-property States. I am surprised that some of our colleagues from the community-property States argue that the benefits that they enjoy should not, by Federal legislation, be extended to cover all other States. The answer is given that States like Alabama should themselves change the law. However, a citizen of my State should not be penalized by his Federal Government simply because his State fails to pass such legislation. Several bills have been introduced allowing citizens of non-community-property States the same privileges as those enjoyed by the community-property States. However, we all know that the present leadership is not going to allow these bills to be favorably reported by the Ways and Means Committee. Therefore, we might as well be realistic. If the motion to recommit this bill is defeated, the only way by which we will be able to rectify this tragic mistake will be to vote for the bill upon final passage. While this provision of the bill will give little relief to the low-income groups, they must be given proportionate tax cuts by increasing their exemption. The taxpayers of my State are entitled to the same justice, under the law, and in order to get this justice, I am willing to vote for this bill if it become necessary and send it on to the Senate for action.



It is a foregone conclusion that the Senate is not going to take up this bill any time within the immediate future. They are going to wait and see what amount we will be able to cut in the budget. I firmly believe that when this bill gets to the Senate that it will be modified and that we will again be given an opportunity to vote upon it.

The theory has been advanced by some that taxes should not be reduced at this time because it would be inflationary. Even if this be true, I cannot subscribe to such a philosophy. Taxes should be levied for the purposes of revenue only. The people are carrying a heavy load of taxation. Other means should be found for the combating of inflation. People in the low-income groups are finding it hard to buy the necessities of life. They should and must be given some relief. We have several bills increasing salaries of Government workers and salaries and wages of workers in some industries have been raised. These are justified. However, there are thousands of people who have received no salary raise and doubtless will not do so. Their lot is a hard one. It is difficult for them to raise the money to pay income taxes. The only way to give them a raise in pay is to pass a tax bill. I am pleased that a motion to recommit will be offered by the Democrats. This substitute tax program will give the sum of \$200 additional exemption for each taxpayer, raising the present exemption from \$500 to \$700.

Individual exemptions should be raised. The present bill we have before us does this and the motion to recommit will also raise the individual exemptions.

We must not do anything that would threaten the solvency of our Government. There must be something left to pay on the debt. No one knows what the future holds. We must admit that the budget will necessarily have to be reduced to warrant the present tax bill. There are certain set expenditures which cannot be cut very much. Our national defense must be maintained and this necessarily means a large outlay of money. The disabled veterans of all wars must be properly cared for and we have commitments for education and training which must be carried out. The interest upon the public debt must be paid. We have experienced the most expensive war in history and we cannot look to posterity to pay for all of this expense.

I would like to see something in between the present bill and the substitute, something on the order of the suggestion made by the gentleman from North Carolina [Mr. Doughton], who is the ranking minority member and former chairman of the Ways and Means Committee. I believe that we could reduce taxes by three to four billion dollars. Other countries have since the war reduced income taxes, among them being England and Canada. Even some of the countries that come under the Marshall plan have reduced them.

There are many objections that I could raise to the bill that we have under consideration. However, it is here and something must be done with it. Not being willing to go all out for the present bill and seeing the necessity for some relief, I am supporting the Democratic recom-

mittal motion and if it should fail of adoption, I shall vote for the bill.

Mr. ANGELL. Mr. Chairman, one of the most important bills we will consider in the Eightieth Congress is this tax bill, H. R. 4790, because it affects the welfare of every American citizen. The Government has no way to carry forward its activities except through the medium of taxation. We have long been taught that the power to tax is the power to destroy. We also know that the power to spend is the power to destroy.

We have the largest tax burden in all of our peacetime history. In fact, we are still laboring under the high war taxes which were imposed when this Nation was in the throes of a world war, and we had to take heroic means to beat back the attacks upon us and upon our civilization. Crushing taxes, as well as all other emergency measures under such circumstances, are justified, but now that the war is over and it is 2½ years behind us, and we are in a peacetime regime, there is no sound reason why this wartime tax load should not be reduced with the major reductions on the low-income taxpayers. We all know that the more money the bureaucratic spenders have available, the more they will waste and dissipate.

I propose to support this bill, H. R. 4790. Under it all of the 55,000,000 taxpayers will receive a reduction; about 7,400,000 removed from individual income tax entirely. Of the total reduction, about 72 percent will go to taxpayers with incomes under \$5,000, and only 28 percent to taxpayers with incomes over \$5,000. Low-income taxpayers will receive a 30-percent cut and the big payers only 10 percent, graduated down to 20 percent in the middle brackets. Each taxpayer will receive an additional \$100 exemption for himself and each dependent. Blind taxpayers will receive further benefits, and it is estimated 77,560 blind persons in Oregon, my State, will be relieved from any income-tax payment. Aged persons over 65 will also receive an additional \$500 exemption.

Tax legislation must originate in the House. It is necessary for the House to get this legislation to the Senate without delay for its consideration. When the bill comes back to the House, we will be able, at that time, to adjust errors and lower the total reduction, if found necessary after the budget is agreed upon.

We all want to balance the budget and keep our financial structure sound, to care for our aged, to provide for veterans' needs, to service the national debt, including a substantial annual payment for its reduction, and to fulfill our just obligations in giving aid to our neighbor nations overseas, crushed by the war.

No one can say that we have not fulfilled our duty on foreign aid thus far. We have expended overseas, since the war ended, over \$24,000,000,000 for civilian aid. Reports that come to us here in the Congress from our committees and representatives who have canvassed postwar conditions in foreign countries, are to the effect that many of our American tax dollars have been flagrantly dissipated, and poured down "rat holes" with little or no actual aid

or relief to the stricken peoples on the lower-income levels or destitute who are in dire need of immediate help to prevent starvation. Our foreign-aid program has been shamefully administered and much of the money provided for this program has gone to corrupt politicians, designing civilians and military officials, and others who want to profit from the largess of America without themselves making any contribution by their own self-help to the welfare of their fellow citizens. Whatever we do in the way of relief for the war-stricken nations should be to help them to help themselves, and must be hedged about by administrative controls that will make certain that every dollar expended will bring a full dollar's worth of value in relief and rehabilitation to the needy recipients of the gifts from our own people. In giving aid, we must not undermine our own financial structure.

America alone cannot save the world. We are a nation of 140,000,000 persons. The world's population is around 2,250,000,000. We are about one-sixteenth of all mankind. We produce about one-eighth of the world's food supply. Europe has some 350,000,000 persons. There are about 275,000,000 in the 16 countries and that part of Germany included in the European Recovery Plan. The Chinese and others also want to share in our bounty. Some contend Uncle Sam can do the job alone. We are facing this great undertaking, the Marshall plan, with the widespread assumption at home and abroad the job can be done with Uncle Sam footing most of the bills.

#### WHY NOT A MARSHALL PLAN FOR THE AGED OF AMERICA?

Mr. Chairman, in connection with this tax bill, H. R. 4790, which has for its purpose the lessening of the tax load upon the American taxpayer, it is appropriate to call attention to another obligation of our country which must be financed by taxes. I refer to the inexcusable failure of the Congress to make adequate provision for the aged of America. I pose the question, "Why not a Marshall plan for the aged of America?" While we are considering tax measures and the Marshall plan for Europe, is it not time to adopt a Marshall plan for the old folks of this Nation? The proposal of the Administration is to spend some \$17,000,000,000 in aid to European countries under the Marshall plan in the next 4 or 5 years, with an allocation of \$6,800,000,000 for the ensuing 15 months. This is in addition to the twenty-four billions that have already been expended for European aid since the war ended. I call attention to the fact that much of this huge expenditure will be made available for the needy of the European countries, including the aged. I maintain it is a decent thing to do, while we are expending such huge sums for foreign aid, to have a Marshall plan for our own old folks in America and give them some help in their distress. The Congress for years has been considering legislation for security for its elderly citizens. Throughout my legislative service here, covering some 9 years, I have urged that the Congress adopt a Federal

old-age program which will do justice to the old folks of America.

On the opening day of the Eightieth Congress, I introduced H. R. 16, which is a bill providing benefits to the aged and the totally disabled. This bill does not provide any fixed monthly annuity for the recipients, but it does provide for a tax and the total amount raised thereby will be prorated monthly among those entitled to take under the bill. The experts of the Congress on fiscal affairs and tax legislation should determine the tax formula necessary so that the bill, when enacted, shall provide an adequate annuity to maintain these old folks in decency and health. It would lie within the province of the Congress to change the tax from time to time as conditions warranted. This bill has been gathering dust in the pigeon holes of the Ways and Means Committee. Before we adjourned at the special session, I urged that every Member of the House interested in the welfare of our old folks, sign a discharge petition which I placed on the Clerk's desk. The Christmas season was then approaching and it seemed appropriate as an evidence of good will and sincere interest in the welfare of these old folks that we sign this petition and bring this bill on the floor for consideration. One hundred and forty Members have signed the petition. When two hundred and eighteen Members sign, the bill will come to the floor under an open rule and will be subject to any germane amendment, and the House will be able to work its will and to adopt any amendments it desires in order to make the bill acceptable to the majority of our Members. The exact terminology and provisions of this bill are not the important consideration, but it is important to enact some legislation making adequate provision for our old folks, with an assurance that they will have an ample monthly income during their old age to permit them to secure the necessary medical care, food, clothing, and shelter to protect them from want, hunger, and cold.

The existing social-security law for the aged is an ineffective gesture. Under it, as shown by the reports from the Social Security Agency, the payments the aged are receiving for old-age assistance through the States of the Union, average from \$16.92 a month in the lowest State, to \$64.95 in the highest, as shown for the month of November 1947, with a national average of \$36.91. Truly, such allowances to cover food, clothing, medical care and shelter, represent a starvation program. As was recently pointed out by the Administrator, in some areas contributions by the State and Federal Governments are not enough to enable people to maintain an adequate diet and they are literally suffering slow starvation.

The United States Public Health Service recently reported the results of a long-range survey which shows that about 35 persons per 1,000 have some chronic illness or major physical disability. A gradual increase takes place to a rate of about 100 cases per 1,000 at 45. From this point on the curve goes up very rapidly. There are nearly 250

chronically ill per 1,000 at 60. In the next 10 years the rate goes up to 400 per 1,000. At 80 more than half of the group needs the regular care of a physician, and at 90 the rate is more than 900 per 1,000.

The critical problem facing our old folks in their endeavor to maintain a bare existence is tragically intensified by the high cost of food and other necessities of life in this inflationary period in which we find ourselves. The Bureau of Agricultural Economics has recently announced that the cost of food bought by the average American family increased 25 percent in 1947 over 1946. Dorothy Bovee, Red Cross nutritionist, reports that the cost of a minimum adequate diet for a family of two in the Washington area at this time, is at least \$11.60 weekly, and she lists the items which make up this minimum diet for two adult persons for 1 week, as follows:

Food and amount:	Cost
Whole milk, 7 quarts.....	\$1.47
White potatoes, 10 pounds.....	.46
Peanut butter, 4 ounces.....	.09
Baked beans, 14-ounce can.....	.15
Oranges, 6 medium-sized.....	.12
Tomatoes, 1 No. 2 can.....	.16
Tomato juice, 1 No. 2 can.....	.10
Cabbage, 1-pound head.....	.06
Spinach or kale, 1 pound.....	.25
Corn, 1 No. 1 can.....	.17
Green pepper, 1.....	.03
Carrots, 2 bunches.....	.17
Lettuce, 1 head.....	.13
Celery, 1 stalk.....	.19
Onions, 1 pound.....	.12
Banana, 1.....	.07
Apples, 2 pounds.....	.19
Pears, 2 pounds.....	.20
Applesauce, 1 can.....	.14
Raisins, ½ pound.....	.10
Prunes, 1 pound.....	.19
Eggs, 1½ dozen.....	.93
Cottage cheese, 1 pound.....	.23
American cream cheese, ¼ pound.....	.15
Hamburger, 1 pound.....	.43
Beef liver, ½ pound.....	.30
Fresh lean pork, ½ pound.....	.26
Pork butts, ¼ pound.....	.17
Scrapple.....	.24
Dried beef, ¼ pound.....	.33
Fish, 1 pound.....	.29
Beef stew meat, ½ pound.....	.22
Bread, 7 loaves.....	.98
Rice, 1 pound.....	.22
Rolled oats, ½ pound.....	.07
Farina, ½ pound.....	.10
Flour, ¼ pound.....	.03
Macaroni, 4 ounces.....	.06
Margarine, 1 pound.....	.45
Lard, ½ pound.....	.15
Salad dressing, 1 jar.....	.23
Sugar, 2 pounds.....	.18
Cookies, 1 box.....	.18
Jelly or apple butter, ¾ pound.....	.25
Coffee, 1 pound.....	.49
Total.....	11.60

We all know old-age annuitants with their meager income would not be able to buy this diet, but would be limited to the essential staples only, eliminating the fresh fruit, canned goods, and fancy items. For them it would be a luxury diet.

In contrast to the foregoing minimum fare which old-age annuitants are unable to buy with their limited allotments, is the menu of a dinner recently given in the Statler Hotel here in Washington to 100 guests by Mr. Charles Luckman, who headed the President's meatless-eggless-

days program. Here is the menu: Shrimp cocktail, fried oysters, crabs, shrimp and lobster gumbo, curried chicken, roast turkey, baked ham, roast beef, string beans au gratin, fried apple rings, pickled walnuts, celery, olives, rye rolls, assorted finger rolls, ice cream, and coffee. Mr. Luckman's job was to conserve food for hungry Americans.

Mr. Chairman, how can an old person who must maintain himself on old-age assistance, according to the plan provided in the present social security set-up, meet his expenses, not only for food but for all other necessities, on an average monthly payment of \$36.91? Is there any valid reason why this Eightieth Congress should not give the right-of-way and green light to legislation for old-age assistance while we are opening the Treasury doors wide for European relief?

We have been concerned in the Congress about the rising cost of living, the inflation spiral, and the added burden placed upon the millions of our workers and the low-income groups who must pay these increased prices for food, clothing, and shelter. Cognizant of these difficulties, the Congress has increased substantially the income of some groups of our citizens, but it has given the old people no consideration. Their meager monthly average of \$36.91 remains the same, while the simple fare they must provide to keep body and soul together has risen in price by leaps and bounds. Many annuitants receive much less than the average \$36.91. The miserable pitance they were receiving was wholly insufficient to care for their modest needs before the advent of high living costs.

According to statistics I received some time before the war with respect to the annuitants under the insurance provision of the Social Security Act, 252,000 past 65 years of age received an average of \$23 a month; 74,000 wives of these pensioners 65 or over received an average of \$12.25 a month; widows over 65, totaling 25,000, received only \$20.16 a month; 28,000 parents received \$13 a month; widows under 65, of whom there were 55,000, received \$19.50 a month; and 159,000 children under 18 received \$12.21. Of all persons 60 years of age or over, four-fifths received less than a minimum for decency and health. Before our entry into the war, it was estimated that of the persons 60 years of age and over in the United States, 54.9 percent were supported wholly or partially by public or private social agencies or were dependent on children, relatives, or friends for their subsistence and care. A considerable proportion of the remainder received part or all of their support from various pension systems—Federal, State, and municipal, industrial or private.

At the beginning of the year 1946, nearly half of all civilian jobs were excluded from coverage under the Social Security program, and nearly 2 in 5 of all persons employed were neither fully nor currently insured. At best the social-security law we now have is a haphazard program which, in effect, is largely financed by the public generally, but the benefits of which are shared in



by only a few selected groups. It encourages inflation by collecting a huge fund currently used for deficit spending. These difficulties would be overcome by the adoption of H. R. 16, which would cover all citizens falling within its provisions, and the obligations and benefits of the program would likewise be shared by all. It would be all-inclusive in its provisions and therefore would obviate the necessity of continuing many social-security laws now in existence and would, for the first time, set up in our country a Federal old-age-security program which would insure all of our elderly citizens 60 years of age or over against the hazards of old age. It would build up no reservoir for deficit spending, but the moneys collected would go back into the channels of trade each month, providing local markets for American production and buying power for aged citizens.

On December 31, 1947, there had been paid into the Social Security fund approximately \$10,524,681,961.55, and only \$1,772,431,249.69 paid out to beneficiaries; the balance was spent by the Government for general governmental purposes.

Mr. Chairman, we in the Congress are engaged in a great adventure in human welfare. We are charged with the responsibility of planning and building for 140,000,000 Americans a social, economic and cultural structure which will assure their welfare. If we omit from our plans the care and protection of the millions of aged citizens who are in want, we will build in vain. We will build a tower of Babel. We must not reject the guiding hand of Providence in our plans; we need spiritual understanding as well as political wisdom. As Benjamin Franklin said to the Constitutional Convention when the great charter of our liberties was drafted:

We have been assured, sir, in the Sacred Writings, that "except the Lord build the house, they labor in vain that build it," I firmly believe this; and I also believe that without His concurring aid we shall succeed in this political building no better than the builders of Babel; we shall be divided by our little, partial, local interests, our project will be confounded, and we ourselves shall become a reproach and a byword down to future ages. And, what is worse, mankind may hereafter, from this unfortunate instance, despair of establishing government by human wisdom and leave it to chance, war, conquest.

Daniel Webster, one of our eminent predecessors, said:

Let us develop the resources of our land, call forth its powers, build up its institutions, promote all its great interests, and see whether we also in our day and generation may not perform something worthy to be remembered.

We should not be unmindful of the fact that these senior citizens were the workers of yesterday. They helped build our cities, our roads, our industries and helped to clear our lands. They were the trail blazers, the pioneers. They built for us. Now that they are old, we cannot pass them by. They do not seek our charity. They only ask simple justice—a modest share in the fruits of American industry, to the production of which their labors in the past have contributed.

Let us prove to the whole world that these aged American citizens are entitled to and shall have vouchsafed to them by their country, "life, liberty, and the pursuit of happiness." Let us prove that humanity is still on the march here in America by enacting an old-age-annuity plan that will provide for our old people an annuity sufficient to maintain them in decency and health.

I most sincerely urge you, my colleagues, to join us in petition No. 7 to bring the old-age-security legislation on the floor of this House at an early date, so that it may be enacted into law before this Congress ends, thereby putting America on record as willing to provide reasonable old-age security for our own elderly citizens while we are spending billions overseas for similar purposes.

Mr. MADDEN. Mr. Chairman, the majority members of the Ways and Means Committee of the House reported out H. R. 4790 in order to save face by reason of a wild promise made to the American people in the last congressional campaign that the Republican Party would slash Federal taxes by billions of dollars. One year ago this month the Republican leadership of the House promised to reduce the cost of Government by \$6,000,000,000. At the same time the other body was more conservative and promised the people that the cost of Government would only be reduced \$4,500,000,000. The House Democratic leadership, at that time, stated that it was a rash promise merely to mislead the public into believing that they were carrying out their campaign promise to reduce the cost of government. When the first session of the Eightieth Congress adjourned in December, the facts revealed that the Republican leadership misled the American people on its reduction of the cost-of-government figure by over \$5,500,000,000. The so-called Knutson tax bill, if passed in its present form, simply means that the Government will be compelled to borrow money to reduce taxes. The Members of this House almost unanimously voted for the billions of dollars that were spent to win the greatest war in all history. We have a debt of \$257,000,000,000. We now have the greatest income in our history. The taxpayer in the higher brackets was never more prosperous than now. If we could eliminate the high cost of living, we could say the same for the group in the lower brackets. Now is the time to pay a substantial sum upon our war debt and not pass it on to the future and compel the veterans of World War II who fought the war to also assume the double burden of paying for the war. The sponsors of this tax bill are making misleading statements and double-talk about cutting President Truman's budget in order to save sufficient money to pay on our national debt. They failed to remind the Members that the President already reduced the budget which the various departments originally submitted by over \$7,000,000,000. I have heard Members on the majority side compare the high governmental expenditures today with 10 years ago. These comparisons are misleading, and to the average citizen are

startling if he is not acquainted with the real facts. The average citizen does not know that in the President's budget five items account for 79 percent of the budget.

One of the greatest speeches made on the floor of this House was delivered last Thursday by the gentleman from Tennessee [Mr. COOPER] the second ranking minority member of the Ways and Means Committee. Mr. Cooper, in that speech, set out some factual figures which I am again going to call to the attention of the House. In breaking down the five items which take up 79 percent of the budget, we have the following:

The first item of the five is national defense. In the fiscal year 1948, the budget provided \$10,746,000,000. In 1949, the figure is \$11,026,000,000. Ten years ago in 1939 it was \$1,074,000,000.

The next item is international affairs. That includes the United Nations, the Marshall plan and programs of that type.

In 1948 the budget provided \$5,533,000,000 for this item. In 1949 it provided \$7,009,000,000. Ten years ago in 1939, that item was \$19,000,000.

The third of the five items is veterans affairs. In 1948 the budget provided \$6,632,000,000. In 1949 the budget provides \$6,102,000,000. In 1939 it was \$559,000,000, substantially half a billion dollars 10 years ago, and now it is more than \$6,000,000,000.

The fourth item is interest. In the 1948 fiscal year this item was \$5,200,000,000. In 1949, it is \$5,250,000,000. Ten years ago, in 1939, it was \$941,000,000.

The last of these five items is tax refunds. In 1948 it was \$2,049,000,000. In 1949 it is \$1,990,000,000. Ten years ago in 1939 it was \$68,000,000.

Those five items cover substantially four-fifths of the budget for the next fiscal year 1949. I submit to you, as a practical proposition, how are you going to substantially reduce any one of those five items?

I have not heard any of the respective Members on the majority side advocate any reduction in appropriations for national defense, veterans affairs or interest on the national debt or tax refund. If they insist on a substantial reduction on the international affairs item in the budget, it will necessarily mean an increase in our national defense items. Eliminating these five items, this reduction of six billion must come out of the remaining 21 percent of the President's budget. If the Republican leadership of this House follows their pattern of last year, they will not cut very much from this 21 percent, because in so doing they will encroach upon the veterans' hospital program, flood control, reclamation, aid to State governments, road building and other necessary improvement projects which the people of the various sections of the country will insist on. An example of the House leadership's action on just one item in the last session will convince the American people that they are merely talking for votes. I will mention briefly this example:

Last year, in their frantic effort to reduce the President's budget, they cut his request of \$29,000,000 for reclamation

by almost one-half. When Congress adjourned in July, so much protest came from the communities back home that when they returned during the special session, the House leadership not only reinstated the reclamation reduction, but raised the President's original request from \$29,000,000 to over \$31,000,000. Possibly the Republican leadership is planning on repeating this legislative trickery in 1948 so that the voters next November will not know the true facts on tax and cost of Government reduction.

I am in favor of every possible reduction of taxes if it can be given to the group in the brackets which need it most. I am in favor of the tax-reduction bill submitted by the gentleman from Texas, Minority Leader RAYBURN, which will be offered at the close of this debate. That bill will raise the exemption from five hundred to seven hundred dollars and give 10,000,000 of the low-bracket taxpayers throughout the country a concession so that it will ease the burdensome high cost of living. Mr. RAYBURN's proposal will retain the community-property exemption. It also provides a partial restoration of the excess-profits tax which was repealed 2 years ago when everybody feared we were going to have six to eight million unemployed in the United States. When President Truman, in his state of the Union message, stated that corporate profits increased in 1946—1 year—from \$12,000,000,000 to \$17,000,000,000, I firmly think that some of these fantastic profits can be applied on our national debt.

I propose to vote for the motion to recommit so that we can get a real tax-reduction bill for the people least able to pay, and if that is defeated, I will vote against the so-called Knutson tax-reduction legislation which will be a windfall for the persons in the high brackets.

Mr. DURHAM. Mr. Chairman, I believe that for the past 2 years, since the end of the war, the American taxpayer has been expecting and should have some tax relief. I supported the tax measure in the last session of Congress and expect to support a tax measure this session. In the first session of the Eightieth Congress the Republican Party brought out a tax bill before a single appropriation measure had been before us. At this session they are following the same procedure as they did last year. Not a single appropriation measure has been passed by the House this session. Today this bill, in my opinion, is premature. In the first session of the Eightieth Congress I voted against the tax proposal when it was first brought out and today I am opposed to this tax measure for the same reason—that is because it is being brought out before any appropriations are made. The tax bill of the first session of the Eightieth Congress went to the Senate after we had passed the majority of appropriation bills and we knew at that time what our income was and also what our expenditures were going to be. When it came back to the House I supported that measure and after the President had vetoed it I voted to override the President's veto. The income for the fiscal year 1947-48 is running at an estimated \$47,000,000,000 or

more. I do not believe that the majority party expects or even thinks that this measure before us today will be adopted. I want my Government to remain in a sound position and do not desire to see the dollar value further reduced. I also want to support a tax bill that will provide for a reasonable amount to be applied on our national debt. For a long time I have been in favor of the community-property tax provision. I also desire to support a tax bill that will give some relief to the low-income groups and I would like to support a tax bill that will give the people a reduction in taxes of around \$4,500,000,000. I believe that the American taxpayers are expecting that much of us and I believe that we can accomplish that amount of tax reduction and remain in a sound position. I am hopeful that the Senate will do a better job on the tax measure than was done on the bill facing us today. The foreign situation today is still serious, in my opinion, and certainly no sound-thinking American desires or wants to jeopardize our national defense. We must stay in a strong position if we expect to remain a free people. When we balanced the budget for the fiscal year 1946-47 we placed ourselves in a much sounder position. I do not believe in deficit spending. I am fearful that this measure before us today will jeopardize a balanced budget before we have determined our expenditures for the fiscal year 1948-49.

Mr. HUBER. Mr. Chairman, within a few hours this House will in all probability approve a tax bill reducing taxes by several billion dollars. How much better it would be to continue the present tax rate and appropriate several billions to attack the ills that beset mankind.

Mr. Chairman, Members of the Eightieth Congress within reach of my voice and loved ones of their families are destined to die of the searing ravages of tortuous cancer. Heart disease, infantile paralysis, diabetes, and other killing and crippling diseases will also take their toll. What a fine opportunity this would be for the Nation that spent over \$200,000,000,000 to maim and kill during the war, and \$2,000,000,000 for the atomic bomb alone, to say, "Now we shall dedicate ourselves to saving life. We shall forego tax reductions and create the greatest scientific and research group the world has ever known to seek out and eradicate the maladies that have brought hideous and painful death to our fellow men and crippled and killed our children."

Mr. Chairman, I know that if Members of Congress are willing to pass up the substantial savings they would enjoy under this tax bill, those in the lower-income brackets, who suffer most from disease and pestilence, would gladly spurn the few paltry dollars they would receive. They would have the satisfaction of knowing that those in the extreme high brackets would also be making a substantial contribution to the eradication of the greatest curses visited on mankind.

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Texas [Mr. RAYBURN].

Mr. RAYBURN. Mr. Chairman, there is very little I can do in 13 minutes except to express briefly my opinion of the pending legislation and give you in a brief way my conception of some of the things that should be done at this time in the way of rearrangement or reduction of taxes.

I quite agree with the statement made the other day by the gentleman from Tennessee [Mr. COOPER], after discussing the provisions of this bill and laying down figures that no one has denied, that this bill should be entitled "A bill to reduce taxes and borrow money," because that is what we shall be compelled to do if this bill becomes law, for the bill, if it means anything, means that the Government of the United States will be in the red. The most optimistic figures of those who are supporting this bill are that we shall have a surplus of \$500,000,000. Of course, they express the optimistic hope that the President's budget will be reduced two or three billion dollars. A majority of the House around this time last year made the case that they were going to reduce the President's budget by \$6,000,000,000. The other body in their enthusiasm said \$4,500,000,000. We know the result. The actual result was a reduction of a little more than one-twelfth of that amount.

It has always been my idea that the prudent man should pay his debts when he has the money. We owe in the neighborhood of \$256,500,000,000. These gentlemen with the \$500,000,000 surplus propound the sound doctrine that they want a balanced budget and to pay a reasonable sum on the public debt. If we do not pay a reasonable amount—I would rather say a large amount—on the debt in 1949, 1950, 1951, and 1952, something might come along to check the economy of this country until our income would not justify and we could not support the other functions of Government and pay one dime on our national debt, as was so well stated by the gentleman from Massachusetts [Mr. MCCORMACK].

I had inserted in the RECORD the other day a statement prepared by the gentleman from Virginia [Mr. GARY] that shows that after the last war bonds went to 80 cents on the dollar. Our national debt at that time was \$26,000,000,000, what we had spent in the war and loaned our allies. Of course, that did not break all the banks and all the insurance companies, because they were not holding too much of this amount, but what would be the condition of the commercial banks of the United States under present conditions? The Federal Reserve banks hold \$22,000,000,000 of these bonds. The commercial banks hold \$69,000,000,000 of them. Do you think they could lose 20 cents on the dollar or 10 cents on the dollar and be solvent banks?

Do you think the insurance companies owning more than \$20,000,000,000 of these bonds could be sound and yet lose 20 cents on the dollar? I know this, and I repeat it, that if something disturbs our economy and we do not have this great national income to pay taxes upon, this tremendous debt of \$250,000,000,000 is going to press down on your dollar and mine, and is going to squeeze the



value out of that dollar and it will be worth less than it is now.

Further than that, I think this is a cruel thing for this committee to put up to you gentlemen on the Republican side of the House, because they know that no bill that even looks like this will ever come out of the committee on conference. Yet they set their rates to provide for a reduction of \$5,600,000,000 and it turned out to be \$6,500,000,000, and they say that we are going to hang on to those rates. We are going to give this pap to the American people believing that they will swallow it and like it.

Somebody said they want tax reduction. In the motion to recommit, I propose a tax reduction and propose to remove from the payment of income taxes more than 10,000,000 American citizens. That applies to everybody. That will relieve nearly 10,000,000 people. I propose to raise the exemption from \$500 to \$700. That will affect all of us. They say that is not enough for the high-income fellow. I want to point out that in the motion to recommit which I shall offer and which is in your bill, 97½ percent of the \$800,000,000 involved in the community-property provision goes to people with net incomes of more than \$5,000 per annum.

Then there is this scare about the excess-profits tax. I disagree with my friend, the gentleman from North Carolina, when he says that that provision was not considered. It was before the committee in the bill presented by the gentleman from Michigan [Mr. DINGELL] all during the hearings.

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

Mr. RAYBURN. I yield.

Mr. DOUGHTON. I referred to the bill itself and not just to that part of it dealing with excess profits. You say the bill was considered. I submit it was not considered. I was not referring to just that part of it.

Mr. RAYBURN. Not all of it, but two-thirds of it was, for the simple reason that the \$40 per person added up amounts to about \$3,200,000,000. The motion that I shall offer to raise the exemption from \$500 to \$700 is practically the same figure, so that bill relieved the small income-tax payer and took him out of the taxpaying bracket. This motion to recommit does the same thing. Further, is the motion that I shall make cruel to the corporations of the country? I do not think so. Every corporation in the country is given a \$50,000 exemption. That takes out of the excess-profits tax more than 300,000 corporations. In other words, it leaves only 22,000 corporations that will be compelled to pay excess-profits taxes. They get their \$50,000 exemption and then they get what is tantamount to 33½ percent reduction in what their excess-profits tax was during the wartime. So I do not think that is going to be so cruel, when I know that the President's budget will be cut very little; when I know that we are going to need money from some source to make up for that which we are going to lose by these exemptions, if we are going to pay one dollar on the national

debt. And no more calamitous thing could come to this country of yours and mine in the years that lie immediately before us if we do not make a substantial reduction in that national debt.

Our friends on the Republican side have always boasted they were sound money people. This money is not going to be sound. This dollar is not going to be worth 100 cents with this tremendous and staggering charge made against it. I want a sound dollar. I want a dollar that will buy as nearly 100 cents' worth of material as possible. I know that unless we make these payments that will not come true.

This bill ought to be sent back to the committee, and not in a hurry but in sound reason and on information they should bring in a bill that will reduce the taxes of those least able to pay, and make that up from those most able to pay. I have always been a disciple of this doctrine, that the way to make the country prosperous is to make the man at the base prosperous so that he would have buying power. That prosperity would go all the way up. It has been the theory of some people in this country for 75, yea, 100 years, that the way to make the country prosperous was to make the rich very rich, and that would trickle down to the common, ordinary man. It will not do it.

This motion to recommit ought to be adopted, because it has in it the safety of the finances of this Government.

Mr. Chairman, in order that the record may contain an explanation of the motion to recommit I insert the following statement and tables at this point in the RECORD:

The motion to recommit, offered under the rule, is the only opportunity of the minority affirmatively to record their views on the kind of tax bill most desirable at this time. The motion will provide for striking out everything in H. R. 4790 after the enacting clause, and inserting four principal provisions:

First. A \$200 per capita increase in personal exemptions;

Second. A modified excess-profits tax on corporations;

Third. Income splitting between husband and wife; and

Fourth. Estate splitting between husband and wife.

First, personal exemptions are increased from \$500 to \$700, which would remove nearly 10,000,000 of the neediest taxpayers from the rolls. The remaining 42,000,000 taxpayers will benefit in proportion to the maximum tax rate now paid by them.

There seems to be no doubt in the mind of anyone that present exemptions are too low. The \$500 per capita exemption was fixed by Congress in 1944, and under it individual income-tax payers have increased from 4,000,000 in 1939 to the present 52,000,000. Since 1944, however, over-all consumer prices have increased 31 percent, and food prices by nearly 50 percent. If the 1939 personal exemption were to be allowed to the average American family of four, the equivalent under today's prices would be nearly \$5,500. Actually, the exemption of a family of four is \$2,000. The \$200 in-

crease in exemptions therefore, is in accord with the views expressed by the President on several occasions that the millions of taxpayers with low incomes should have high priority for relief from their wartime tax burdens. Eighty-nine percent of the relief granted by this proposal would go to taxpayers with net incomes of less than \$5,000.

Second, to offset the \$3,250,000,000 lost from increasing personal exemptions, a moderate excess-profits tax would be imposed upon the 22,000 out of some 360,000 taxpaying corporations with the largest excess profits. The wartime excess-profits tax would be modified by increasing the wartime credits by 35 percent. In other words, a corporation would now be allowed to earn 35 percent more than during the war before being subjected to an excess-profits tax. Small corporations would be excused by a specific exemption of \$50,000, and the rate of tax on excess profits would be 75 percent, instead of 85 percent.

Accordingly, a most generous yardstick would be provided for determining whether profits are excessive. With corporate profits after taxes at a level 67 percent above the peak war year, 1943, the imposition of an excess-profits tax is an equitable way of granting some tax relief to those low-income people who are hardest pressed by the inflationary prices out of which the excessive profits are being earned.

Third, married couples, in whatever State they may reside, would be placed on an equal basis by being permitted to divide their income for tax purposes. It should not be necessary to change local property laws of long standing to obtain uniformity in Federal taxation. Yet several States recently have taken such steps, and others will do so if Congress does not act.

Despite the \$800,000,000 loss in revenue, and the fact that 97.5 percent of the relief goes to taxpayers above \$5,000, the elimination of this inequity should no longer be postponed.

Fourth, essentially the same principle would be applied to estate and gift taxes.

In contrast with H. R. 4790, the proposed amendment would maintain the revenue-producing capacity of the tax system at less than a billion dollars below present levels. This is basic, if we are to have a sound fiscal policy adequate to meet with safety and confidence our responsibilities, in the family of nations. Those who would recklessly cut taxes at the risk of deficit spending may, indeed, be endangering their country to enemies, both foreign and domestic, against whom they have sworn to protect and defend.

Tax relief for those whose need is greatest there should be. But this can be provided without a 6 to 7 billion dollar cut in revenues. The motion to recommit actually would give a greater tax reduction for the average American family of four earning up to \$4,150 than does H. R. 4790 in its present form.

In the interest both of the financial integrity of this great Nation, and of equity in the tax system, H. R. 4790 should be recommitment, as I shall propose at the proper time.

TABLE 1.—Comparison of amounts and effective rates of individual income tax under present law<sup>1</sup> and under proposal to increase the per capita exemption to \$700 and to adopt income splittingSINGLE PERSON<sup>2</sup>—NO DEPENDENTS

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	Proposal	Present law	Proposal				
\$600.....	19		3.2		\$19	3.2	100.0	3.3
\$800.....	57	\$19	7.1	2.4	38	4.8	66.7	5.1
\$1,000.....	95	57	9.5	5.7	38	3.8	40.0	4.2
\$1,200.....	133	65	11.1	7.9	38	3.2	28.6	3.6
\$1,500.....	190	152	12.7	10.1	38	2.5	20.0	2.9
\$2,000.....	285	247	14.3	12.4	38	1.9	13.3	2.2
\$2,500.....	380	342	15.2	13.7	38	1.5	10.0	1.8
\$3,000.....	485	443	16.2	14.8	42	1.4	8.6	1.7
\$4,000.....	694	652	17.3	16.3	42	1.1	6.0	1.3
\$5,000.....	922	872	18.4	17.4	49	1.0	5.4	1.2
\$6,000.....	1,169	1,119	19.5	18.7	49	.8	4.2	1.0
\$8,000.....	1,720	1,663	21.5	20.8	57	.7	3.3	.9
\$10,000.....	2,347	2,282	23.5	22.8	65	.7	2.8	.8
\$15,000.....	4,270	4,181	28.5	27.9	89	.6	2.1	.8
\$20,000.....	6,645	6,545	33.2	32.7	100	.5	1.5	.7
\$25,000.....	9,362	9,250	37.5	37.0	112	.5	1.2	.7
\$50,000.....	25,137	25,000	50.3	50.0	137	.3	.5	.5
\$75,000.....	43,477	43,323	58.0	57.8	154	.2	.4	.5
\$100,000.....	63,541	63,375	63.5	63.4	165	.2	.3	.5
\$250,000.....	191,772	191,599	76.7	76.6	173	.1	.1	.3
\$350,000.....	278,222	278,049	79.5	79.4	173	( <sup>3</sup> )	.1	.2
\$500,000.....	407,897	407,724	81.6	81.5	173	( <sup>3</sup> )	( <sup>3</sup> )	.2
\$750,000.....	624,022	623,849	83.2	83.2	173	( <sup>3</sup> )	( <sup>3</sup> )	.1
\$1,000,000.....	840,147	839,974	84.0	84.0	173	( <sup>3</sup> )	( <sup>3</sup> )	.1
\$5,000,000.....	\$4,275,000	\$4,275,000	85.5	85.5				

<sup>1</sup> Internal Revenue Code, as amended by the Revenue Act of 1945.<sup>2</sup> Single persons would obtain no benefit under the income-splitting provision.<sup>3</sup> Taking into account maximum effective rate limitation of 85.5 percent.<sup>4</sup> Less than 0.05 percent.TABLE 2.—Comparison of amounts and effective rates of individual income tax under present law<sup>1</sup> and under proposal to increase the per capita exemption to \$700 and to adopt income splittingMARRIED PERSON<sup>2</sup>—NO DEPENDENTS

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	Proposal	Present law	Proposal				
			Percent	Percent		Percent	Percent	Percent
\$1,400.....	\$76	0	5.4	0	\$76	5.4	100.0	5.7
\$1,500.....	95	\$19	6.3	1.3	76	5.1	80.0	5.4
\$2,000.....	190	114	9.5	5.7	76	3.8	40.0	4.2
\$2,500.....	285	209	11.4	8.4	76	3.0	26.7	3.4
\$3,000.....	380	304	12.7	10.1	76	2.5	20.0	2.9
\$4,000.....	589	494	14.7	12.4	95	2.4	16.1	2.8
\$5,000.....	798	684	16.0	13.7	114	2.3	14.3	2.7
\$6,000.....	1,045	885	17.4	14.8	160	2.7	15.3	3.2
\$8,000.....	1,577	1,303	19.7	16.3	274	3.4	17.3	4.3
\$10,000.....	2,185	1,744	21.9	17.4	441	4.4	20.2	5.6
\$15,000.....	4,047	3,040	27.0	20.3	1,007	6.7	24.9	9.2
\$20,000.....	6,394	4,564	32.0	22.8	1,830	9.2	28.6	13.4
\$25,000.....	9,082	6,316	36.3	25.3	2,766	11.1	30.5	17.4
\$50,000.....	24,795	18,500	49.6	37.0	6,295	12.6	25.4	25.0
\$75,000.....	43,092	33,402	57.5	44.5	9,690	12.9	22.5	30.4
\$100,000.....	63,128	50,000	63.1	50.0	13,127	13.1	20.8	35.6
\$250,000.....	191,340	168,999	76.5	67.6	22,340	8.9	11.7	38.1
\$350,000.....	277,790	254,011	79.4	72.6	23,779	6.8	8.6	32.9
\$500,000.....	407,465	383,198	81.5	76.6	24,267	4.9	6.0	26.2
\$750,000.....	623,590	599,323	83.1	79.9	24,267	3.2	3.9	19.2
\$1,000,000.....	839,715	815,448	84.0	81.5	24,267	2.4	2.9	15.1
\$5,000,000.....	14,275,000	4,273,448	85.5	85.5	1,552	( <sup>3</sup> )	( <sup>3</sup> )	.2

<sup>1</sup> Internal Revenue Code, as amended by the Revenue Act of 1945.<sup>2</sup> Assumes only 1 spouse has income.<sup>3</sup> Taking into account maximum effective rate limitation of 85.5 percent.<sup>4</sup> Less than 0.05 percent.TABLE 3.—Comparison of amounts and effective rates of individual income tax under present law<sup>1</sup> and under proposal to increase the per capita exemption to \$700 and to adopt income splittingMARRIED PERSON<sup>2</sup>—2 DEPENDENTS

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	Proposal	Present law	Proposal				
			<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
\$2,800	\$152	0	5.4	0	\$152	5.4	100.0	5.7
\$3,000	190	\$38	6.3	1.3	152	5.1	80.0	5.4
\$4,000	380	228	9.5	5.7	152	3.8	40.0	4.2
\$5,000	589	418	11.8	8.4	171	3.4	29.0	3.9
\$6,000	798	608	13.3	10.1	190	3.2	23.8	3.7
\$8,000	1,292	1,011	16.2	12.6	281	3.5	21.8	4.2
\$10,000	1,862	1,429	18.6	14.3	433	4.3	23.3	5.3
\$15,000	3,639	2,641	24.3	17.6	998	6.7	27.4	8.8
\$20,000	5,890	4,112	29.5	20.6	1,778	8.9	30.2	12.6
\$25,000	8,522	5,810	34.1	23.2	2,711	10.8	31.8	16.5
\$50,000	24,111	17,716	48.2	35.4	6,395	12.8	26.5	24.7
\$75,000	42,323	32,538	56.4	43.4	9,785	13.1	23.1	29.9
\$100,000	62,301	49,043	62.3	49.0	13,258	13.3	21.3	35.2
\$250,000	190,475	167,816	76.2	67.1	22,659	9.1	11.9	38.1
\$350,000	276,925	252,814	79.1	72.2	24,111	6.9	8.7	33.0
\$500,000	406,600	381,987	81.3	76.4	24,613	4.9	6.1	26.4
\$750,000	622,725	598,112	83.0	79.7	24,613	3.3	4.0	19.3
\$1,000,000	838,850	814,237	83.9	81.4	24,613	2.5	2.9	15.3
\$5,000,000	\$4,275,000	\$4,272,237	85.5	85.4	2,763	.1	.1	.4

<sup>1</sup> Internal Revenue Code, as amended by the Revenue Act of 1945.<sup>2</sup> Assumes only 1 spouse has income.<sup>3</sup> Taking into account maximum effective rate limitation of 85.5 percent.



TABLE 4.—Comparison of amounts of individual income tax under present law and under proposal to increase the per capita exemption to \$700 and to adopt income splitting under H. R. 4790 and under H. R. 4968

SINGLE PERSON—NO DEPENDENTS				
Net income before personal exemption	Present law	Tax reduction		
		H. R. 4790	\$40 per capita tax credit	\$700 exemption and income splitting
\$600.....	\$19	\$19	\$19	\$19
\$800.....	57	30	40	38
\$1,000.....	95	42	40	38
\$1,200.....	133	53	40	38
\$1,500.....	190	70	40	38
\$2,000.....	285	72	40	38
\$2,500.....	380	91	40	38
\$3,000.....	485	114	40	42
\$4,000.....	694	155	40	42
\$5,000.....	922	194	40	49
\$6,000.....	1,169	219	40	49
\$8,000.....	1,720	277	40	57
\$10,000.....	2,347	344	40	65
\$15,000.....	4,270	547	40	89
\$20,000.....	6,645	790	40	100
\$25,000.....	9,362	1,066	40	112
\$50,000.....	25,137	2,655	40	137
\$75,000.....	43,477	4,497	40	154
\$100,000.....	63,541	6,508	40	165
\$250,000.....	191,772	19,335	40	173
\$350,000.....	278,222	27,980	40	173
\$500,000.....	407,897	40,947	40	173
\$750,000.....	624,022	62,560	40	173
\$1,000,000.....	840,147	84,172	40	173

TABLE 5.—Comparison of amounts of individual income tax under present law and under proposal to increase the per capita exemption to \$700 and to adopt income splitting under H. R. 4790 and under H. R. 4968

MARRIED PERSON—NO DEPENDENTS				
Net income before personal exemption	Present law	Tax reduction		
		H. R. 4790	\$40 per capita tax credit	\$700 exemption and income splitting
\$1,200.....	\$76	\$38	\$38	\$38
\$1,500.....	95	55	80	76
\$2,000.....	190	84	80	76
\$2,500.....	285	112	80	76
\$3,000.....	380	141	80	76
\$4,000.....	589	163	80	95
\$5,000.....	798	220	80	114
\$6,000.....	1,045	303	80	160
\$8,000.....	1,577	501	80	274
\$10,000.....	2,185	730	80	441
\$15,000.....	4,047	1,419	80	1,007
\$20,000.....	6,394	2,388	80	1,830
\$25,000.....	9,082	3,493	80	2,766
\$50,000.....	24,795	8,203	80	6,295
\$75,000.....	43,062	13,079	80	9,690
\$100,000.....	63,128	18,164	80	13,127
\$250,000.....	191,340	39,248	80	22,340
\$350,000.....	277,790	49,185	80	23,779
\$500,000.....	407,465	62,591	80	24,267
\$750,000.....	623,590	84,203	80	24,267
\$1,000,000.....	839,715	105,816	80	24,267

TABLE 6.—Comparison of amounts of individual income tax under present law and under proposal to increase the per capita exemption to \$700 and to adopt income splitting under H. R. 4790 and under H. R. 4968

MARRIED PERSON—2 DEPENDENTS				
Net income before personal exemption	Present law	Tax reduction		
		H. R. 4790	\$40 per capita tax credit	\$700 exemption and income splitting
\$2,400.....	\$76	\$76	\$76	\$76
\$2,800.....	152	76	152	152
\$3,000.....	190	110	160	152
\$4,000.....	380	167	160	152

TABLE 6—Continued  
MARRIED PERSONS—2 DEPENDENTS

Net income before personal exemption	Present law	Tax reduction		
		H. R. 4790	\$40 per capita tax credit	\$700 exemption and income splitting
\$5,000.....	\$589	\$203	\$160	\$171
\$6,000.....	798	251	160	190
\$8,000.....	1,292	416	160	281
\$10,000.....	1,862	632	160	433
\$15,000.....	3,639	1,319	160	998
\$20,000.....	5,890	2,233	160	1,778
\$25,000.....	8,522	3,322	160	2,711
\$50,000.....	24,111	8,125	160	6,395
\$75,000.....	42,323	12,976	160	9,785
\$100,000.....	62,301	18,076	160	13,258
\$250,000.....	190,475	39,296	160	22,659
\$350,000.....	276,925	49,244	160	24,111
\$500,000.....	405,600	62,660	160	24,613
\$750,000.....	622,725	84,272	160	24,613
\$1,000,000.....	838,850	105,885	160	24,613

The CHAIRMAN. The time of the gentleman from Texas [Mr. RAYBURN] has expired.

Mr. KNUTSON. Mr. Chairman, I yield the remainder of my time to the distinguished Speaker of the House the gentleman from Massachusetts [Mr. MARTIN].

The CHAIRMAN. The gentleman from Massachusetts is recognized for 13 minutes.

Mr. MARTIN of Massachusetts. Mr. Chairman, I have listened with great interest to my able, distinguished, and good friend, the former Speaker of the House. I want to congratulate him. I think he has done a marvelous job of presentation with little to work with. Naturally, he does not like this bill as reported out of the committee, but I must remind him that the distinguished member of the Ways and Means Committee, who has graced the head of that committee for so many years the gentleman from North Carolina, Hon. ROBERT DOUGHTON, is strongly opposed to his substitute measure.

The minority leader is afraid that this will not permit us to balance the budget and commence what is the necessary job of reducing that heavy tax burden which bears heavily upon the people.

I was very sorry to hear him say that the President's budget of \$40,000,000,000 could not be cut. Think of that, Mr. Chairman. That is discouraging to me because if there is one job that the people of this country are looking to this Congress to do it is to cut expenditures. This country cannot continue for many years to pay these wartime taxes. The only way that expenditures can be cut is to do it in the House, and I had hoped that that effort would not be partisan. I hoped it would be essentially a non-partisan effort; yes, an American effort, to put this country back on a sound and solvent basis. And I am sorry, too, that an effort is being made to inject politics into the discussion of this tax bill. That should not be the case, for the Democrats want tax relief just as much as the Republicans do. When we write a tax bill on the books it affects all people regardless of their politics.

Now, what is the motion to recommit? As the distinguished tax expert from North Carolina has said, this tax bill

which is represented in the motion to recommit has actually had 1 hour of study in a little back-room conference. No man has had a chance to go to the great Committee on Ways and Means and tell how this bill represented by the motion to recommit would affect his business or his affairs.

It was only a short time ago that the President said it would be necessary to keep this country on an expanding basis to the end that we might get the greater production which is so essential not only to supply the needs of our own people but also those in the devastated countries abroad. Further than that it is necessary to keep down high prices. He estimated that \$50,000,000,000 was needed for that purpose. Mr. Chairman, in all seriousness, let me ask where that money is coming from if we increase the taxes of the very people who must provide the capital for expansion of plants. We must have the expansion to take care of the increased production which is the final cure for high costs.

I repeat this is no time for narrow partisanship. This is a measure which interests all of our people.

Some mention was made in the debate to the effect that this motion to recommit would be of greater benefit to the little fellow than the pending bill. What are the facts? The facts are that the motion to recommit will only give 70-percent reduction for the income taxpayers in the group below \$5,000, whereas in the bill reported by the Ways and Means Committee the reduction to that same group amounts to 71.5 percent. It looks as though the little fellow was well considered by the committee and certainly better than in the motion to recommit.

Mr. Chairman, let me say to the membership of the House that this tax bill represents another and perhaps the final effort this year to give the American people relief from wartime taxes. Reduced taxes are essential to any real effort to reduce high prices and bring down living costs. The facts are that 20 percent of the cost of food and goods is represented by taxes. That is why it is so essential that we reduce taxes. It is because of taxes that living costs bear so heavily upon the workers of the country. They are demanding this relief. The most effective way to give this relief is to cut down their taxes so they may have a larger take-home pay and meet these high prices of today. This is just as effective to them as a pay increase and it will be still better because it will bring lower prices through the stimulation of production.

Few tax-reduction bills have ever come to our American Congress that give greater tax relief to the workers and small-salaried people than the pending bill. Furthermore, the worker and the low-salaried person will materially benefit by the stimulation this tax reduction will give to production by providing an incentive for work and expansion. Increased production means more goods and more food. It will stimulate the fight against scarcity and through a greater quantity and better quality of goods and food bring about a lowering of

prices and a great gain to everybody. Six million people will be removed from the taxpaying list. Those people will not be required to pay a single dollar of the cost of the Government. The aged and the blind, the most needy of our population, are given a preferential reduction. These are the real needy people of our country. They, above everyone else, need relief from taxes. What they will save in this tax bill might give them the chance to have a little more food to sustain life and perhaps a few more of the luxuries that the American people like to enjoy.

The leadership of this House has a definite program. We must cut the cost of government. No country can indefinitely bear a burden of \$40,000,000,000 a year for the operation of the Government. We must keep the budget balanced. We have at last balanced it after 15 years and of necessity we must keep it balanced if this country is going forward to even greater heights. I am one of those who believe we are going forward to better days and a finer civilization than we ever enjoyed before. Let us do our part to build for the future.

We must continue to pay annual installments on the national debt because that is essential. We have made a payment this year and we will make a payment in the coming year. These debt payments are essential to our economic plan to maintain the country's solvency and to plan for a brighter and a better tomorrow. We must continue annual reductions on the national debt. These objectives can and will be achieved. They should not be partisan but should be supported by everyone who wants to restore security and sanity in our Government.

The pending tax bill is the initial step in this sound program. It is the initial step in tax reduction which the American people are demanding. I trust that this bill will pass the House by an overwhelming vote that will embrace not the membership of one party but all Members who realize the American people want tax relief and want an opportunity to have a little more take-home pay so that they can better meet these high prices.

I plead in the interest of orderly government, because, as the gentleman from North Carolina so well said, tax bills cannot be written on the floor of the House. They too seriously enter into the life of every business and every individual in this country to pass with 1 hour's consideration. I therefore ask you to vote down the motion to recommit. Pass this bill, send it to the Senate, and before the Eightieth Congress ends we will give the American people what they are demanding; relief from the high, burdensome, wartime taxes.

The CHAIRMAN. All time has expired. Under the rule, the bill is considered as having been read for amendment. The Clerk will report the first committee amendment.

The Clerk read as follows:

Page 3, strike out lines 1 and 2, and insert:  
 "(2) In no event shall the combined normal tax and surtax exceed 77 percent of the net income."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 6, line 18, strike out the remainder of the line after the word "year" and all of line 19, with the exception of the word "and."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 6, line 22, strike out the words "and has", all of line 23, and all of line 24 down to the word "and."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 9, line 14, strike out the word "either."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 9, line 15, strike out the words "or an", all of line 16, down to and including the word "blind)" in line 17.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 9, line 21, insert the following:  
 "(C) One additional exemption for himself if, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable an exemption under section 25 (b) (1) (C) (i) (relating to the blind) for the taxable year under Chapter 1 in respect of which amounts deducted and withheld under this subchapter in the calendar year in which such day falls are allowed as a credit."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 10, line 6, strike out "(C)" and insert "(D)."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 10, line 9, strike out "(A) or (B)" and insert "(A), (B), or (C)."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 10, line 13, strike out "(D)" and insert "(E)."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 19, line 2, after "(4)" insert "of the Internal Revenue Code."

The committee amendment was agreed to.

The CHAIRMAN. Are there any further committee amendments?

Mr. SIMPSON of Pennsylvania. Mr. Chairman, by direction of the Committee on Ways and Means, I offer the following committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. SIMPSON of Pennsylvania:

Page 18, line 3, strike out "and gift tax."

Page 18, after line 3, insert a new heading to read as follows:

"Subpart 1—Repeal of 1942 Community Property Amendments"

Page 18, line 4, strike out "Estate tax—."

Page 18, line 11, strike out "Estate tax—."

Page 18, line 23, strike out "Estate tax—."

Page 19, after line 4, insert the following:

"Subpart 2—Marital Deduction for Bequests, Etc., to Spouse"

"Sec. 361. Marital Deduction"

"(a) Section 812 of the Internal Revenue Code (relating to deductions in computing net estate in the case of a citizen or resident of the United States) is hereby amended by adding at the end thereof a new subsection to read as follows:

"(e) Bequests, etc., to surviving spouse:

"(1) Allowance of marital deduction:

"(A) In general: An amount equal to the value of any interest in property passing from the decedent to his surviving spouse, but only to the extent that such interest is included in determining the value of the gross estate.

"(B) Life Estate or Other Terminable Interest: Where, upon the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur, such interest passing to the surviving spouse will terminate or fail, no deduction shall be allowed with respect to such interest—

"(i) if an interest in such property passes or has passed (for less than an adequate and full consideration in money or money's worth) from the decedent to any person other than such surviving spouse; and

"(ii) if by reason of such passing such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest so passing to the surviving spouse.

"(C) Interest of spouse conditioned on survival for limited period: For the purposes of subparagraph (B) an interest passing to the surviving spouse shall not be considered as an interest which will terminate or fail upon the death of such spouse if—

"(i) such death will cause a termination or failure of such interest only if it occurs within a period (not exceeding 6 months) after the decedent's death; and

"(ii) such spouse in fact does not die before the expiration of such period.

"(D) Interest of surviving spouse reduced by reason of estate, etc., Taxes: In determining for the purposes of subparagraph (A) the value of any interest in property passing to the surviving spouse there shall be taken into account the effect which a tax imposed by this chapter, or any estate, succession, legacy, or inheritance tax, has upon the net value to the surviving spouse of such interest.

"(E) Trust with power of appointment in surviving spouse: In the case of an interest in property passing from the decedent to a trust, if the trust will terminate upon the death of the surviving spouse of the decedent, and if under the terms of the trust such spouse is entitled for her life to all the income from the corpus of the trust, payable annually or at more frequent intervals, with the power to appoint by will the entire corpus to her estate, and with no power in herself



or any other person to appoint or invade any part of the corpus during her life—

“(i) the interest so passing shall, for the purposes of subparagraph (A), be considered as passing to the surviving spouse, and

“(ii) no part of the interest so passing shall, for the purposes of subparagraph (B) (1), be considered as passing to any person other than the surviving spouse.”

This subparagraph shall be applicable only if, under the terms of the trust, such power to appoint by will is exercisable in all events.

“(F) Limitation on aggregate of deduction: The aggregate amount of the deductions allowed under this paragraph (computed without regard to this subparagraph) shall not exceed 50 percent of the value of the adjusted gross estate, as defined in paragraph (2).

“(2) Computation of adjusted gross estate:

“(A) General rule: Except as provided in subparagraph (B) of this paragraph, the adjusted gross estate shall, for the purposes of paragraph (1) (F), be computed by subtracting from the entire value of the gross estate the aggregate amount of the deductions allowed by subsection (b) of this section.

“(B) Special rule in cases involving community property: If the decedent and his surviving spouse at any time held property as community property under the law of any State, Territory, or possession of the United States, or of any foreign country, then the adjusted gross estate shall, for the purposes of paragraph (1) (F), be determined by subtracting from the entire value of the gross estate the sum of:

“(i) the value of property which is at the time of the death of the decedent held as such community property; and

“(ii) the value of property transferred by the decedent during his life, if at the time of such transfer the property was held as such community property; and

“(iii) the amount receivable as insurance under policies upon the life of the decedent to the extent purchased with premiums or other consideration paid out of property held as such community property; and

“(iv) an amount which bears the same ratio to the aggregate of the deductions allowed under subsection (b) of this section which the value of the property included in the gross estate, diminished by the amount subtracted under clauses (i), (ii), and (iii) of this subparagraph bears to the entire value of the gross estate.

For the purposes of clauses (i), (ii), and (iii), property shall be considered as “held as such community property” if it was at any time acquired by the decedent (by one exchange or by a series of exchanges) in exchange for his interest in property held as such community property. The amount to be subtracted under clause (i), (ii), or (iii) shall not exceed the value of the interest in the property described therein which is included in determining the value of the gross estate.

“(3) Definition: For the purpose of this subsection an interest in property shall be considered as passing from the decedent to any person if and only if—

“(A) such interest is bequeathed or devised to such person by the decedent; or

“(B) such interest is inherited by such person from the decedent; or

“(C) such interest is the dower or courtesy interest (or statutory interest in lieu thereof) of such person as surviving spouse of the decedent; or

“(D) such interest has been transferred to such person by the decedent at any time; or

“(E) such interest was, at the time of the decedent's death, held by such person and the decedent (or by them and any other person) in joint ownership with right of survivorship; or

“(F) the decedent had a power (either alone or in conjunction with any person) to appoint such interest and if he appoints or has appointed such interest to such person, or if such person takes such interest in default upon the release or nonexercise of such power; or

“(G) such interest consists of proceeds of insurance upon the life of the decedent.”

“(b) The amendment made by subsection (a) of this section shall be applicable only with respect to estates of decedents dying after the date of the enactment of this act.

#### “SEC. 362. Property Previously Taxed

“(a) Section 812 (c) of the Internal Revenue Code (relating to the deduction for property previously taxed) is hereby amended by adding after the first paragraph a new paragraph to read as follows:

“The following property shall not, for the purposes of this subsection, be considered as property with respect to which a deduction may be allowed: (A) property received from a prior decedent who died after the date of the enactment of the Revenue Act of 1948 and was at the time of such death the decedent's spouse, (B) property received by gift after such date from a donor who at the time of the gift was the decedent's spouse, and (C) property acquired in exchange for property described in clause (A) or (B).”

“(b) Section 812 (c) is further amended by striking out ‘subsections (a) and (d)’ and inserting in lieu thereof ‘subsections (a), (d), and (e).’

#### PART III—GIFT TAX

Page 19, line 5, strike out “354. Gift Tax—” and insert in lieu thereof the following: “371.”

Page 19, after line 11, insert the following:

#### “SEC. 372. Marital Deduction

“Section 1004 (a) of the Internal Revenue Code (relating to deductions in computing net gifts in the case of a citizen or resident of the United States) is hereby amended by adding at the end thereof a new paragraph to read as follows:

“(3) Gift to spouse:

“(A) In general: Where the donor transfers during the calendar year (and after the date of the enactment of the Revenue Act of 1948) by gift an interest in property to a donee who at the time of the gift is the donor's spouse—an amount with respect to such interest equal to one-half of its value.

“(B) Life estate or other terminable interest: Where, upon the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur, such interest transferred to the spouse will terminate or fail, no deduction shall be allowed with respect to such interest—

“(i) if the donor retains in himself, or transfers or has transferred (for less than an adequate and full consideration in money or money's worth) to any person other than such donee spouse, an interest in such property, and if by reason of such retention or transfer the donor (or his heirs or assigns) or such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest transferred to the donee spouse; or

“(ii) if the donor immediately after the transfer to the donee spouse has a power to appoint an interest in such property which he can exercise (either alone or in conjunction with any person) in such manner that the appointee may possess or enjoy any part of such property after such termination or failure of the interest transferred to the donee spouse. For the purposes of this clause the donor shall be considered as having immediately after the transfer to the donee spouse such power to appoint even though such power cannot be exercised until after the lapse of time, upon the occurrence

of an event or contingency, or upon the failure of an event or contingency to occur.

An exercise or release at any time by the donor, either alone or in conjunction with any person, of a power to appoint an interest in property; even though not otherwise a transfer, shall, for the purposes of clause (i) of this subparagraph, be considered as a transfer by him.

“(C) Joint interests: If the interest is transferred to the donee spouse as sole joint tenant with the donor or as tenant by the entirety, the interest of the donor in the property which exists solely by reason of the possibility that the donor may survive the donee spouse, or that there may occur a severance of the tenancy, shall not be considered for the purposes of subparagraph (B) as an interest retained by the donor in himself.

“(D) Trust with power of appointment in donee spouse: Where the donor transfers in trust an interest in property, and the trust will terminate upon the death of his spouse, and under the terms of the trust his spouse is entitled for her life to all the income from the corpus of the trust, payable annually or at more frequent intervals, with the power to appoint by will the entire corpus to her estate, and with no power in herself or any other person to appoint or invade any part of the corpus during her life—

“(i) the interest so transferred in trust shall, for the purposes of subparagraph (A), be considered as transferred to the donee spouse, and

“(ii) no part of the interest so transferred in trust shall, for the purposes of subparagraph (B) (1), be considered as retained in the donor or transferred to any person other than the donee spouse.

This subparagraph shall be applicable only if, under the terms of the trust, such power to appoint by will is exercisable in all events.

“(E) Community property: A deduction otherwise allowable under this paragraph shall be allowed only to the extent the transfer can be shown to represent a gift of property which does not fall within either of the two following classes:

“(i) Property which is, at the time of the gift, held as community property under the law of any State, Territory, or possession of the United States, or of any foreign country; or

“(ii) Property which, although not so held, was at any time acquired by the donor (by one exchange or by a series of exchanges) in exchange for his interest in property held by him and the donee spouse as community property.”

#### “SEC. 373. Technical Amendment

“Section 1004 (c) of the Internal Revenue Code is hereby amended to read as follows:

“(c) Extent of deductions: The deductions provided in subsection (a) (2) or (3) or in subsection (b) shall be allowed only to the extent that the gifts therein specified are included in the amount of gifts against which such deductions are applied.”

#### “SEC. 374. Gift of Husband or Wife to Third Party

“Section 1000 of the Internal Revenue Code (relating to imposition of gift tax) is hereby amended by adding at the end thereof a new subsection to read as follows:

“(f) Gift of husband or wife to third party:

“(1) Considered as made one-half by each:

“(A) In general: A gift made after the date of the enactment of the Revenue Act of 1948 by one spouse to any person other than his spouse shall, for the purposes of this chapter, be considered as made one-half by him and one-half by his spouse, but only if at the time of the gift each spouse is a

citizen or resident of the United States. For the purposes of this subsection an individual shall be considered as the spouse of another individual only if he is married to such individual at the time of the gift and does not remarry during the remainder of the calendar year.

"(B) Consent of both spouses: Subparagraph (A) shall be applicable only if both spouses have signified (in accordance with the regulations provided for in paragraph (2)) their consent to the application of subparagraph (A) in the case of all such gifts made during the calendar year by either while married to the other.

"(2) Time and manner of signifying consent: A consent under this subsection shall be signified at such time and in such manner as is provided under regulations prescribed by the Commissioner with the approval of the Secretary. The right to consent, and the right to revoke a consent previously signified, with respect to a calendar year, shall not exist on any day if a return for such year of one spouse (required otherwise than by reason of the application of paragraph (1)) filed on such day would be a return not timely filed.

"(3) Joint and several liability for tax: If the consent required by paragraph (1) (B) is signified with respect to a gift made in any calendar year the liability with respect to the entire tax imposed by this chapter of each spouse for such year shall be joint and several."

"Page 2, strike out the heading 'Part II—Estate tax and gift tax' and the five following lines in the table of contents, and in lieu thereof insert the following:

"PART II—ESTATE TAX

"SUBPART 1—REPEAL OF 1942 COMMUNITY PROPERTY AMENDMENTS

"Sec. 351. Transfers of community property in contemplation of death, etc.

"Sec. 352. Joint and community interests.

"Sec. 353. Proceeds of life insurance.

"SUBPART 2—MARITAL DEDUCTION FOR BEQUESTS, ETC., TO SPOUSE

"Sec. 361. Marital deduction.

"Sec. 362. Property previously taxed.

"PART III—GIFT TAX

"Sec. 371. Gifts of community property.

"Sec. 372. Marital deduction.

"Sec. 373. Technical amendment.

"Sec. 374. Gift of husband or wife to third party."

Mr. SABATH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. SABATH. Mr. Chairman, in view of the fact that under the gag rule the bill was not read and further in view of the fact that no one outside of the members of the Committee on Ways and Means knows anything about these amendments, I ask whether it would not be proper that these amendments which change the bill in many respects should not be explained to the membership so that they can vote intelligently knowing what the amendments are.

The CHAIRMAN. The Chair will state that under the rule, proponents of the amendment are entitled to 5 minutes and the opponents to 5 minutes. The Chair recognizes the gentleman from Pennsylvania [Mr. SIMPSON]

Mr. SIMPSON of Pennsylvania. Mr. Chairman, the committee amendment is necessary in view of the provision in the bill as reported which repeals the community-property amendments made in 1942 to the estate- and gift-tax law.

The amendment provides rules whereby in many ordinary situations the same estate tax or gift tax will result whether the taxpayer is a resident of a community-property State or of a common-law State. It is not possible to have complete equalization, however, because of the differences in the systems of property law with which we are dealing.

The benefits of the amendment extend not only to residents of the common-law States but also to residents of the community-property States with respect to their separate property (not acquired in exchange for community property).

Under the amendment if a husband in any State gives his separate property to his wife, one-half of the value of the property is deducted and only the balance is subject to the gift tax.

The principle of splitting is also applied to the estate tax. The method under the estate tax, however, is to allow a deduction for all the property in the husband's gross estate passing to the surviving spouse—but with the limitation, that the deduction shall not exceed 50 percent of the husband's gross estate reduced by funeral expenses, debts, and other claims against the estate. Thus, under the amendment, if a husband leaves all his property to his wife a deduction is allowed for one-half of the value of the estate less claims.

The deduction provided under the amendment, in the case of the gift tax, is not allowed for community property (and property acquired in exchange for community property). This is because title to one-half of the community property is already in the wife and under the bill as reported the donor will be taxed on only the one-half of the property as to which he has title. Double benefits from the community property system are similarly prevented in the application of the amendment to the estate tax.

The deductions provided for under the amendment also do not apply to interests in property which are terminable interests, such as life estates. Thus, a deduction will not be allowed under the amendment if the only interest given a spouse is in property in which the husband also gives or has given an interest to someone else who may possess or enjoy the property after the wife. However, if the only interest the husband had in the property is a terminable interest, such as a lease, and he gives his wife his entire interest in the property, then the deduction is permitted. The deduction is also permitted if the husband transfers his entire interest in property by way of gift into a tenancy by the entirety or a joint tenancy with his wife.

The amendment applies the splitting principle to gifts made by a husband or wife to a third party. It treats a gift made by either spouse to a third party as if the gift were made one-half by the husband and one-half by the wife. The husband and wife will have the opportunity to obtain or refuse this treatment each year with respect to gifts made in such year. If the option is effectively exercised, however, the gift-splitting treatment irrevocably applies to all gifts to third parties made in the calendar

year for which the option was exercised. If the husband and wife choose to have the gifts to the third parties so treated, then they will be jointly and severally liable for the entire gift tax of each for the calendar year for which they chose this treatment.

The amendment also has a provision applying to the following situation: Under existing law, if a husband gives or bequeaths property to his wife and she dies within 5 years, a deduction is allowed her estate for the property acquired from her husband. The application of the splitting principle makes this deduction no longer necessary and the amendment disallows it.

Mr. COMBS. Mr. Chairman, I rise in opposition to the amendment.

Of course, it is utterly impossible to take a complicated amendment such as the one before us, which none of us knows anything about except as we have just heard it read and even that not in connection with the reading of the bill and its many provisions, and explain the amendment.

I want to express opposition to it and take this opportunity to point out something about the community-property law that seems to be utterly beyond the grasp of people who live in the common-law States. Perhaps we are as ignorant of your common law, except we lawyers who have had occasion to study it, as you are of our community-property law.

There are slurring remarks in the committee report and repeated suggestions that we of the community-property States have invented some kind of a system to beat taxes. Nothing could be further from the truth. The State of Texas, for example, adopted the community-property system by its first constitution as a Republic, in 1836. We think it is one of the greatest stabilizing influences on our homes that a State can have.

You may not agree, but I will point out that we have no such thing as alimony in Texas. Instead the community property of a divorced couple is divided equally. There is no payment of alimony by a divorced husband to a divorced wife, and therefore no divorce "racket" in my State.

Again in Texas—I am using that as an example because I am so familiar with its system—there is not the slightest inducement offered for a marriage of "convenience." Here you are fixing to put into a bill a standing reward for glamor "gal's" sugar-daddy racket. This is so because in your common-law States the husband and wife may divide the income into two equal parts—thus putting the income into a lower tax bracket even though the husband owns all of it. Consequently, the wealthy man in your States can greatly reduce his income tax by paying a lower rate on half the income he owns. Therefore, a rich, single man in your State can, under the provision of this bill, arrange a marriage of convenience and cheat the American Treasury out of many thousands of dollars with comparatively little risk or expense and he still owns the entire income. This, generally, is the effect of the provision in the original bill which



provides for split-income returns in the common-law States.

But here is what I want to say about the gentleman's amendment. If it means what I think it does, it would deprive the married citizens of my State, and every other community-property State, of half the benefit of the provision which repeals the iniquitous and discriminatory estate-tax law of 1942. The effect of that law is to require a surviving wife to pay an estate tax on her one-half interest which she already owned as well as on the one-half she inherits from the husband. Now the committee amendment offered by the gentleman from Pennsylvania contains a number of provisions which, as I understand them, from hearing them read is like the "fine print" in some contracts. They would take away most, if not all, of the benefits the community-property States would obtain by repeal of the act of 1942, and thus perpetuate most of its bad features. Time will not permit me to even point out the specific provisions of the proposed amendment which will have such effect but I affirm that such will be the result.

Why? Because the amendment overlooks or ignores the simple fact that in Texas and other community-property States neither the husband or the wife has any power to dispose of the other spouse's half interest in the community estate by will.

In Texas the wife has the same freedom to will her property to whomsoever she pleases as the husband has. If she dies intestate her one-half of the community property passes to her heirs in accordance with the statute of descendant and distribution, just as the husband's one-half passes to his heirs under similar circumstances. We have considered our community-property law so sacred and the State courts for a hundred years have guarded it so carefully that the husband or wife by contract before marriage or afterward can by no device change the community-property status of the common holdings of the couple. Why is it that the States that have recently adopted the system are in the West? Because they are out there close by the community-property States and have seen the benefit of such a law.

If you people in the other States feel you are discriminated against, you can get the community-property privilege on taxation, if you wish it, just like we got it, by giving your wives a just half interest in the common earnings of the marriage. Texas was settled by pioneer people. Wives joined their husbands in reclaiming the land from the forests and building the cabins that became the homes of American families. In your common-law State the wife has only the dower right in the husband's real estate. She acquires no title to personal property, including income, except such income as she may get out and earn. This law originated in England hundreds of years ago, when wives were denied the right to own property and the husband had the legal right to whip his wife. In the community-property State we feel that the husband and wife are partners—each in his and her own way making an equal contribution toward the

family income. We conceive this truth to be self-evident, that a woman who performs her function as the wife in the home justly earns her one-half and we give it to her beyond question. That is the theory of our community-property law. Furthermore, even if our wives did not work at all, they would still be entitled to 50 percent for putting up with us. On second thought, I had better amend that. I am sorry I said it. On that basis some of our wives would be entitled to 90 percent.

Frankly, this amendment is too complicated a matter for us to consider so shortly. If it does what I think it does, it penalizes the people of the 12 community-property States of this Nation because they have seen fit to recognize the just rights of their wives.

I am "agin" it.

The CHAIRMAN. The time of the gentleman from Texas has expired. All time has expired on this amendment.

The question is on the amendment offered by the gentleman from Pennsylvania [Mr. SIMPSON].

The question was taken, and the Chair announced that the ayes had it.

Mr. DINGELL. Mr. Chairman, I ask for a division.

Mr. KNUTSON. Mr. Chairman, the request comes too late.

Mr. DINGELL. No; it does not come too late. Let the Chair rule on that.

The CHAIRMAN. Was the gentleman on his feet when he made the request?

Mr. RAYBURN. Mr. Chairman, we have always been very liberal in the House about the matter of votes or whether Members were on their feet. We have always been very liberal in the matter of allowing division votes. As far as I am concerned I do not care anything about it.

The CHAIRMAN. If there is any doubt in the minds of the membership the Chair will resolve the doubt in favor of the gentleman from Michigan.

The question was taken; and there were—ayes 202, noes 37.

So the committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. HOEVEN, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 4790) to reduce the individual income-tax payments, and for other purposes, pursuant to House Resolution 450, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. RAYBURN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. RAYBURN. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. RAYBURN moves to recommit the bill H. R. 4790 to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment: Strike out all after the enacting clause and insert the following:

"That this act may be cited as the 'Tax Adjustment Act of 1948.'"

#### "TITLE I—INCOME TAX ADJUSTMENTS"

"SEC. 101. Increase in Personal Exemptions

"Section 25 (b) (1) of the Internal Revenue Code (relating to credits of individuals against net income) is hereby amended by striking out '\$500,' wherever appearing therein, and by inserting in lieu thereof '\$700,' and by striking '\$1,000' and by inserting in lieu thereof '\$1,200'.

"SEC. 102. Splitting of Income

"Section 12 of the Internal Revenue Code (relating to surtax of individuals) is hereby amended by adding after subsection (c) of such section the following new subsection:

"(d) Tax in case of joint returns: In the case of a joint return of husband and wife under section 51 (b), the combined normal tax and surtax under section 11 and subsection (b) of this section shall be twice the combined normal tax and surtax that would be determined if the net income and the applicable credits against net income provided by section 25 were reduced by one-half."

"SEC. 103. Standard Deductions

"(a) Increase of standard deduction in case of joint return: Section 23 (aa) (1) (A) of the Internal Revenue Code (relating to the standard deduction) is hereby amended to read as follows:

"(A) Adjusted gross income of \$5,000 or more: If the adjusted gross income is \$5,000 or more, the standard deduction shall be \$500 or an amount equal to 10 percent of the adjusted gross income, whichever is the lesser; except that in the case of a joint return of husband and wife under section 51 (b), the standard deduction shall be \$1,000 or an amount equal to 10 percent of the adjusted gross income, whichever is the lesser."

"(b) Election by husband and wife: Section 23 (aa) (4) of such Code is hereby amended to read as follows:

"(4) Husband and wife: In the case of husband and wife, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction."

"(c) Determination of status: Section 23 (aa) of such Code is hereby amended by adding at the end thereof the following new paragraph:

"(6) Determination of status: For the purposes of this subsection—

"(A) the determination of whether an individual is married shall be made as of the close of his taxable year, unless his spouse dies during his taxable year, in which case such determination shall be made as of the time of such death, and

"(B) an individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married."

"SEC. 104. Joint Return of Husband and Wife

"Section 51 (b) of the Internal Revenue Code (relating to joint returns) is hereby amended to read as follows:

"(b) Husband and wife:

"(1) In general: A husband and wife may make a single return jointly. Such a return may be made even though one of the spouses has neither gross income nor deductions. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several.

"(2) Nonresident alien: No joint return may be made if either the husband or wife at any time during the taxable year is a nonresident alien.

"(3) Different taxable years: No joint return shall be made if the husband and wife have different taxable years; except that if such taxable years begin on the same day and end on different days because of the death of either or of both, then the joint return may be made with respect to the taxable year of each. The above exception shall not apply if the surviving spouse remarries before the close of his taxable year, nor if the taxable year of either spouse is a fractional part of a year under section 47 (a).

"(4) Joint return after death: In the case of the death of one spouse or both spouses the joint return with respect to the decedent may be made only by his executor or administrator; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if (A) no return for the taxable year has been made by the decedent, (B) no executor or administrator has been appointed, and (C) no executor or administrator is appointed before the last day prescribed by law for filing the return of the surviving spouse. If an executor or administrator of the decedent is appointed after the making of the joint return by the surviving spouse, the executor or administrator may disaffirm such joint return by making, within 1 year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return.

"(5) Determination of status: For the purposes of this section—

"(A) the status as husband and wife of two individuals having taxable years beginning on the same day shall be determined—

"(i) if both have the same taxable year—as of the close of such year; and

"(ii) if one dies before the close of the taxable year of the other—as of the time of such death; and

"(B) an individual who is legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

"(6) Tax in case of joint return: For determination of combined normal tax and surtax under section 11 and section 12 (b) in case of joint return under this subsection, see section 12 (d). For tax in case of joint return of husband and wife electing to pay the tax under Supplement T, see section 400.

#### "Sec. 105. Deduction for Medical Expenses

"Section 23 (x) of the Internal Revenue Code (relating to deduction of medical, etc., expenses) is hereby amended by striking out the second and third sentences thereof and inserting in lieu thereof the following: 'The deduction shall not be in excess of \$1,250 multiplied by the number of exemptions allowed under section 25 (b) for the taxable year (exclusive of exemptions allowed under section 25 (b) (1) (B) or (C)), with a maximum deduction of \$2,500, except that the maximum deduction shall be \$5,000 in the case of a joint return of husband and wife under section 51 (b).'

#### "Sec. 106. Technical Amendments

"(a) Declaration of estimated tax: Section 58 (a) of the Internal Revenue Code (relating to requirement of declaration of estimated tax) is hereby amended to read as follows:

"(a) Requirement of declaration: Every individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under subchapter D of chapter 9 is not made applicable) shall, at the time prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

"(1) his gross income from wages (as defined in sec. 1621) can reasonably be expected to exceed the sum of \$4,500 plus \$700 with respect to each exemption provided in section 25 (b); or

"(2) his gross income from sources other than wages (as defined in sec. 1621) can reasonably be expected to exceed \$100 for the taxable year and his gross income to be \$700 or more.

"(b) Requirement of returns:

"(1) Individual returns: Section 51 (a) of the Internal Revenue Code (relating to the requirement of individual returns) is hereby amended by striking out '\$500' and inserting in lieu thereof '\$700.'

"(2) Fiduciary returns: Section 142 (a) of such code (relating to the requirement of fiduciary returns) is hereby amended by striking out '\$500' wherever appearing therein and inserting in lieu thereof '\$700.'

"(3) Information returns: Section 147 (a) of such code (relating to returns of information) is hereby amended by striking out '\$500' wherever appearing therein and inserting in lieu thereof '\$700.'

"(c) Credit of estate against net income: Section 163 (a) (1) of such code (relating to credits against net income of an estate) is hereby amended by striking out '\$500' and inserting in lieu thereof '\$700.'

#### "Sec. 107. Changes in Optional Tax and Withholding Tables

"The Secretary of the Treasury is authorized and directed to make such changes in the tables in section 400 (optional tax table) and section 1622 (withholding tables) as may be necessary to reflect the reduction in taxes provided for in the preceding provisions of this act.

#### "Sec. 108. Taxable Years to Which Amendments Applicable

"The amendments made by this title shall be applicable with respect to taxable years beginning after December 31, 1947. The amendment made by section 104 shall also be applicable to taxable years of both husband and wife beginning on the same day in 1947 if at least one of such taxable years ends in 1948. For treatment of taxable years beginning in 1947 and ending in 1948, see section 301.

#### "TITLE II—EXCESS-PROFITS TAX

##### "Sec. 201. Reenactment of Excess-Profits Tax

"(a) Reenactment: Section 122 (a) of the Revenue Act of 1945 is hereby amended to read as follows:

"(a) In general: The provisions of subchapter E of chapter 2 shall not apply to any taxable year beginning after December 31, 1945, and ending prior to January 1, 1948. The provisions of part III of such subchapter shall not apply to any taxable year beginning after December 31, 1945.

"(b) Decrease in rate of tax: Section 710 (a) (1) of the Internal Revenue Code is hereby amended to read as follows:

"(a) Imposition:

"(1) General rule: There shall be levied, collected, and paid, for each taxable year, upon the adjusted excess profits net income, as defined in subsection (b), of every corporation (except a corporation exempt under section 727) a tax equal to whichever of the following amounts is the lesser:

"(A) Seventy-five percent of the adjusted excess-profits net income, or

"(B) An amount which when added to the tax imposed for the taxable year under chapter 1 (other than section 102) equals

70 percent of the corporation surtax net income, computed under section 15 or supplement G, as the case may be, but without regard to the credit provided in section 26 (e) (relating to income subject to the tax imposed by this subchapter), and without regard to 70 percent of the credit provided in section 26 (h) (relating to credit for dividends paid on certain preferred stock).

"(c) Increase in exemption: Section 710 (b) (1) of the Internal Revenue Code is hereby amended to read as follows:

"(1) Specific exemption: A specific exemption of \$50,000;.

"(d) Increase in excessive-profits credit: Subsections (a) and (b) of section 712 of the Internal Revenue Code (relating to allowance of excess-profits credit) are hereby amended to read as follows:

"(a) Domestic corporations: In the case of a domestic corporation which was in existence before January 1, 1940, the excess-profits credit for any taxable year shall be an amount equal to 135 percent of a credit computed under section 713 or section 714, whichever amount results in the lesser tax under this subchapter for the taxable year for which the tax under this subchapter is being computed. In the case of all other domestic corporations the excess-profits credit for any taxable year shall be 135 percent of an amount computed under section 714.

"(b) Foreign corporations: In the case of a foreign corporation engaged in trade or business within the United States, the first taxable year of which under this subchapter begins on any date in 1940, which was in existence on the day 48 months prior to such date and which at any time during each of the taxable years in such 48 months was engaged in trade or business within the United States, the excess-profits credit for any taxable year shall be an amount equal to 135 percent of a credit computed under section 713 or section 714, whichever amount results in the lesser tax under this subchapter for the taxable year for which the tax under this subchapter is being computed. In the case of all other foreign corporations the excess-profits credit for any taxable year shall be 135 percent of an amount computed under section 714.

"(e) Definition of unused excess-profits credit: Section 710 (c) (2) of the Internal Revenue Code is hereby amended by striking out the last two sentences thereof, and by inserting in lieu thereof, the following:

"For the purposes of the determination of the taxes imposed by this subchapter for taxable years beginning before January 1, 1946, there shall be no unused excess-profits credit for a taxable year beginning after December 31, 1946. The unused excess-profits credit for a taxable year beginning in 1946 and ending in 1947 shall be an amount which is such part of the unused excess-profits credit determined under the preceding provisions of this paragraph as the number of days in such taxable year prior to January 1, 1947, is of the total number of days in such taxable year. For the purposes of the determination of the taxes imposed by this subchapter for taxable years ending after December 31, 1947, there shall be no unused excess-profits credit for a taxable year ending before January 1, 1948. The unused excess-profits credit for a taxable year beginning in 1947 and ending in 1948 shall be an amount which is such part of the unused excess-profits credit determined under the preceding provisions of this paragraph as the number of days in such taxable year after December 31, 1947, is of the total number of days in such taxable year.

"(f) No carry-back to 1946 or 1947: Section 710 (c) of the Internal Revenue Code is hereby amended by adding at the end thereof the following new paragraph:

"(5) No carry-back to 1946 or 1947: Purposes of the determination of the taxes imposed by this subchapter for taxable years ending after December 31, 1947, the term



"preceding taxable year" and the term "preceding taxable years," as used in this subsection, do not include any taxable year ending prior to January 1, 1948.

"(g) Technical amendments: The following sections of the Internal Revenue Code are restored to read as such sections read immediately prior to the enactment of the Revenue Act of 1945, to be effective as so restored, with respect to taxable years ending after December 31, 1947, as if section 122 (g) of the Revenue Act of 1945 had not been enacted:

"(1) Section 26 (e) (relating to the credit for income subject to the excess-profits tax);

"(2) Section 13 (a) (2) (defining 'normal tax net income');

"(3) Section 15 (a) (defining 'corporation surtax net income');

"(4) Section 26 (b) (relating to the credit for dividends received);

"(5) Section 102 (d) (1) (defining terms for the purpose of the tax imposed by section 102);

"(6) Section 131 (b) (prescribing certain limitations on the foreign tax credit);

"(7) Section 204 (a) (2) (relating to foreign mutual insurance companies other than life or marine).

"(h) Taxable years to which amendments applicable: The amendments made by subsections (b), (c), and (d) of this section shall be applicable with respect to taxable years ending after December 31, 1947. For treatment of taxable years beginning in 1947 and ending in 1948, see section 401.

#### "TITLE III—FISCAL YEAR TAXPAYERS

##### "SEC. 301. Fiscal Year Taxpayers

"(a) Income taxes: Section 108 of the Internal Revenue Code is amended by striking out '(d)' at the beginning of subsection (d) and by inserting in lieu thereof '(e)', and by inserting after subsection (c) the following:

"(d) Taxable years beginning in 1947 and ending in 1948: In the case of a taxable year beginning in 1947 and ending in 1948 the tax imposed by sections 11, 12, 13, 14, 15, and 400 shall be an amount equal to the sum of—

"(1) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1947, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1948, bears to the total number of days in such taxable year; plus

"(2) that portion of a tentative tax, computed as if the law applicable to years beginning on January 1, 1948, were applicable to such taxable year, which the number of days in such taxable year after December 31, 1947, bears to the total number of days in such taxable year."

"(b) Excess profits tax: Section 710 (a) (imposing the excess-profits tax) is amended by inserting at the end thereof the following:

"(8) Taxable years beginning in 1947 and ending in 1948: In the case of a taxable year beginning in 1947 and ending in 1948, the tax shall be an amount equal to that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1948, were applicable to such taxable year, which the number of days in such taxable year subsequent to December 31, 1947, bears to the total number of days in such taxable year."

#### "TITLE IV—ESTATE TAX AND GIFT TAX

##### "SEC. 401. Estate Tax—Transfers of Community Property in Contemplation of Death, Etc.

"Effective with respect to estates of decedents dying after the date of the enactment of this act, section 811 (d) (5) of the Internal Revenue Code (relating to transfers of community property in contemplation of death, etc.) is hereby repealed.

##### "SEC. 402. Estate Tax—Joint and Community Interests

"(a) Effective with respect to estates of decedents dying after the date of the enactment of this act, section 811 (e) (2) of the Internal Revenue Code (relating to inclusion of community property in gross estate of decedent) is hereby repealed.

"(b) Such section 811 (e) is further amended—

"(1) by striking out of the heading of such subsection the words 'and community'; and

"(2) by striking out of paragraph (1) the following: '(1) Joint interests:'

##### "SEC. 403. Estate Tax—Proceeds of Life Insurance

Effective with respect to estates of decedents dying after the date of the enactment of this act, section 811 (g) (4) of the Internal Revenue Code (relating to life insurance in the case of decedents in community-property States) is hereby repealed.

##### "SEC. 404. Marital Deduction

"(a) Section 812 of the Internal Revenue Code (relating to deductions in computing net estate in the case of a citizen or resident of the United States) is hereby amended by adding at the end thereof a new subsection to read as follows:

"(e) Bequests, etc., to surviving spouse:

"(1) Allowance of marital deduction:

"(A) In general: An amount equal to the value of any interest in property passing from the decedent to his surviving spouse, but only to the extent that such interest is included in determining the value of the gross estate.

"(B) Life estate or other terminable interest: Where, upon the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur, such interest passing to the surviving spouse will terminate or fail, no deduction shall be allowed with respect to such interest—

"(i) if an interest in such property passes or has passed (for less than an adequate and full consideration in money or money's worth) from the decedent to any person other than such surviving spouse; and

"(ii) if by reason of such passing such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest so passing to the surviving spouse.

"(C) Interest of spouse conditioned on survival for limited period: For the purposes of subparagraph (B) an interest passing to the surviving spouse shall not be considered as an interest which will terminate or fail upon the death of such spouse if—

"(i) such death will cause a termination or failure of such interest only if it occurs within a period (not exceeding 6 months) after the decedent's death; and

"(ii) such spouse in fact does not die before the expiration of such period.

"(D) Interest of surviving spouse reduced by reason of estate, etc., taxes: In determining for the purposes of subparagraph (A) the value of any interest in property passing to the surviving spouse there shall be taken into account the effect which a tax imposed by this chapter, or any estate, succession, legacy, or inheritance tax, has upon the net value to the surviving spouse of such interest.

"(E) Trust with power of appointment in surviving spouse: In the case of an interest in property passing from the decedent to a trust, if the trust will terminate upon the death of the surviving spouse of the decedent, and if under the terms of the trust such spouse is entitled for her life to all the income from the corpus of the trust, payable annually or at more frequent intervals, with the power to appoint by will the entire corpus

to her estate, and with no power in herself or any other person to appoint or invade any part of the corpus during her life—

"(i) the interest so passing shall, for the purposes of subparagraph (A), be considered as passing to the surviving spouse, and

"(ii) no part of the interest so passing shall, for the purposes of subparagraph (B) (i), be considered as passing to any person other than the surviving spouse.

This subparagraph shall be applicable only if, under the terms of the trust, such power to appoint by will is exercisable in all events.

"(F) Limitation on aggregate of deductions: The aggregate amount of the deductions allowed under this paragraph (computed without regard to this subparagraph) shall not exceed 50 percent of the value of the adjusted gross estate, as defined in paragraph (2).

"(2) Computation of adjusted gross estate:

"(A) General rule: Except as provided in subparagraph (B) of this paragraph the adjusted gross estate shall, for the purposes of paragraph (1) (F), be computed by subtracting from the entire value of the gross estate the aggregate amount of the deductions allowed by subsection (b) of this section.

"(B) Special rule in cases involving community property: If the decedent and his surviving spouse at any time held property as community property under the law of any State, Territory, or possession of the United States, or of any foreign country, then the adjusted gross estate shall, for the purposes of paragraph (1) (F), be determined by subtracting from the entire value of the gross estate the sum of:

"(i) the value of property which is at the time of the death of the decedent held as such community property; and

"(ii) the value of property transferred by the decedent during his life, if at the time of such transfer the property was held as such community property; and

"(iii) the amount receivable as insurance under policies upon the life of the decedent to the extent purchased with premiums or other consideration paid out of property held as such community property; and

"(iv) an amount which bears the same ratio to the aggregate of the deductions allowed under subsection (b) of this section which the value of the property included in the gross estate, diminished by the amount subtracted under clauses (i), (ii), and (iii) of this subparagraph, bears to the entire value of the gross estate.

For the purposes of clauses (i), (ii), and (iii), property shall be considered as "held as such community property" if it was at any time acquired by the decedent (by one exchange or by a series of exchanges) in exchange for his interest in property held as such community property. The amount to be subtracted under clause (i), (ii), or (iii) shall not exceed the value of the interest in the property described therein which is included in determining the value of the gross estate.

"(Definition: For the purposes of this subsection an interest in property shall be considered as passing from the decedent to any person if and only if—

"(A) such interest is bequeathed or devised to such person by the decedent; or

"(B) such interest is inherited by such person from the decedent; or

"(C) such interest is the dower or curtesy interest (or statutory interest in lieu thereof) of such person as surviving spouse of the decedent; or

"(D) such interest has been transferred to such person by the decedent at any time; or

"(E) such interest was, at the time of the decedent's death, held by such person and the

decendent (or by them and any other person) in joint ownership with right of survivorship; or

"(F) the decedent had a power (either alone or in conjunction with any person) to appoint such interest and if he appoints or has appointed such interest to such person, or if such person takes such interest in default upon the release or nonexercise of such power; or

"(G) such interest consists of proceeds of insurance upon the life of the decedent."

"(b) The amendment made by subsection (a) of this section shall be applicable only with respect to estates of decedents dying after the date of the enactment of this act.

#### "SEC. 405. Property Previously Taxed

"(a) Section 812 (c) of the Internal Revenue Code (relating to the deduction for property previously taxed) is hereby amended by adding after the first paragraph a new paragraph to read as follows:

"The following property shall not, for the purposes of this subsection, be considered as property with respect to which a deduction may be allowed: (A) property received from a prior decedent who died after the date of the enactment of the Revenue Act of 1948 and was at the time of such death the decedent's spouse, (B) property received by gift after such date from a donor who at the time of the gift was the decedent's spouse, and (C) property acquired in exchange for property described in clause (A) or (B)."

"(b) Section 812 (c) is further amended by striking out 'subsections (a) and (d)' and inserting in lieu thereof 'subsections (a), (d), and (e).'"

#### "SEC. 406. Gift Tax—Gifts of Community Property

"Section 1000 (d) of the Internal Revenue Code (relating to gifts of property held as community property) is amended by adding at the end thereof a new sentence to read as follows: 'This subsection shall be applicable only to gifts made after the calendar year 1942 and on or before the date of the enactment of the Revenue Act of 1948.'

#### "SEC. 407. Marital Deduction

"Section 1004 (a) of the Internal Revenue Code (relating to deductions in computing net gifts in the case of a citizen or resident of the United States) is hereby amended by adding at the end thereof a new paragraph to read as follows:

"(3) Gift to spouse:

"(A) In general: Where the donor transfers during the calendar year (and after the date of the enactment of the Revenue Act of 1948) by gift an interest in property to a donee who at the time of the gift is the donor's spouse—an amount with respect to such interest equal to one-half of its value.

"(B) Life estate or other terminable interest: Where, upon the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur, such interest transferred to the spouse will terminate or fail, no deduction shall be allowed with respect to such interest—

"(i) if the donor retains in himself, or transfers or has transferred (for less than an adequate and full consideration in money or money's worth) to any person other than such donee spouse, an interest in such property, and if by reason of such retention or transfer the donor (or his heirs or assigns) or such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest transferred to the donee spouse; or

"(ii) if the donor immediately after the transfer to the donee spouse has a power to appoint an interest in such property which he can exercise (either alone or in conjunction with any person) in such manner that the appointee may possess or enjoy any part of such property after such termination or failure of the interest transferred to the

donee spouse. For the purposes of this clause the donor shall be considered as having immediately after the transfer to the donee spouse such power to appoint even though such power cannot be exercised until after the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur.

An exercise or release at any time by the donor, either alone or in conjunction with any person, of a power to appoint an interest in property, even though not otherwise a transfer, shall, for the purposes of clause (i) of this subparagraph, be considered as a transfer by him.

"(C) Joint interests: If the interest is transferred to the donee spouse as sole joint tenant with the donor or as tenant by the entirety, the interest of the donor in the property which exists solely by reason of the possibility that the donor may survive the donee spouse, or that there may occur a severance of the tenancy, shall not be considered for the purposes of subparagraph (B) as an interest retained by the donor in himself.

"(D) Trust with power of appointment in donee spouse: Where the donor transfers in trust an interest in property, and the trust will terminate upon the death of his spouse, and under the terms of the trust his spouse is entitled for her life to all the income from the corpus of the trust, payable annually or at more frequent intervals, with the power to appoint by will the entire corpus to her estate, and with no power in herself or any other person to appoint or invade any part of the corpus during her life—

"(i) the interest so transferred in trust shall, for the purposes of subparagraph (A), be considered as transferred to the donee spouse, and

"(ii) no part of the interest so transferred in trust shall, for the purposes of subparagraph (B) (i), be considered as retained in the donor or transferred to any person other than the donee spouse.

This subparagraph shall be applicable only if, under the terms of the trust, such power to appoint by will is exercisable in all events.

"(E) Community property: A deduction otherwise allowable under this paragraph shall be allowed only to the extent the transfer can be shown to represent a gift of property which does not fall within either of the two following classes:

"(i) Property which is, at the time of the gift, held as community property under the law of any State, Territory, or possession of the United States, or of any foreign country; or

"(ii) Property which, although not so held, was at any time acquired by the donor (by one exchange or by a series of exchanges) in exchange for his interest in property held by him and the donee spouse as community property."

#### "SEC. 373. Technical Amendment

"Section 1004 (c) of the Internal Revenue Code is hereby amended to read as follows:

"(c) Extent of deductions: The deductions provided in subsection (a) (2) or (3) or in subsection (b) shall be allowed only to the extent that the gifts therein specified are included in the amount of gifts against which such deductions are applied."

#### "SEC. 374. Gift of Husband or Wife to Third Party

"Section 1000 of the Internal Revenue Code (relating to imposition of gift tax) is hereby amended by adding at the end thereof a new subsection to read as follows:

"(f) Gift of husband or wife to third party:

"(1) Considered as made one-half by each:

"(A) In general: A gift made after the date of the enactment of the Revenue Act of

1948 by one spouse to any person other than his spouse shall, for the purposes of this chapter, be considered as made one-half by him and one-half by his spouse, but only if at the time of the gift each spouse is a citizen or resident of the United States. For the purposes of this subsection an individual shall be considered as the spouse of another individual only if he is married to such individual at the time of the gift and does not remarry during the remainder of the calendar year.

"(B) Consent of both spouses: Subparagraph (A) shall be applicable only if both spouses have signified (in accordance with the regulations provided for in paragraph (2)) their consent to the application of subparagraph (A) in the case of all such gifts made during the calendar year by either while married to the other.

"(2) Time and manner of signifying consent: A consent under this subsection shall be signified at such time and in such manner as is provided under regulations prescribed by the Commissioner with the approval of the Secretary. The right to consent, and the right to revoke a consent previously signified, with respect to a calendar year, shall not exist on any day if a return for such year of one spouse (required otherwise than by reason of the application of paragraph (1)) filed on such day would be a return not timely filed.

"(3) Joint and several liability for tax: If the consent required by paragraph (1) (B) is signified with respect to a gift made in any calendar year the liability with respect to the entire tax imposed by this chapter of each spouse for such year shall be joint and several."

The SPEAKER. The question is on the motion to recommit.

Mr. RAYBURN. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 159, nays 258, answered "present" 1, not voting 12, as follows:

[Roll No. 8]

YEAS—159

Abernethy	Felghan	Lesinski
Albert	Fernandez	Lucas
Allen, La.	Fisher	Ludlow
Andrews, Ala.	Flannagan	Lusk
Bates, Ky.	Fogarty	Lyle
Battle	Folger	Lynch
Beckworth	Forand	McCormack
Bland	Garmatz	McMillan, S. O.
Blatnik	Gary	Madden
Bloom	Gordon	Mahon
Boggs, La.	Gore	Manasco
Bonner	Gorski	Mansfield
Boykin	Gossett	Marcantonio
Brooks	Granger	Miller, Calif.
Brown, Ga.	Grant, Ala.	Mills
Bryson	Hardy	Morgan
Buchanan	Harless, Ariz.	Multer
Buckley	Harris	Murdock
Bulwinkle	Hart	Murray, Tenn.
Burleson	Havener	Norrell
Byrne, N. Y.	Hays	Norton
Camp	Hébert	O'Brien
Cannon	Hedrick	O'Toole
Carroll	Heffernan	Pace
Celler	Hendricks	Passman
Chelf	Hobbs	Patman
Clark	Hollifield	Peden
Colmer	Huber	Peterson
Cooley	Jackson, Wash.	Pfeifer
Cooper	Jarman	Pickett
Courtney	Johnson, Okla.	Powell
Cox	Johnson, Tex.	Preston
Crosser	Jones, Ala.	Price, Fla.
Davis, Ga.	Karsten, Mo.	Price, Ill.
Dawson III.	Kee	Priest
Deane	Kelley	Rains
Delaney	Kennedy	Rankin
Dingell	Keogh	Rayburn
Domengeaux	King	Regan
Donohue	Kirwan	Richards
Dorn	Klein	Riley
Douglas	Lane	Rogers, Fla.
Eberharter	Lanham	Rooney
Engle, Calif.	Larcade	Sabath
Eyins	Lea	Sadowski



Sasser  
Sheppard  
Sikes  
Smathers  
Smith, Va.  
Somers  
Spence  
Stigler

Teague  
Thomas, Tex.  
Thompson  
Trimble  
Vinson  
Walter  
West  
Wheeler

Whitten  
Whittington  
Williams  
Wilson, Tex.  
Winstead  
Wood  
Worley  
Zimmerman

## NAYS—258

Allen, Calif.  
Allen, Ill.  
Almond  
Andersen,  
H. Carl  
Anderson, Calif.  
Andresen,  
August H.  
Andrews, N. Y.  
Angell  
Arends  
Arnold  
Auchincloss  
Bakewell  
Banta  
Barden  
Barrett  
Bates, Mass.  
Beall  
Bell  
Bender  
Bennett, Mich.  
Bishop  
Blackney  
Boggs, Del.  
Bolton  
Bradley  
Bramblett  
Brehm  
Brophy  
Brown, Ohio  
Buck  
Buffett  
Burke  
Busbey  
Butler  
Byrnes, Wis.  
Canfield  
Carson  
Case, N. J.  
Case, S. Dak.  
Chadwick  
Chapman  
Chenoweth  
Chipperfield  
Church  
Clason  
Clevenger  
Clippingier  
Coffin  
Cole, Kans.  
Cole, Mo.  
Corbett  
Cotton  
Cravens  
Crawford  
Crow  
Cunningham  
Curtis  
Dague  
Davis, Tenn.  
Davis, Wis.  
Dawson, Utah  
Devitt  
D'Ewart  
Dolliver  
Dondero  
Doughton  
Durham  
Eaton  
Elliott  
Ellis  
Ellsworth  
Elsaesser  
Elston  
Engel, Mich.  
Fallon  
Fellows  
Fenton  
Fletcher  
Foote  
Fuller  
Gallagher  
Gamble  
Gathings  
Gavin  
Gearhart

Gillette  
Gillie  
Goff  
Goodwin  
Graham  
Grant, Ind.  
Gregory  
Griffiths  
Gross  
Gwynn, N. Y.  
Gwynne, Iowa  
Hagen  
Hale  
Hall  
Edwin Arthur  
Hall  
Leonard W.  
Halleck  
Hand  
Harrison  
Hartley  
Harvey  
Herter  
Heselton  
Hess  
Hill  
Hinshaw  
Hoeven  
Hoffman  
Holmes  
Hope  
Horan  
Hull  
Jackson, Calif.  
Javits  
Jenison  
Jenkins, Ohio  
Jenkins, Pa.  
Jennings  
Jensen  
Johnson, Calif.  
Johnson, Ill.  
Johnson, Ind.  
Jones, N. C.  
Jones, Wash.  
Jonkman  
Kearney  
Kearns  
Keating  
Keefe  
Kerr  
Kersten, Wis.  
Kilday  
Knutson  
Kunkel  
Landis  
Latham  
LeCompte  
LeFevre  
Lemke  
Lewis  
Lichtenwalter  
Lodge  
Love  
McConnell  
McCowan  
McCulloch  
McDonough  
McDowell  
McGarvey  
McGregor  
McMahon  
McMillen, Ill.  
Mack  
MacKinnon  
Macy  
Maloney  
Martin, Iowa  
Mason  
Mathews  
Meade, Ky.  
Meade, Md.  
Morrow  
Meyer  
Michener  
Miller, Conn.

Miller, Md.  
Miller, Nebr.  
Mitchell  
Morris  
Morton  
Muhlenberg  
Mundt  
Murray, Wis.  
Nicholson  
Nixon  
Nodar  
Norblad  
O'Hara  
O'Konski  
Owens  
Patterson  
Philbin  
Phillips, Calif.  
Phillips, Tenn.  
Ploeser  
Plumley  
Potter  
Potts  
Poulson  
Ramey  
Redden  
Reed, Ill.  
Reed, N. Y.  
Rees  
Reeves  
Regan  
Rich

## ANSWERED "PRESENT"—1

Cole, N. Y.

## NOT VOTING 12

Bennett, Mo.  
Combs  
Coudert  
Dirksen

Judd  
Kefauver  
Kilburn  
Monroney

Morrison  
Smith, Maine  
Thomas, N. J.

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Morrison for, with Mrs. Smith of Maine against.

Mr. Kefauver for, with Mr. Bennett of Missouri against.

Mr. Poage for, with Mr. Coudert against.

Mr. COLE of New York. Mr. Speaker, I have arranged a pair with the gentleman from Oklahoma, Mr. MONRONEY, who could not be present today. If present he would have voted "yea"; therefore I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. HALLECK. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 297, nays 120, answered "present" 1, not voting 12, as follows:

[Roll No. 9]

## YEAS—297

Abernethy  
Allen, Calif.  
Allen, Ill.  
Allen, La.  
Almond  
Anderson, Calif.  
Andresen,  
August H.  
Andrews, Ala.  
Andrews, N. Y.  
Angell  
Arends  
Arnold  
Auchincloss  
Bakewell  
Banta  
Barden  
Barrett  
Bates, Mass.  
Battle  
Beall  
Busbey  
Butler  
Byrnes, Wis.  
Canfield  
Bishop  
Blackney  
Boggs, Del.  
Bolton  
Boykin  
Bradley  
Bramblett  
Brehm  
Brooks  
Brophy  
Brown, Ga.  
Brown, Ohio  
Buck  
Buffett  
Burke  
Busbey  
Butler  
Byrnes, Wis.  
Canfield  
Carson  
Case, N. J.  
Case, S. Dak.  
Chadwick  
Chenoweth  
Chipperfield  
Church  
Clason  
Clevenger  
Clippingier  
Coffin  
Cole, Kans.  
Cole, Mo.  
Corbett  
Cotton  
Cox  
Cravens  
Crawford  
Crow  
Cunningham  
Curtis  
Dague  
Davis, Ga.  
Davis, Tenn.

Davis, Wis.  
Dawson, Utah  
Devitt  
D'Ewart  
Dolliver  
Domengeaux  
Dondero  
Donohue  
Dorn  
Eaton  
Elliott  
Ellis  
Ellsworth  
Elsaesser  
Elston  
Engel, Mich.  
Fallon  
Fellows  
Fenton  
Fisher  
Fletcher  
Foote  
Fuller  
Fulton  
Gallagher  
Gamble  
Gathings  
Gavin  
Gearhart  
Gillette  
Gillie  
Goff  
Goodwin  
Gossett  
Graham  
Grant, Ala.  
Grant, Ind.  
Griffiths  
Gross  
Gwynn, N. Y.  
Gwynne, Iowa  
Hagen  
Hale  
Hall  
Edwin Arthur  
Hall  
Leonard W.  
Halleck  
Hand  
Harless, Ariz.  
Harness, Ind.  
Harris  
Hart  
Hartley  
Harvey  
Hébert  
Hedrick  
Hendricks  
Herter  
Heselton  
Hess  
Hill  
Hinshaw  
Hoeven  
Hoffman  
Holmes  
Hope

Horan  
Hull  
Jackson, Calif.  
Javits  
Jenison  
Jenkins, Ohio  
Jenkins, Pa.  
Jennings  
Jensen  
Johnson, Calif.  
Johnson, Ill.  
Johnson, Ind.  
Jones, N. C.  
Jones, Wash.  
Jonkman  
Kearney  
Kearns  
Keating  
Keefe  
Kersten, Wis.  
Kilday  
Knutson  
Kunkel  
Landis  
Lane  
Larade  
Latham  
Lea  
LeCompte  
LeFevre  
Lemke  
Lewis  
Lichtenwalter  
Lodge  
Love  
Lucas  
McConnell  
McCowan  
McCulloch  
McDonough  
McDowell  
McGarvey  
McGregor  
McMahon  
McMillan, S. C.  
McMillen, Ill.  
Mack  
MacKinnon  
Macy  
Maloney  
Manasco  
Martin, Iowa  
Mason  
Mathews  
Meade, Ky.  
Meade, Md.  
Morrow  
Meyer  
Michener  
Miller, Conn.  
Miller, Md.  
Miller, Nebr.  
Mitchell  
Morris  
Morton

Muhlenberg  
Mundt  
Murray, Tenn.  
Murray, Wis.  
Nicholson  
Nixon  
Nodar  
Norblad  
Norrell  
O'Hara  
O'Konski  
Owens  
Passman  
Patterson  
Peterson  
Philbin  
Phillips, Calif.  
Phillips, Tenn.  
Ploeser  
Plumley  
Potter  
Potts  
Poulson  
Preston  
Price, Fla.  
Ramey  
Rankin  
Redden  
Reed, Ill.  
Reed, N. Y.  
Rees  
Reeves  
Regan  
Rich

Riehlman  
Rivers  
Rizley  
Robertson  
Robison  
Rockwell  
Rogers, Fla.  
Rogers, Mass.  
Rohrbough  
Ross  
Russell  
Sadlak  
St. George  
Sanborn  
Sarbacher  
Schwabe, Mo.  
Schwabe, Okla.  
Scoblick  
Scott, Hardie  
Scott,  
Hugh D., Jr.  
Scrivner  
Seely-Brown  
Shafer  
Sheppard  
Short  
Simpson, Ill.  
Simpson, Pa.  
Smith, Kans.  
Smith, Ohio  
Smith, Wis.  
Snyder  
Stanley  
Stefan

Stevenson  
Stockman  
Stratton  
Sundstrom  
Taber  
Talle  
Taylor  
Thomas, Tex.  
Tibbott  
Towe  
Twyman  
Vail  
Van Zandt  
Vinson  
Vorys  
Vursell  
Wadsworth  
Weichel  
Welch  
Wheeler  
Whitten  
Whittington  
Wigglesworth  
Williams  
Wilson, Ind.  
Wilson, Tex.  
Winstead  
Wolcott  
Wolverton  
Wood  
Woodruff  
Youngblood

## NAYS—120

Albert  
Andersen,  
H. Carl  
Bates, Ky.  
Beckworth  
Bell  
Bland  
Blatnik  
Bloom  
Boggs, La.  
Bonner  
Bryson  
Buchanan  
Buckley  
Bulwinkle  
Burleson  
Byrne, N. Y.  
Camp  
Cannon  
Carroll  
Celler  
Chapman  
Chelf  
Clark  
Combs  
Cooley  
Cooper  
Courtney  
Cresser  
Dawson, Ill.  
Deane  
Delaney  
Dingell  
Doughton  
Douglas  
Durham  
Eberhart  
Engle, Calif.  
Evins  
Felghan  
Fernandez

Flannagan  
Fogarty  
Folger  
Forand  
Garmatz  
Gary  
Gordon  
Gore  
Gorski  
Granger  
Gregory  
Hardy  
Harrison  
Havener  
Hays  
Heffernan  
Hobbs  
Hollfield  
Huber  
Jackson, Wash.  
Jarman  
Johnson, Tex.  
Jones, Ala.  
Karsten, Mo.  
Kee  
Kelley  
Kennedy  
Keogh  
Kerr  
King  
Kirwan  
Klein  
Lanham  
Lesinski  
Ludlow  
Lusk  
Lyle  
Lynch  
McCormack  
Madden  
Mahon

Mansfield  
Marcantonio  
Miller, Calif.  
Mills  
Morgan  
Multer  
Murdock  
Norton  
O'Brien  
O'Toole  
Pace  
Patman  
Peden  
Pfeiffer  
Pickett  
Powell  
Price, Ill.  
Priest  
Rains  
Rayburn  
Richards  
Riley  
Rooney  
Sabath  
Sadowski  
Sasser  
Sikes  
Smathers  
Smith, Va.  
Somers  
Spence  
Stigler  
Teague  
Thompson  
Trimble  
Walter  
West  
Worley  
Zimmerman

## ANSWERED "PRESENT"—1

Cole, N. Y.

## NOT VOTING—12

Bennett, Mo.  
Coudert  
Dirksen  
Judd

Kefauver  
Kilburn  
Monroney  
Morrison

Poage  
Smith, Maine  
Thomas, N. J.  
Tollefson

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Cole of New York for, with Mr. Monroney against.

General pairs until further notice:

Mr. Bennett of Missouri with Mr. Morrison.

Mr. Coudert with Mr. Kefauver.

Mrs. Smith of Maine with Mr. Poage.

Mr. COLE of New York. Mr. Speaker, may I again inquire if the gentleman from Oklahoma [Mr. MONRONEY] is recorded?

The SPEAKER. He is not recorded.

Mr. COLE of New York. The gentleman from Oklahoma and I have a live pair. He is unable to be present. If present he would have voted "no." I therefore withdraw my vote and vote "Present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

#### MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate insists upon its amendment to the bill (H. R. 2192) entitled "An act for the relief of the Massman Construction Co.," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. WILEY, Mr. DONNELL, and Mr. McGRATH to be the conferees on the part of the Senate.

#### MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Miller, one of his secretaries.

LOUIS H. DEEVER—VETO MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 517)

The SPEAKER laid before the House the following veto message from the President of the United States:

*To the House of Representatives:*

I return herewith without my approval H. R. 3111, a bill "for the relief of Louis H. Deaver."

The bill authorizes and directs the Bureau of Employees' Compensation of the Federal Security Agency to receive the claim of Louis H. Deaver, of Tuthill, S. Dak., who allegedly was permanently disabled as the result of an injury received in August 1921, while employed as postmaster at Cody, Nebr., and authorizes said Bureau to consider and act upon the claim under the provisions of the Federal Employees' Compensation Act, notwithstanding the time limitations contained in said act within which claims thereunder must be filed. The bill further provides that any claim authorized by this measure shall be filed not later than 6 months after the date of enactment and that no benefits shall accrue prior to the approval of this measure.

It appears that Mr. Deaver was appointed postmaster at Cody, Nebr., on April 12, 1913, when the office was in the fourth class, and that the office was advanced to the third class in 1916, and Mr. Deaver was appointed and reappointed for five consecutive 4-year terms to that third-class office, having served therein until January 30, 1934. It further appears that while Mr. Deaver claims to have sustained an injury in August 1921, in the handling of mail bags, no claim was made with respect thereto, but on January 2, 1936, he wrote to a Member of Congress asking aid in procuring compensation on account of the injuries, and on May 20, 1940, he wrote the Post Office Department asking for financial assistance in the way of a pension or some sort of compensation

by reason of the injury he claims to have sustained in August 1921. Mr. Deaver is now approximately 75 years of age.

The proposal contained in this measure is objectionable, first, by reason of the fact that at the time of the alleged injury Mr. Deaver was an "officer" as distinguished from an "employee," and officers of the Federal Government were not at that time, and are not now, entitled to benefits under the Federal Employees' Compensation Act of 1916, as amended. Second, even if Mr. Deaver had been an employee of the Federal Government at the time of the alleged injury, it would be practically impossible to develop evidence at this late date—some 27 years after the alleged injury—as to the circumstances under which the injury occurred, and especially in connection with a hernia injury. Finally, the approval of this measure would be discriminatory since it would extend to Mr. Deaver privileges not available to other officers and employees of the Federal Government, especially in cases where injuries are alleged to have occurred many years ago.

While I feel constrained to withhold my approval of this measure, I would be glad to approve a general measure which would make the provisions of the Federal Employees' Compensation Act applicable to the civilian officers of the Federal Government, effective from the date of such enactment, if such civilian officers are injured in the performance of their duties and comply with the time limitations required by the act in the filing of claims thereunder.

HARRY S. TRUMAN.

THE WHITE HOUSE, January 31, 1948.

The SPEAKER. The objections of the President will be spread upon the Journal, the bill referred to the Committee on the Judiciary, and the message ordered to be printed.

THE ECONOMIC SITUATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 516)

The SPEAKER laid before the House the following message from the President of the United States, which was read, and, together with the accompanying papers, referred to the Committee of the Whole House on the State of the Union and ordered to be printed:

*To the Congress of the United States:*

In the state of the Union message on January 7, 1948, I spoke of five great goals toward which we should strive in our constant effort to strengthen our democracy and improve the welfare of our people. The first of these is to secure fully our essential human rights. I am now presenting to the Congress my recommendations for legislation to carry us forward toward that goal.

This Nation was founded by men and women who sought these shores that they might enjoy greater freedom and greater opportunity than they had known before. The founders of the United States proclaimed to the world the American belief that all men are created equal, and that governments are instituted to secure the inalienable rights with which all men are endowed.

In the Declaration of Independence and the Constitution of the United States, they eloquently expressed the aspirations of all mankind for equality and freedom.

These ideals inspired the peoples of other lands, and their practical fulfillment made the United States the hope of the oppressed everywhere. Throughout our history men and women of all colors and creeds, of all races and religions, have come to this country to escape tyranny and discrimination. Millions strong, they have helped build this democratic Nation and have constantly reinforced our devotion to the great ideals of liberty and equality. With those who preceded them, they have helped to fashion and strengthen our American faith—a faith that can be simply stated:

We believe that all men are created equal and that they have the right to equal justice under law.

We believe that all men have the right to freedom of thought and of expression and the right to worship as they please.

We believe that all men are entitled to equal opportunities for jobs, for homes, for good health, and for education.

We believe that all men should have a voice in their Government and that Government should protect, not usurp, the rights of the people.

These are the basic civil rights which are the source and the support of our democracy.

Today, the American people enjoy more freedom and opportunity than ever before. Never in our history has there been better reason to hope for the complete realization of the ideals of liberty and equality.

We shall not, however, finally achieve the ideals for which this Nation was founded so long as any American suffers discrimination as a result of his race, or religion, or color, or the land of origin of his forefathers.

Unfortunately, there still are examples—flagrant examples—of discrimination which are utterly contrary to our ideals. Not all groups of our population are free from the fear of violence. Not all groups are free to live and work where they please or to improve their conditions of life by their own efforts. Not all groups enjoy the full privileges of citizenship and participation in the government under which they live.

We cannot be satisfied until all our people have equal opportunities for jobs, for homes, for education, for health, and for political expression, and until all our people have equal protection under the law.

One year ago I appointed a committee of 15 distinguished Americans and asked them to appraise the condition of our civil rights and to recommend appropriate action by Federal, State, and local governments.

The committee's appraisal has resulted in a frank and revealing report. This report emphasizes that our basic human freedoms are better cared for and more vigilantly defended than ever before. But it also makes clear that there is a serious gap between our ideals and some of our practices. This gap must be closed.

This will take the strong efforts of each of us individually, and all of us acting



together through voluntary organizations and our governments.

The protection of civil rights begins with the mutual respect for the rights of others which all of us should practice in our daily lives. Through organizations in every community—in all parts of the country—we must continue to develop practical, workable arrangements for achieving greater tolerance and brotherhood.

The protection of civil rights is the duty of every government which derives its powers from the consent of the people. This is usually true of local, State, and national governments. There is much that the States can and should do at this time to extend their protection of civil rights. Wherever the law enforcement measures of State and local governments are inadequate to discharge this primary function of government, these measures should be strengthened and improved.

The Federal Government has a clear duty to see that constitutional guarantees of individual liberties and of equal protection under the laws are not denied or abridged anywhere in our Union. That duty is shared by all three branches of the Government, but it can be fulfilled only if the Congress enacts modern, comprehensive civil-rights laws, adequate to the needs of the day, and demonstrating our continuing faith in the free way of life.

I recommend, therefore, that the Congress enact legislation at this session directed toward the following specific objectives:

1. Establishing a permanent Commission on Civil Rights, a Joint Congressional Committee on Civil Rights, and a Civil Rights Division in the Department of Justice.
2. Strengthening existing civil-rights statutes.
3. Providing Federal protection against lynching.
4. Protecting more adequately the right to vote.
5. Establishing a Fair Employment Practice Commission to prevent unfair discrimination in employment.
6. Prohibiting discrimination in interstate transportation facilities.
7. Providing home rule and suffrage in Presidential elections for the residents of the District of Columbia.
8. Providing statehood for Hawaii and Alaska and a greater measure of self-government for our island possessions.
9. Equalizing the opportunities for residents of the United States to become naturalized citizens.
10. Settling the evacuation claims of Japanese-Americans.

#### STRENGTHENING THE GOVERNMENT ORGANIZATION

As a first step, we must strengthen the organization of the Federal Government in order to enforce civil-rights legislation more adequately and to watch over the state of our traditional liberties.

I recommend that the Congress establish a permanent Commission on Civil Rights reporting to the President. The Commission should continuously review our civil-rights policies and practices,

study specific problems, and make recommendations to the President at frequent intervals. It should work with other agencies of the Federal Government, with State and local governments, and with private organizations.

I also suggest that the Congress establish a Joint Congressional Committee on Civil Rights. This committee should make a continuing study of legislative matters relating to civil rights and should consider means of improving respect for and enforcement of those rights.

These two bodies together should keep all of us continuously aware of the condition of civil rights in the United States and keep us alert to opportunities to improve their protection.

To provide for better enforcement of Federal civil rights laws there will be established a Division of Civil Rights in the Department of Justice. I recommend that the Congress provide for an additional Assistant Attorney General to supervise this Division.

#### STRENGTHENING EXISTING CIVIL-RIGHTS STATUTES

I recommend that the Congress amend and strengthen the existing provisions of Federal law which safeguard the right to vote and the right to safety and security of person and property. These provisions are the basis for our present civil-rights enforcement program.

Section 51 of title 18 of the United States Code, which now gives protection to citizens in the enjoyment of rights secured by the Constitution or Federal laws, needs to be strengthened in two respects. In its present form this section protects persons only if they are citizens, and it affords protection only against conspiracies by two or more persons. This protection should be extended to all inhabitants of the United States, whether or not they are citizens, and should be afforded against infringement by persons acting individually as well as in conspiracy.

Section 52 of title 18 of the United States Code, which now gives general protection to individuals against the deprivation of federally secured rights by public officers, has proved to be inadequate in some cases because of the generality of its language. An enumeration of the principal rights protected under this section is needed to make more definite and certain the protection which the section affords.

#### FEDERAL PROTECTION AGAINST LYNCHING

A specific Federal measure is needed to deal with the crime of lynching—against which I cannot speak too strongly. It is a principle of our democracy, written into our Constitution, that every person accused of an offense against the law shall have a fair, orderly trial in an impartial court. We have made great progress toward this end, but I regret to say that lynching has not yet finally disappeared from our land. So long as one person walks in fear of lynching, we shall not have achieved equal justice under law. I call upon the Congress to take decisive action against this crime.

#### PROTECTING THE RIGHT TO VOTE

Under the Constitution, the right of all properly qualified citizens to vote is beyond question. Yet the exercise of this right is still subject to interference. Some individuals are prevented from voting by isolated acts of intimidation. Some whole groups are prevented by outmoded policies prevailing in certain States or communities.

We need stronger statutory protection of the right to vote. I urge the Congress to enact legislation forbidding interference by public officers or private persons with the right of qualified citizens to participate in primary, special, and general elections in which Federal officers are to be chosen. This legislation should extend to elections for State as well as Federal officers insofar as interference with the right to vote results from discriminatory action by public officers based on race, color, or other unreasonable classification.

Requirements for the payment of poll taxes also interfere with the right to vote. There are still seven States which, by their constitutions, place this barrier between their citizens and the ballot box. The American people would welcome voluntary action on the part of these States to remove this barrier. Nevertheless, I believe the Congress should enact measures insuring that the right to vote in elections for Federal officers shall not be contingent upon the payment of taxes.

I wish to make it clear that the enactment of the measures I have recommended will in no sense result in Federal conduct of elections. They are designed to give qualified citizens Federal protection of their right to vote. The actual conduct of elections, as always, will remain the responsibility of State governments.

#### FAIR EMPLOYMENT PRACTICE COMMISSION

We in the United States believe that all men are entitled to equality of opportunity. Racial, religious, and other invidious forms of discrimination deprive the individual of an equal chance to develop and utilize his talents and to enjoy the rewards of his efforts.

Once more I repeat my request that the Congress enact fair employment practice legislation prohibiting discrimination in employment based on race, color, religion, or national origin. The legislation should create a Fair Employment Practice Commission with authority to prevent discrimination by employers and labor unions, trade and professional associations, and Government agencies and employment bureaus. The degree of effectiveness which the wartime Fair Employment Practice Committee attained shows that it is possible to equalize job opportunity by Government action and thus to eliminate the influence of prejudice in employment.

#### INTERSTATE TRANSPORTATION

The channels of interstate commerce should be open to all Americans on a basis of complete equality. The Supreme Court has recently declared unconstitutional State laws requiring segregation on

public carriers in interstate travel. Company regulations must not be allowed to replace unconstitutional State laws. I urge the Congress to prohibit discrimination and segregation, in the use of interstate transportation facilities, by both public officers and the employees of private companies.

#### THE DISTRICT OF COLUMBIA

I am in full accord with the principle of local self-government for residents of the District of Columbia. In addition, I believe that the Constitution should be amended to extend suffrage in Presidential elections to the residents of the District.

The District of Columbia should be a true symbol of American freedom and democracy for our own people, and for the people of the world. It is my earnest hope that the Congress will promptly give the citizens of the District of Columbia their own local, elective government. They themselves can then deal with the inequalities arising from segregation in the schools and other public facilities, and from racial barriers to places of public accommodation which now exist for one-third of the District's population.

The present inequalities in essential services are primarily a problem for the District itself, but they are also of great concern to the whole Nation. Failing local corrective action in the near future, the Congress should enact a model civil-rights law for the Nation's Capital.

#### OUR TERRITORIES AND POSSESSIONS

The present political status of our Territories and possessions impairs the enjoyment of civil rights by their residents. I have in the past recommended legislation granting statehood to Alaska and Hawaii, and organic acts for Guam and American Samoa, including a grant of citizenship to the people of these Pacific islands. I repeat these recommendations.

Furthermore, the residents of the Virgin Islands should be granted an increasing measure of self-government, and the people of Puerto Rico should be allowed to choose their form of government and their ultimate status with respect to the United States.

#### EQUALITY IN NATURALIZATION

All properly qualified legal residents of the United States should be allowed to become citizens without regard to race, color, religion, or national origin. The Congress has recently removed the bars which formerly prevented persons from China, India, and the Philippines from becoming naturalized citizens. I urge the Congress to remove the remaining racial or nationality barriers which stand in the way of citizenship for some residents of our country.

#### EVACUATION CLAIMS OF THE JAPANESE-AMERICANS

During the last war more than 100,000 Japanese-Americans were evacuated from their homes in the Pacific States solely because of their racial origin. Many of these people suffered property and business losses as a result of this forced evacuation and through no fault

of their own. The Congress has before it legislation establishing a procedure by which claims based upon these losses can be promptly considered and settled. I trust that favorable action on this legislation will soon be taken.

The legislation I have recommended for enactment by the Congress at the present session is a minimum program if the Federal Government is to fulfill its obligation of insuring the constitutional guaranties of individual liberties and of equal protection under the law.

Under the authority of existing law, the Executive branch is taking every possible action to improve the enforcement of the civil-rights statutes and to eliminate discrimination in Federal employment, in providing Federal services and facilities, and in the armed forces.

I have already referred to the establishment of the Civil Rights Division of the Department of Justice. The Federal Bureau of Investigation will work closely with this new Division in the investigation of Federal civil-rights cases. Specialized training is being given to the Bureau's agents so that they may render more effective service in this difficult field of law enforcement.

It is the settled policy of the United States Government that there shall be no discrimination in Federal employment or in providing Federal services and facilities. Steady progress has been made toward this objective in recent years. I shall shortly issue an Executive order containing a comprehensive restatement of the Federal nondiscrimination policy, together with appropriate measures to insure compliance.

During the recent war and in the years since its close we have made much progress toward equality of opportunity in our armed services without regard to race, color, religion, or national origin. I have instructed the Secretary of Defense to take steps to have the remaining instances of discrimination in the armed services eliminated as rapidly as possible. The personnel policies and practices of all the services in this regard will be made consistent.

I have instructed the Secretary of the Army to investigate the status of civil rights in the Panama Canal Zone with a view to eliminating such discrimination as may exist there. If legislation is necessary, I shall make appropriate recommendations to the Congress.

The position of the United States in the world today makes it especially urgent that we adopt these measures to secure for all our people their essential rights.

The peoples of the world are faced with the choice of freedom or enslavement, a choice between a form of government which harnesses the state in the service of the individual and a form of government which chains the individual to the needs of the state.

We in the United States are working in company with other nations who share our desire for enduring world peace and who believe with us that, above all else, men must be free. We are striving to build a world family of nations—a world where men may live under governments

of their own choosing and under laws of their own making.

As part of that endeavor, the Commission on Human Rights of the United Nations is now engaged in preparing an international bill of human rights by which the nations of the world may bind themselves by international covenant to give effect to basic human rights and fundamental freedoms. We have played a leading role in this undertaking designed to create a world order of law and justice fully protective of the rights and the dignity of the individual.

To be effective in these efforts, we must protect our civil rights so that by providing all our people with the maximum enjoyment of personal freedom and personal opportunity we shall be a stronger nation—stronger in our leadership, stronger in our moral position, stronger in the deeper satisfactions of a united citizenry.

We know that our democracy is not perfect. But we do know that it offers a fuller, freer, happier life to our people than any totalitarian nation has ever offered.

If we wish to inspire the peoples of the world whose freedom is in jeopardy, if we wish to restore hope to those who have already lost their civil liberties, if we wish to fulfill the promise that is ours, we must correct the remaining imperfections in our practice of democracy.

We know the way. We need only the will.

HARRY S. TRUMAN.

THE WHITE HOUSE, February 2, 1948.

#### EXTENSION OF REMARKS

Mr. REED of New York. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. ARNOLD] may insert in the Appendix of the RECORD his speech, together with the speech made by the gentleman from Iowa [Mr. CUNNINGHAM] at the Good Roads Association meeting in which he properly extolled the virtues of our present Speaker.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. REED]?

There was no objection.

Mr. KNUTSON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in two instances, in one to insert an editorial from the Maryland Gazette, the oldest newspaper in the United States, on the tax bill; and also an address delivered by Dr. C. S. Duncan before the annual meeting of the railway treasury officers at Swampscott, Mass., last January.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

#### SPECIAL ORDER GRANTED

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 20 minutes after any other special orders today, and to include as a part of my remarks an article from a commercial paper regarding currency, notwithstanding the estimated cost which it may entail.



The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

#### EXTENSION OF REMARKS

Mr. MACKINNON asked and was granted permission to extend his remarks in the Appendix of the RECORD.

Mr. WOODRUFF asked and was granted permission to extend his remarks in the RECORD and include five different articles on the question of the Marshall plan.

Mr. HOFFMAN asked and was granted permission to extend his remarks in the RECORD in four separate instances and to include newspaper articles and letters.

Mr. WOODRUFF. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an address by George Weller, foreign correspondent of the Chicago Daily News, and a Pulitzer prize winner, on the subject of the Marshall plan and what it means to Europe and what it means to us. In that connection, Mr. Speaker, this gentleman is undoubtedly as fully informed about conditions in Europe as any man living. He certainly ought to be able to present his views, and he does present his views in a way that will be helpful to the Members of this House.

I have submitted this to the Public Printer and I find it will cost \$260.34. I ask unanimous consent that it be printed in the RECORD as a part of my remarks, notwithstanding the additional cost.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. WOODRUFF]?

There was no objection.

Mr. BRADLEY asked and was given permission to extend his remarks in the Appendix of the RECORD and include therein an article from the Southgate Press of Southgate, Calif.

Mr. BUSBEY (at the request of Mr. HALLECK) was given permission to extend his remarks in the RECORD and include a radio address.

Mr. JOHNSON of Oklahoma asked and was given permission to extend his remarks in the Appendix of the RECORD.

Mr. MILLER of California asked and was given permission to extend his remarks in the Appendix of the RECORD and include certain excerpts from a program held recently in Oakland, Calif., by the B'nai B'rith Lodge in which they honored General Clark, Dr. Sproul, of the University of California, and California Supreme Court Judge Gibson.

#### LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. JONES of Washington (at the request of Mr. TOLLEFSON), indefinitely, on account of illness.

To Mr. COUBERT, indefinitely, on account of illness.

To Mr. JOHNSON of Oklahoma, for 28 days, on account of official business.

To Mr. TALLE, for the remainder of this week, for the purpose of attending to business in his district.

The SPEAKER. Under the previous order of the House, the gentleman from

California [Mr. JOHNSON] is recognized for 60 minutes.

#### RETIREMENT FOR RESERVE COMPONENTS OF OUR ARMED SERVICES—H. R. 2744

Mr. JOHNSON of California. Mr. Speaker, for a short while this afternoon I wish to discuss the matter of retirement for reserve components of our armed services. It is my purpose today to tell you briefly a little bit about a bill which was reported from a subcommittee of the Committee on the Armed Services, of which subcommittee I was chairman. I want to emphasize the importance of this bill and the need for its enactment. Also I wish to tell you that we are going to ask the Rules Committee for a rule on this bill. If any of you are interested and will support our application we will greatly appreciate it.

The bill referred to is the bill H. R. 2744 of which the gentleman from Louisiana [Mr. BROOKS] is the author. I might say he is the pioneer in trying to develop the reserves of the Army, Air Force, and the Navy. In the last Congress a bill similar to H. R. 2744 of which he was the author passed the House but unfortunately it was lost in the Senate legislative log jam, at the end of the Seventy-ninth Congress and never received consideration by the Senate itself.

In this Congress we again took up the matter and after very prolonged hearings we recommended the bill which bears the name of the gentleman from Louisiana [Mr. BROOKS] and the number H. R. 2744.

Very briefly, this is what the bill provides: We are departing from the old plan that we have had in our country for over a century of having Reserves serve without pay, except when on active duty, and are proposing to offer incentives to men who devote their time to reserve service, by offering them retirement pay, based on length of service. The pay will be modest but it will be an incentive we think for men to stay in the Reserves.

Without exception every leading man in the Army of the United States, in the Regular Army and in all the other components of our armed services, believes and states emphatically that in order to win a war we must have Reserves. The First World War showed the importance of the Reserve components. Those of you who were in that war—and I was one—know that over two-thirds of the divisions that fought on the front and won the victory and that made the sacrifices were National Guard and Reserve divisions. I can recount some of the numbers for you. The Thirty-second, the Twenty-seventh, the Twenty-ninth, the Twenty-eighth, the Twenty-sixth, the Thirty-fifth, the Thirty-sixth, the Forty-second, and others that served tremendously well.

Our national policy since the inception of this country has been to have a small professional Army and in times of conflict and stress to suddenly expand that by means of the Reserve system through the National Guard and the Organized Reserves. It is all the more important today that we have a group of

Reserves in our Army. In my humble judgment, it is especially important that we have well-trained junior officers who can lead men in the event of conflict. I need not tell you here today that in the event of a conflict we will have no time to prepare; we will have no cushion of distance, we will have no cushion of climate, no cushion of latitude or geography. If a war should break out against us we would have to be partially ready the very first day the war started. We could receive a devastating blow on the first day the war started.

The trouble spots of the world are in the northern part of the hemisphere, from 30 degrees latitude north. From any point in that area we can today go to any other important point and back after dropping bombs. You can, therefore, see how imperative it is that we be at least partially prepared in the event of a sudden conflict.

Mr. Speaker, I want to offer another thought for consideration that I think is even more important. Every man I have ever met in the Army, be he enlisted man or officer, has always told me that the purpose of fighting our last two wars was to end the war game, to find some means of collective security that would make the world safe to live in. We fought the first war to end all wars. Some of us believed that slogan was right. Some of us came out of that war firmly convinced that we had played our part to end all wars.

As soon as our sons got old enough to fight we were in another war, a war much more devastating. Let us consider for a moment our bonded debt in the two wars. Our bonded debt in the First World War was roughly \$25,000,000,000. We staggered under it and thought it might wreck our economic system. In the war just closed the bonded debt because of the war was finally \$269,000,000,000. In other words, in just the short space of a quarter of a century the economic cost of war rose over 10 times. Concurrently with that the capacity for destruction rose in different types of destructive missiles from 10 to 100 times between the First and Second World Wars.

It is my firm conviction that to bring about a peaceful world through collaboration with other countries, to bring about the agreements we must have and the understandings that are so essential to have a world of peace, we must have strength. We can only obtain it through strength, and when I say strength, I mean economic strength, I mean military strength, I mean moral strength. I mean an absolute determination on the part of our people that if trouble comes they will be willing to fight to defend their country. This bill provides one of the steps, in my humble judgment, that will give us the strength in its various phases and activities to bring about the cooperation we have to have in order to achieve world peace.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield to the gentleman from Oklahoma.

Mr. ALBERT. The gentleman is making an excellent statement, with which

I thoroughly agree. As the gentleman knows, we have in the United States today a vast reserve army of battle-trained men. Unless we pass this legislation the investment we have made in that training will eventually be lost. These men are forgetting what they learned in time of war. We should do all we can to encourage continued participation on the part of these men who have had 3, 4, and 5 years of actual wartime experience as a part of our great reserve Army which I think we will need for the next few years. I certainly appreciate the fine statement the gentleman is making.

Mr. JOHNSON of California. I thank the gentleman very much for his statement. It is men like the gentleman that I want to encourage to participate in the Reserve activities of the United States Army. He served with distinction during the past war, and we should use his experience and talents. Seated on the floor of this House are men like the gentleman, as well as many others on the outside, who looked down a barrelhead during this war, who sacrificed from 2 to 5 years of their time that they could have devoted to their profession or vocation. We think this bill enables them to participate and offers them a small incentive for the time and the effort that they will give. I hope and believe that that typifies the sentiment of many men and women who served in this war.

Coming to the bill, it provides roughly as follows: That in order to obtain the benefits of this retirement bill you would have to serve a minimum of 20 years, and in various categories you would have to serve also a minimum of 3 years in some cases and down to one-half year in other cases of active service; in other words, a man who did not serve in either war would have to serve a minimum of 3 years following the Second World War. A man, for instance, who before the last war had served in the Reserve some 10 or 15 years and served a total of 20 years must have 4 years of active service, 1 year of which must be after the close of the last war. Many men in Congress will have complied with that by serving perhaps 4 years in the active service during the recent war, but they would have to serve 1 year following the war; and in a few instances only 6 months.

Our committee is making provision for what we call extended active service, so the men would serve from maybe 15 days perhaps to a high of 90 days to get their active service. How is the computation made to pay these men? Here is the plan: For each year of inactive service, when you are on the Reserve rolls or on the National Guard rolls, you will receive one-half of 1 percent credit. Suppose you serve 18 years. In that way you would acquire what I call 9 percent of credit. Then, if you served 3 years in active service, part of which could be in the World War, you would receive  $2\frac{1}{2}$  percent per year for each year of active service. That would be  $7\frac{1}{2}$  percent. So, you would get 9 percent for inactive service,  $7\frac{1}{2}$  percent for other service, which would make a total of  $16\frac{1}{2}$  percent. You would then, when you became 60 years of age, be paid  $16\frac{1}{2}$  percent of the pay of the highest rank

you satisfactorily held. Most of the men that would serve that length of time in the Army would be at least majors and probably they would go up to colonels, and they would receive longevity pay based on the total number of years in service, both active and inactive; in other words, you would receive a fee or annuity when you were 60 years of age that would last throughout your life that in the general average, considering all the cases that we were able to figure out, would be \$1,900. There would be some higher and some lower; in other words, you would receive approximately \$150 a month for the rest of your life if you had the active service I indicated in my discussion.

Here is the way that would work: In addition to receiving pay for your active service, this annuity, if you bought it and spent 23 years paying for it, would cost you \$406 a year for 23 years. So, the effect of this bill is buying an annuity at Government expense for you which will begin to be paid at the age of 60. To give another illustration, using an enlisted man: If he served 20 years and, say 3 years of which were after the war, a man who was not in the World War, and he attained the position of staff sergeant, he would receive roughly \$359 retirement benefits at the age of 60 for the rest of his life; in other words, he would get about \$30 a month for that service as an enlisted man, which would mean if he bought an annuity over that length of time it would cost him about \$100 a year. This retirement pay would in effect be deferred payment for his service.

The way to look on it is that for every year of service that you get, in addition to your pay you will receive the equivalent of the insurance premium you would have to spend to get that annuity. We believe that would hold a good many men on the list. At the same time we are not unmindful of the fact that many men as they get older get married, they get commitments, they get obligations, they move into different parts of the country, and they cannot carry on this continuous service. So a great many men would drop out on the way up to the 60 years of age or on the way up to the 20 years or more of service which they must have. This means that only a very small fraction of these men would ever obtain this annuity, but it does mean that we would have a great many Reserves on our list of 3, 5, 7, 10, 12, and even 15 years of service, and we would build up a reserve list that would be a hundredfold as big in the aggregate of service of the men as we had at the beginning of the last war, and the need for them is almost a hundredfold what it was at the time the last war broke out.

Mr. REEVES. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield to the gentleman from Missouri.

Mr. REEVES. The problem as to how our Reserve forces may best be handled is a very vexing one. I believe the gentleman has made a keen analysis and an exceedingly clear presentation of the solution offered by the bill to which he has

made reference. I congratulate him upon what he has told us today.

I should like to make this point: We are expending some billions of dollars a year at this time for the benefit of veterans simply because they are veterans and need some kind of assistance from the Government. It seems to me we have an opportunity to utilize this vast reservoir of trained manpower, battle-trained in a great many cases, as the nucleus of any fighting force we may be called on to utilize in the next few years.

I might point out in that connection that when World War II came upon us our battle-trained officers and enlisted reservists had not seen service for more than 20 years. As the matter now stands, if we should ever engage in another international conflict in the near future we would be in a position to utilize a big reservoir of men who had been service-trained within a comparatively recent period of time. It seems to me it is particularly important today that we apply a certain amount of the expenditure we are applying to veterans' benefits to preserving in some kind of organized training that great national asset which we will be desperately in need of in the event we become embroiled in another war.

I repeat my congratulations to the gentleman on a splendid presentation of this important bill.

Mr. JOHNSON of California. I appreciate the gentleman's comments tremendously, especially as they come from a veteran of the last war.

May I point out how nominal the cost of this bill will be. On the best estimates we could obtain we found that in 1949, assuming the bill had gone into effect in 1948 or 1947, the annual cost would be \$52,000. The reason for that is that there are some officers who served in both wars who would be eligible under this law without any service after the second World War. That amount would gradually climb until in 1957—this was based on the assumption that the law would be passed in 1947—the total cost would be only \$1,455,000. The cost, considering what I conceive to be the benefits of this thing, are very, very nominal.

I believe this is the key to one way of getting and holding reserve officers and reserve men in the ranks as well. As I pointed out before, these are the ones that have to win all our wars, if we are to properly interpret past experience.

Mr. GATHINGS. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield.

Mr. GATHINGS. I served many years with the gentleman on the Committee on Military Affairs as it was then called. I know that when the gentleman goes into a committee room he does so to study a question fully and completely. I do appreciate the good work the gentleman has done, as well as the work of my colleague, the gentleman from Louisiana [Mr. Brooks], in bringing this legislation to the floor. I hope the Committee on Rules will give you a rule at the earliest possible moment because it is highly essential that we do have these trained men and utilize the skills that they possess, because we never know



what will happen and we want to be ready for any eventuality.

I am heartily in accord with the gentleman's legislation.

Mr. JOHNSON of California. I thank the gentleman, and am especially grateful to my old associate on the Military Affairs Committee for his fine boost for this bill. I might say that we have the gentleman from Florida [Mr. SIKES] who has been a pioneer in this movement also. I would like to yield to the gentleman from Louisiana [Mr. BROOKS], the author of this bill, who has probably devoted more time, study, and effort to bring about the passage of a bill of this kind than any other man in the Congress in either House. I take pleasure in yielding to the gentleman from Louisiana [Mr. BROOKS].

Mr. BROOKS. Mr. Speaker, I join in the complementary remarks about my colleague the gentleman from California [Mr. JOHNSON], who is now addressing the House. He has shown great interest in Reserve legislation over a period of years, and especially since the end of the Second World War. He has worked as chairman of the subcommittee handling this retirement legislation and has worked long, arduously, and faithfully. Certainly he is entitled to be recognized as a man who is most interested in the safety and security of our country. I think you have made a splendid statement, sir, and I join with the other gentlemen in congratulating you on the statement you are now making about this bill.

May I say in addition to what you have already said that when this Nation came out of the Second World War, we had the mightiest Army and Navy that the world had ever seen. It was splendidly organized and equipped and certainly magnificently trained. They each did a magnificent job. The country decided to demobilize them as fast as we could. We got them out so fast that at times I felt they were getting in each other's way as they came out of the armed services. Then as they were leaving the service they were given an opportunity to show their interest in the Reserve components of the Army and Navy and Marine Corps by enlisting in the Reserve organization. The Army alone, I am told, obtained over a million voluntary enlistments in its organized Reserves from the enlisted men and officers. When demobilization ended we had available well over 1,000,000 Reservists who had expressed an interest in the Army. Today, through lack of interest and through lack of a program, the number has dwindled greatly. We have not been able to keep up with them. We do not know the addresses of the Reserves who are anxious and willing to serve. We have no substantial program for them. But, more important than that, Mr. Speaker, in my humble judgment, is the fact that we do not have a long-range program to offer them to keep them interested over a period of years in the work of the organized Reserves. This bill seeks to remedy that very thing. We have just today passed a bill in the House reducing taxes. I think the present bill could be called an economy measure. I do not know of any measure anywhere, Mr.

Speaker, that will give the Government the return in service from men who are trained, and are willing to be trained, for as small a cost as is indicated in this bill. As the gentleman has just said, the first year will cost about \$50,000 and at the end of a 10-year period it will cost about \$1,500,000. When we make the comparison of expenditures of \$11,000,000,000 over all for the Army and Navy and Marine forces, you can see the relative comparison under H. R. 2744.

May I just add to what has been said the fact that we began work on this bill in 1941. It has been built up over a period of years. Every provision of the bill has been weighed most carefully and exactly and has met the test. When the bill came out of the committee presided over by my distinguished colleague from California [Mr. JOHNSON], it had the endorsement of all the armed services; it had the endorsement of all patriotic organizations; it had the endorsement of every reserve organization. It came to the floor with the unanimous report of the committee.

A similar bill passed the House of Representatives last year by unanimous consent. It went to the Senate and came within a fraction of passing the Senate. Only the limited time due to the final days of the last session of Congress kept it from passing the Senate. So I say to you today, I know of no legislation which, in my humble opinion, will do as much at so little cost to build up and preserve the organized reserves of our country as will this retirement legislation.

Mr. JOHNSON of California. The gentleman has made his usual fine contribution. I want to congratulate him on his persistence in pressing this legislation for the last 6 years.

I now yield to the gentleman from South Carolina [Mr. DORN].

Mr. DORN. Mr. Speaker, I would like to add my endorsement of this bill. I think at a time like this when many different things are being discussed, this is very timely. I was one of the pioneers in getting universal military training started in my section of the country, but I think universal military training, for which I will vote, may give the Nation a false security. I am receiving petitions every day from the Women's Auxiliary of the American Legion, from the American Legion, signed by hundreds of people. They seem to think that is the only thing we need in national defense. But I may say that if we had 100,000,000 men armed in the United States, and did not have control of the air, it would not be worth one dime. So I wish to commend the gentleman. I will vote for universal military training. I took a leading part in the fight for the unification bill last year. I fought in executive session for months with some of the leaders of the Army and the Navy in order to get that bill out, but I think one point you mentioned is worth a lot to this Congress. That is what you had to say about north of the 30° latitude. The nearest point from any point in the Soviet Union to any point in North America is over the North Pole, where there are no highways and no sea lanes. The only force that can meet an attack from the north is an air force. Now, think that over for

yourselves. I might add this, I am told that the temperature at 30,000 feet over the North Pole is 1° warmer than it is at 30,000 feet at the Equator. It makes no difference to air power whether you are flying over the North Pole or the Equator if you have to travel at 30,000 feet or more altitude.

I wish to commend the gentleman from California for what he had to say about the air force reserves, as well as the other components of the armed services reserve. May I say that in 1937 a Russian Stormovik plane flew from a point in Russia to San Francisco, a distance of between 6,000 and 7,000 miles, nonstop, flying, mind you, 11 years ago. That is still the world's nonstop long-distance flying record. Yet a lot of people say that Russia is too dumb to do this or that. I believe that today they have planes that can fly to San Francisco and back. I may be wrong, but I recall the experts were wrong when Japan attacked Pearl Harbor. Before that they told me they could knock the Japs out in 3 weeks. So when they tell me Russia is dumb, I do not agree with them. We need more people on this floor like the gentleman from California [Mr. JOHNSON] to bring things like this to the attention of Congress.

Mr. JOHNSON of California. I want to compliment the gentleman from South Carolina who was a member of the Air Forces in this war. I was a humble member of the Air Forces in the First World War.

I think it is fair to state that practically everything that happened in this war in the air was predicted by General Mitchell and others. It was just the unfolding not only of the dreams but of the plans of the Air Forces, especially those who had devoted their entire lives to this branch of our national security organization.

Mrs. ROGERS of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield.

Mrs. ROGERS of Massachusetts. This would apply equally to the Navy as well as the Army?

Mr. JOHNSON of California. It would apply to every part of our armed services.

Mrs. ROGERS of Massachusetts. Apply equally to so-called naval air—I think that is the phrase they use now.

Mr. JOHNSON of California. Naval air and land air.

Mrs. ROGERS of Massachusetts. I sometimes think that the Navy is very much forgotten today. There seems to be a feeling that airplanes can leave this country, go to Russia and return—a very difficult feat. They certainly are going to need the Navy carriers in order to do that.

Mr. JOHNSON of California. This applies to every branch of the armed services, everything we have.

I now yield to the gentleman from Texas [Mr. TEAGUE], a veteran of World War II.

Mr. TEAGUE. Mr. Speaker, I agree that we must have the finest planes in the world, I agree that we must have the best equipment; but it is my belief also that the strength of this country will be found in the caliber of the men who operate those planes and that equip-

ment. I believe that in many cases in the recent war we had equipment inferior to that of our enemies. We won the war not because of superior equipment but because of the superiority of the American soldier. It was interesting to read in the papers about the big tank battles, but there was not one tank out of a thousand that started out intact that did not have three or four American boys to protect it.

I believe that one of the primary duties of the Department of Air during peacetime is to develop reserves. I believe that up to date they have not developed those reserves. This past summer during my trip to Texas I heard many criticisms concerning our reserve program. I came back to Washington and wrote letters to the 48 different departmental commanders in the United States and asked what the status of the reserves was in their States. About 71 percent of the replies I received said the main thing needed was some legislation and a good program from the Department of the Army and the Air Force. Thirty-eight percent mentioned the bill the gentleman has been discussing here today, the retirement bill. About 71 percent mentioned the inactive-duty-pay bill. I give this just as an example of how the people who defended us in the last war are thinking and I want to compliment the gentleman for taking a leading part in stimulating interest in our reserves.

It is my opinion that this Congress should not lose sight of the fact that the strength of this country will be the men in it and not necessarily the weapons we have. It is the duty of Congress to stimulate reserves and reserve programs. It is my opinion that this bill will do much to that end.

Mr. JOHNSON of California. I thank the gentleman for his contribution and wish to compliment him. He was a soldier in the last war, and a decorated one as well, who will carry the scars of battle to the end of his days.

The gentleman, in my opinion, has put his finger on an important function of this bill. As the gentleman stated, the man behind the gun, and the man in the tank, and the man who handles the plane is the important part of the picture; manpower and skilled manpower in every single rank is essential to win battles. We hope this bill, if it passes, will have the effect of producing such trained manpower.

I take pleasure in yielding to the gentleman from Florida, who has been very active in this field.

Mr. SIKES. My distinguished friend is taking the lead in a very worthy cause. We have come to know the gentleman from California, ROY JOHNSON, in this House, as one of its hardest workers and most valuable Members. I have had the pleasure of working with the gentleman from California, ROY JOHNSON, very closely in the Military Affairs Committee and later the Committee on the Armed Services on this and many other pieces of legislation. I know something about the work that went into it. More important, I know something about the need for this legislation. There is a place for a strong

Reserve and a strong National Guard in this Nation, a very important place. At the moment it is the only thing that we have that provides a backlog of trained men. Every Member of Congress knows that we must have a backlog of trained men to implement our armed forces, make it possible for them to speedily get into action and to do a job after they are in action.

We have not progressed very far in building up a strong National Guard and a strong Reserve. There are paper plans, and those paper plans look good, but the work out in the fields has not gone very far. If an emergency were to occur tomorrow, the Reserve and the Guard would do all they could, but they are not organized and developed to the point that they could do very much.

The passage of this measure is one of the steps that would strengthen the Guard and the Reserve. One of the things it would do is to make for an effective organization that we must have if our security forces are to be what this Nation requires. I sincerely hope we can continue to have the type of fine support that has been evidenced by expressions made on the floor this afternoon so that the will of Congress can be worked toward the passage of H. R. 2744.

Mr. JOHNSON of California. I thank the gentleman for his contribution. As far as I am concerned, I do not deserve any special credit for work on this bill. It has been mostly a labor of love. But what more important work could we do than to try to find a means of protecting our institutions, our people, and our property? In my humble judgment, this bill will bring that about.

Mr. Speaker, I ask unanimous consent to include as part of my remarks a table showing the benefits and some of the features of this bill in table form.

The SPEAKER pro tempore (Mr. BISHOP). Is there objection to the request of the gentleman from California?

There was no objection.

Mr. BROOKS. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield to the gentleman from Louisiana.

Mr. BROOKS. I want to add this to what has been said in reference to the need for this bill. I made a study of the needs of the Reserve components of the armed services several years ago. In fact, I was interested in the ROTC prior to the Second World War. I checked into the situation to see what the chief problem of the Reserve was at that time. I found then the great trouble was in maintaining a continuing interest in the Reserves. I found that each year showed a 10-percent turn-over in the Officers' Reserve prior to the Second World War. In other words, every 10 years the country had a completely brand new organization of reserves.

After we train a man for 2 or 3 years he becomes very valuable as a Reserve officer, but if we lose him, immediately his value is lost to our establishment. The idea of retirement legislation when we first began to work upon it was to develop a means whereby we could obtain competent and adequate reserves. Then after they were obtained

and trained to develop means whereby we could retain them over a period of years during their usefulness. Some of us felt that some little inducement such as retirement would be the means of continuing those men in service.

The Reserve components of the armed services are not in good shape at the present time. The reserves of the Army are weak; far below the required strength. We had hearings before our committee only recently and we were given figures to show that the National Guard had only about 240,000 men as against a goal of 660,000 for the National Guard alone.

This is not the only branch of the reserve components that are below required strength. We need legislation to stimulate interest in our reserve components, and after we have stimulated the interest and obtained these men, who are interested in serving their Nation, our problem is to maintain this interest. About 2 years ago I visited a great meeting of reservists in one of our cities. There must have been 1,000 present, and there was a great amount of enthusiasm in that meeting. I went back to this same place this year to a similar meeting. There were a much smaller number present and they seemed to lack enthusiasm. I noticed this lack of the enthusiasm which I found in the first meeting which I attended. It is deeply to be regretted, and I think Congress is certainly to blame, at least somewhat to blame, in not giving these men who want and need legislation at the present time.

Mr. JOHNSON of California. The gentleman has made his usual fine contribution. I want to point out that the evidence by men who know the military and the naval profession was overwhelming to the effect that the efficiency of a man increased much more rapidly in the accumulation of service; in other words, a man who served 3 years was probably worth 10 times as much as a man who served only 1 year, and that is why we are anxious to do something to hold in the service for some longer period these young reserve officers and enlisted men.

Mrs. LUSK. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield to the gentleman from New Mexico.

Mrs. LUSK. I would like to say that it is my impression that there is a strong feeling among the members of the reserve forces of the Army, the Navy, and the Air Force that this legislation is very much needed. I think that those people, perhaps better than the average person, realize the cost of training during the past war and the importance of having that training immediately. In any future need that might arise, their experience and their organization would mean a great deal toward meeting the first line of defense. I think UMT is important; perhaps it is basic to any national-defense program, but this is another component of defense that we cannot overlook.

Mr. JOHNSON of California. I thank the gentleman very much for that statement. That very idea was emphasized by, what I call, the civilian soldier in this war who saw the fumbling that we did trying to get ourselves ready to



protect ourselves. I just want to emphasize again in connection with the comments of the lady from New Mexico that in the next war we will not have the time to get ready as we did in past wars. We must have trained men who are ready and will be ready when and if the emergency comes.

In closing, I want to mention again that I think every one of our committee and probably everyone who studied this matter looks upon this not as a war measure but as a peace measure. We are trying to retain our strength so that we can get the understandings and get the agreements that will bring about world peace. That is why we believe that the reservists are the ones who can help us more than anyone else. They are the key to peace, through reserve military strength.

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

Mr. JOHNSON of California. I yield to the gentleman from Nebraska.

Mr. CURTIS. Is there anything before the gentleman's committee in this legislation or other legislation that would provide some benefits or compensation to members of the National Guard who are injured or killed while training under official training orders?

Mr. JOHNSON of California. I do not know what the Federal legislation is, but in my State of California, and I think it is typical of other States, we have included national guardsmen under the workmen's compensation provisions, so if a man is injured—and I know of one very distressing case where a man had his back injured—he receives comparable benefits to what the workman receives who works in industry. Our law gives him the maximum amount of benefits.

Mr. CURTIS. But that is State legislation only.

Mr. JOHNSON of California. Yes. Of course, while a man is in the National Guard he is not in the Federal service, and I think the State has some responsibility as distinguished from the Federal Government. When he is called into active duty I believe there may be some Federal provision, but I am not sure as to the specific provision regarding it.

Mr. CURTIS. I call this situation to the attention of the gentleman. Perhaps in the old days when the National Guard was ground forces only, the State, in return for certain police protection that would come from having such a Guard, should stand the expense of some sort of benefit or protection to the members in that training. We have in the State of Nebraska a very fine air National Guard. It is making a definite contribution not to the defense of the State but to the defense of the Nation. We have had at least one case where a young father was killed while training under the official orders of this air National Guard. It seems to me that that is a responsibility of the Federal Government, that his unit is very definitely a part of the defense of the Republic, and certainly there should be some Federal law on it.

Mr. JOHNSON of California. Perhaps there should be, but of course it is a very

minor matter in the total over-all picture of the reserves. I will say to the gentleman that I think the principle he advocates is correct, and I would be glad to join with him or to initiate myself legislation to take care of the situation that he mentions. It is a particularly aggravating situation in the air branch, where accidents are frequent and sometimes very serious.

Mr. BROOKS. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield to the gentleman from Louisiana.

Mr. BROOKS. I have a similar case in my home city, where a young man was injured participating in the activity of the ROTC in a high school. It involves a similar point. I think we have to go into it and give it some attention.

Mr. CURTIS. Does not the gentleman from Louisiana agree that especially in the case of the Air National Guard the increased hazard as well as the very type of training these men are put through injures to the benefit of the Federal Government?

Mr. BROOKS. I agree that the National Guard should come under this program, but it should especially apply to the Reserves.

Mr. JOHNSON of California. Mr. Speaker, I ask unanimous consent that all Members who participated in this discussion may be permitted to revise and extend their remarks, and I further ask that I be permitted to include in my remarks a table.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

(The matter referred to follows:)

#### Nondisability retirement plan

#### I. SERVICE REQUIREMENT FOR RESERVE COMPONENT RETIREMENT

Aggregate service credited at date of enactment	Total aggregate service required for eligibility	Total active Federal service required	Active Federal service subsequent to date of enactment
None.....	20 years...	3 years...	3 years.
Less than 5 years.....	do.....	do.....	2 years.
5 to 10 years.....	do.....	4 years...	18 months.
10 to 15 years.....	do.....	do.....	1 year.
15 to 20 years.....	do.....	do.....	6 months.
Over 20 years.....	do.....	do.....	None.

#### II. GRADE IN WHICH RETIRED

Highest grade or rank, permanent or temporary, satisfactorily held during member's period of service.

#### III. RETIREMENT BENEFITS

A. Retirement pay commences upon attainment of age 60.

B. Pay formula: Two and one-half percent multiplied by years of active Federal service at time of retirement multiplied by active-duty base and longevity pay of grade or rank in which retired, plus one-half of 1 percent multiplied by years of inactive service at time of retirement multiplied by active-duty base and longevity pay of grade or rank in which retired; maximum at 75 percent of active-duty pay.

#### EXTENSION OF REMARKS

Mr. CURTIS asked and was given permission to extend his remarks in the RECORD and include a speech.

Mr. KEATING asked and was given permission to extend his remarks in the RECORD.

Mr. JOHNSON of Texas (at the request of Mr. BROOKS) was given permission to extend his remarks in the RECORD and include statements from two colleges and a statement from the general manager of the Guadalupe-Blanco River Authority of Texas.

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Massachusetts [Mr. LANE] is recognized for 20 minutes.

#### OUR VETS NEED MORE SUBSISTENCE PAY

Mr. LANE. Mr. Speaker, millions of veterans who washed their hands of war now find that they are up against the toughest enemy of their experience: inflation.

They had planned to return to the peace and security of civilian life, to resume their education which was interrupted by war, or to learn a trade.

The Congress of the United States, in an effort to compensate for the sacrifices made by these young men and women for whom "nothing was too good," passed the Servicemen's Readjustment Act, popularly known as the GI bill of rights.

To veterans and civilian alike, the title of this law, in popular speech, had a hopeful, healthy ring, consistent with the best of our traditions. In spite of the best-laid plans, there was a tragic inequality of sacrifice during World War II. Some were called upon to suffer and die, while others fattened on their martyrdom. This bothered the conscience of most Americans who believe in fair play. As early as 1944, the Congress determined to make up for this disparity when the veterans came home. Realizing the financial and psychological difficulties of readjustment to civilian life, the Congress made provisions for the veterans to continue their education or take on-the-job training as a free gift of a grateful Government, clearly expressing the will of the people.

Never before in the history of any nation had such a comprehensive plan to help the returning veterans been formulated. The veterans themselves, oriented to this fact, were hopeful that they could make up in some measure for the years of normal living which they had sacrificed in behalf of all of our people.

On the strength of the Government's promise to help, many of them married and then went to school, reversing the customary order of development. True, there was a housing shortage, which could have been anticipated and provided for during the 1930's, if some people had not been so greedy, but that was second-guessing. There was hope and opportunity for the returning veteran, and he was prepared to put up with the inconveniences of living with the in-laws or starting housekeeping in one room, as long as he could acquire an education or the "know-how" of a trade in the meantime.

Bravely, the young couples faced their double responsibility.

Gradually, however—almost imperceptibly—they discovered that their situation was deteriorating from day to day.

In spite of rigid economies, it was becoming impossible to make both ends meet. And the veterans found that the war was not yet over. The visible enemy was gone but they had another which was pressing against them from every side and against whom they could not fight back.

Many were being forced to the wall by inflation.

Everyone else in the United States, with the exception of the profiteers, had to contend against this unseen foe which was stealing their income and was forcing them back into debt and despair.

There was relief for some. Many workers were able to win pay increases which enabled them to keep their heads above the swelling costs of inflation. Others were going under, and among them were the veterans who had sacrificed once and were being called upon to sacrifice again.

The danger to their morale and to the future of our country because of this neglect is great. The present Congress must make immediate adjustments so that the intent of the GI bill of rights will measure up to the realities of life. It must increase allowances—subsistence allowances—to those veterans who are getting an education or training under the Servicemen's Readjustment Act. For no veteran can properly learn a profession or a trade while his very existence is being threatened by economic forces beyond his control.

The Government's solemn obligations to the veterans must be carried out in full and not in part.

The cost of living is rising each month, yet the veteran is held to a fixed level of subsistence payments. From my own knowledge the VA is frequently months behind in payments to these veterans. We all understand the terrific work load of meeting the various needs of 14,000,000 eligible veterans, but this is small comfort to those veterans who do not get enough subsistence allowance in the first place, and then find that the checks are lost, strayed, or stolen.

In hearings held by the Committee on Veterans' Affairs of the United States House of Representatives nearly a year ago, some startling testimony came to light revealing the plight of veterans in the colleges and universities.

The findings of a survey made by students of the graduate school of business at Stanford University showed that single and married veterans alike need twice as much as they receive through their Government monthly allotment. This was published in Higher Education, semimonthly publication of the United States Office of Education. Single men receiving \$65 a month from the Government spend an average of about \$120 and a minimum of \$90. The average monthly recreational expense is \$20; for rent they pay out \$10 to \$20.

To make up the difference, the survey at Stanford indicated that 85 percent of the single veterans draw on savings. About 30 percent have part-time jobs and some 20 percent are helped by their parents. Minimum cost of living for married veterans with \$90 coming from the Government is \$140, while the aver-

age is \$180. Rents average \$50, with a low of \$40, and recreation amounts to \$15.

Extra expenses of married men are made up in most cases by wives who work. Nearly two-thirds of the wives of Stanford veterans work, most of them full time. Among men with children 75 percent draw on savings and 37 percent work part time, since wives must remain at home.

One student, a sophomore in engineering, said that he had to carry fewer hours one semester so that he could work part time to meet the rising cost of living.

"My wife works," he said, "but we still can't make a go of it with high rent and zooming food costs. It takes about twice my allotment to get by each month."

A sophomore in the arts and sciences, also married, said that rent and food costs run his bill up to at least twice what the Government pays him, even with his pension added.

"My wife works, and I work part time," he said, "but our average expenses run about \$185 monthly."

It seems that the university living costs for married men are about the same as those at Stanford. One married veteran, a junior in engineering, said, "We are expecting a baby, so my wife can't work. I work part time to meet high rent and food costs, since my \$90 a month isn't adequate. If expenses go higher than that, I draw on my savings. With this baby coming, it's going to be tough on us."

Even earlier than this, on December 14, 1946, W. J. Bender, counselor for veterans at Harvard University, wrote to the editor of the Army Times:

State	Those taking on-the-job training as of Dec. 31, 1946	Estimates of trainees affected on basis of 70 percent	Veterans of Foreign Wars department opinion as regards ceiling
Connecticut.....	8,777	6,144	Veterans are leaving training situations to seek more income; propose \$250 single, \$325 with dependents.
Maine.....	7,604	5,323	\$175 single, \$250 with dependents.
Massachusetts.....	25,599	17,919	Lack of incentive as result of Public Law 679 resulted in marked withdrawal of veterans from program: \$250-\$325.
New Hampshire.....	3,795	2,657	No report submitted.
Rhode Island.....	5,166	3,616	Cost-of-living ceilings imposed by Public Law 676 are too low: \$200-\$225.
Vermont.....	3,074	2,152	Wage ceiling discourages veteran from bettering himself; should not count earnings of worker outside program: \$175-200.

You will note that I have given you some indication of the testimony submitted by the Veterans' Committee of the House of Representatives regarding the predicament of veterans seeking an education or on-the-job training as of 1 year ago.

The situation for them was difficult enough at that time.

What is it today?

The cost of food alone has gone up more than 20 percent during the past year, and the cost of all items has increased 15 percent.

The net result is that the buying power of the veteran's allotment, scant as it was, has been further reduced by 15 percent. Unless compensatory relief is forthcoming, and soon, many veterans will have to give up their ambitions and join the scramble for quick dollars to

Our experience is that almost no students under Public Law 346 can get by at Harvard on the Government subsistence payments alone. Students without dependents, however, can come close enough to it that their situation is not serious. Veterans with dependents are in a hopeless situation unless they have considerable savings, help from outside sources, scholarship aid, or the wife has a job. If there are children, it is, of course, difficult for the wife to earn.

If any increases in subsistence payments are to be made, I feel strongly that they should be made first to veterans with dependents and that the amount should vary with the number of dependents. This is in answer to your letter of December 5, addressed to President Conant.

From Columbia University, December 16, 1946:

However, the financial strain on veteran students appears to be increasing and a thorough congressional reconsideration of the whole level of subsistence payments is urgent and inevitable.

North, south, east, west—all over the Nation, colleges report that veteran students are hampered in their work by meager subsistence allowances which are falling far behind the rising cost of living.

And what about those veterans who are taking on-the-job-training? Their subsistence allowances are the same, plus a ceiling on wages they may receive from the employers who are training them in skills or trades. A graphic description of the situation is contained in the tabulation of on-the-job-trainees, by States, made by the Veterans of Foreign Wars, together with the recommendations of the V. F. W. State departments.

Confining ourselves to New England, here are the facts:

their own long-range disadvantage and that of the Nation.

The present Congress is considering several bills to make up for these deficiencies. In particular, H. R. 4212 would raise the subsistence allowance to \$75 a month if without a dependent or dependents, to \$105 a month with one dependent, or \$120 per month if he has more than one dependent. H. R. 246 would raise ceilings on wages and allowances payable to veterans undergoing training on the job up to \$250 a month for a veteran without a dependent, \$325 per month for a veteran with one dependent, and \$350 for a veteran with two or more dependents.

We have made a promise to our veterans.

It is our duty to carry out our obligation without short-changing them.



This calls for swift enactment of the two bills to raise subsistence allowances for students and trainees in justice to them and in realistic fulfillment of our commitments under the GI bill of rights. This we will do.

(Mr. LANE asked and was granted permission to revise and extend his remarks and include a certain table.)

#### SPECIAL ORDER

The SPEAKER pro tempore (Mr. BISHOP). Under previous order of the House, the gentleman from Massachusetts [Mr. HESELTON] is recognized for 15 minutes.

Mr. HESELTON. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I am about to make and include therein certain quotations and excerpts; and I further ask unanimous consent to extend my remarks in the Appendix of the RECORD and include certain editorials.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. HESELTON. Mr. Speaker, at the outset I wish to read two paragraphs from an editorial appearing in the Springfield Daily News, of Springfield, Mass., on Saturday evening. It is entitled "The Oil Fiasco."

The fuel-oil and kerosene shortage which has come in the middle of one of the most severe winters southern New England has experienced in a number of years is a disagreeable commentary on the failure of an industry to meet requirements it had every reason to anticipate.

The editorial concludes with this paragraph:

Like the petroleum industry, the Government has also failed the public and has added to domestic problems by authorizing excessive shipments of oil abroad. This latter policy is checked as of today under an order of the United States Department of Commerce drastically curtailing oil exports to Europe. That order is long overdue, but the fact that it was made at this late date is strong evidence that the oil situation in many parts of America is more grave than most people have been allowed to know heretofore.

I referred to that order last Friday afternoon when I received it. I find I was in error in one respect. I was advised that shipments of oil in the quota program to Japan and Ryukyus had been reduced from 1,600,000 barrels to 1,000,000 barrels. As a matter of fact, I understand now that the quota has been reduced from 1,600,000 barrels to 100,000 barrels, a reduction of 1,500,000 barrels.

As suggested in the editorial to which I have just referred, the action of the Department of Commerce, belated though it was, was clear recognition of the serious shortage which exists in this country, was recognition of the merits of the repeated recommendations which have been made by the Committee on Interstate and Foreign Commerce, and destroys completely the contentions made by representatives of the Government to that committee and to other committees here in Congress that we could not reduce this export program

without jeopardizing the industrial productivity of these nations which are, after all, our friends.

Let me illustrate these untenable contentions by quoting from testimony before that committee:

On Tuesday, January 27, during the course of his testimony before the House Interstate and Foreign Commerce Committee, Hon. William C. Foster, Under Secretary of the Department of Commerce made a very significant statement, in response to a question of the chairman, as to the attitude as of that moment of the Department of Commerce.

The chairman asked:

Even though the picture may have been taken in the spring, it develops that the program that was then carried out by the Department of Commerce has resulted in the unfortunate situation that we have today facing us. So that whether the oil was shipped recently, or whether it was shipped before, the net result is that oil went out of this country that could have been used at the present time to advantage. And that brings me to this question:

When these allotments were made for foreign countries during this past year, 1947, was it contemplated by the Department of Commerce that there would be this shortage in our domestic use at the present time?

In other words, was the oil shipped out with full knowledge that there would be this shortage? And if so, why?

Mr. Foster replied:

Mr. Chairman, during the spring of 1947, the industry and most experts were of the opinion that there was plenty of oil. As the spring developed it became obvious that there was an increasing shortage of petroleum products. Due to that fact, on June 30, 1947, we again controlled the shipment of petroleum products for export. Up to that time there had been considerable question.

The shortage has progressively worsened, I think, well beyond the best judgment of the experts in the industry and in Government. We have been faced with a winter much more severe than we have had for many years. Due to that combination of factors, due to shortages of transportation, we are now faced with the situation which you point out.

However, it does seem to me that there are degrees of need, and certainly there is great need in other countries as well as in our own. You must recognize that the only control we have, Mr. Chairman, is to control the amount of material that leaves this country. We have no power to direct it to the particular urgent emergent conditions here. If we keep more petroleum here—and we are doing that; we have reduced the amount progressively ever since the shortage became apparent—if we keep it here it may go to the points of greatest need or it may not. We would have no control over that.

I do think we have a moral responsibility to the other nations who depend upon us for this material. I think we have a responsibility that goes back over many years. If we are to carry out the moral responsibility and the thing which has given this Nation its strength with the other freedom-loving countries I think we must continue to carry out that moral responsibility.

If we were today to shut off a small proportion of our total petroleum production it would mean the difference between complete collapse in some of those countries as contrasted with a very modest addition to our supplies in this country.

I am sure that this committee will give consideration to that point.

Compare that sort of a position with the action of that Department 3 days later in reducing exports in the first quarter by 2,200,000 barrels of petroleum products. The contentions demonstrate their own inherent unsoundness when the amount allocated for Japan and the Ryukyus was slashed from 1,600,000 barrels to 100,000 barrels—a cut of 1,500,000 barrels—a 94 percent reduction. If that can be done in that instance, who prepared the original allotment? If that sort of savings can be made in that area, what possible argument can be advanced justifying the relatively insignificant and totally inadequate cut to other countries?

Last Saturday I spent some time in the Department of Commerce and the Department of State in an endeavor to find out how this further reduction has been accomplished. I understood at that time that cables had been sent to the foreign countries, but I was not able to see copies of the cables at the time. This morning I asked the Office of International Trade to send me copies of their cables which I understood had been sent last week. A matter of 15 or 20 minutes ago I received a report that the cables had actually not been sent, that they are actually in the process of preparation and will be sent sometime this week, probably not earlier than Thursday. However that may be, it is particularly pertinent that the Committee on Interstate and Foreign Commerce this afternoon in a special meeting passed another resolution in which it recited every step it has taken successively from December 19 throughout the month of January resulting in a partial recognition of the validity of its recommendation on January 20 that there should be an immediate cessation of the exportation of all petroleum products until it can be determined whether they are at the expense of our national economy or our national security. The last four paragraphs are particularly pertinent. Under leave previously granted me I shall insert the entire resolution in the RECORD, but at the present time I wish to read this portion:

Whereas on January 30 the Department of Commerce issued another bulletin announcing the further revision and stating that this was done "in view of the serious shortage of fuel oil in certain areas of the United States"; and

Whereas this most recent revision does not result in the saving of heating and industrial oils necessary to alleviate the serious shortages in certain areas of the United States; and

Whereas during this week end conditions in certain areas of the United States have become even more acute: Now, therefore, be it

Resolved, That this committee insists that the Department of Commerce shall immediately consult with all countries to which allocations of petroleum and petroleum products were made on January 16, with a view to arranging without further delay a reduction in the quotas for the months of February and March of kerosene, gas oil, and distillate fuel oil, and residual fuel oil to at least 50 percent of the amount listed in the tabulation of January 16, 1948—

This following for the reason that, much to our astonishment, certain high officials in the Government who have testified before our committee indicated that previous recommendations had not reached up to their level. This sentence I call your attention to particularly—

and that certified copies of this resolution be delivered this date to the office of the President of the United States, to the Secretary of Commerce, to the Director of the Office of International Trade, Department of Commerce, and to the Chairman of the Board of Review.

I certainly trust, with those certified copies having been sent to the various offices in the executive departments who are responsible for the welfare, the comfort, and the safety of the people of this country, as well as for the possible prejudice any such program might bring to the comfort and welfare of people of other countries, that we will not have a repetition of any witness appearing before us and saying he has not been forewarned of what a committee of this House unanimously recommends be done on the part of the executive department.

In conclusion, I want to refer to certain astonishing figures. May I say, in connection with House Joint Resolution 312, which I introduced last week, dealing with the proposition of the historical use of our exports to other countries, that I acted on the assumption a 5-year period would be a fair period for prewar judgment. However, it was suggested to me Saturday, and I think rightly, that the years 1939 and 1940 should not be used because, since the invasion into Poland had begun and the European war was on, naturally conditions were abnormal. Consequently, I shall either introduce a new resolution using the period from 1934 to 1938, inclusive, or I shall ask the committee to consider an amendment providing for a substitution of those 5 years.

Using the official statistics of the Department of Commerce on Sunday, I analyzed the exports of certain kinds of fuel and industrial oils to the various countries on a historical basis, using that 5-year period. I think you may be interested in a few of the figures. I have not had a chance to verify all of them, but as soon as I do, I shall place them in the RECORD.

To Australia, under the program undertaken, assuming we would send four times as much fuel oil as was designated for the first quarter, and the Department testified that was at least a minimum of what we might anticipate, we would send 400,000 gallons of gas oil and distillate oil to Australia in the calendar year 1948. As a matter of fact, in the 5 years 1934 to 1938, inclusive, we sent only 119,152 gallons of that particular kind of petroleum product. In the case of the residuals we would send, if this program is not checked and revised immediately, 100,000 gallons of the residual oil. During this same 5 years we sent to Australia a total of only 31,416 gallons of that type of oil. In those two fields alone we would be sending 500,000 gallons of those two types of oil against a record of 5 years' experience in that period when we sent a total of only 150,568 gallons.

That points up some of the weaknesses on the part of the program which has been undertaken down town here.

To Belgium we would send residual oil under the program 400,000 gallons of that much-needed type of fuel oil. We only exported to that country in the years 1934 to 1938, 34,918 gallons against a proposed export of 400,000 gallons. I may add that in the years 1936 and 1938 we sent nothing of this kind over there to Belgium.

This is not of the same character, but at least it is indicative of the type of thing that is being done. It is proposed under program to send 1,200,000 gallons of gas oil and distillate fuel oil to France in the calendar year 1948. In the 5 years to which I have referred we sent only 1,469,784 gallons of that type of oil.

In other words, we would send, if we approve this program and it goes on unchecked, 269,784 gallons less than we sent in the entire 5-year period to which I have referred.

Now, there is another analysis which obviously should be made, and I know those of you who are interested in this problem expect me to make it and I promise that I will. Although it is clear that we are setting up a program or have set up a program which, if carried through, would produce those very amazing contradictory and absolutely unjustifiable results on any explanation which has been given to us yet, nevertheless my suggestion obviously is that we should average the exports and consequently take the figures I have given you and divide them by five. We can do that with the other countries which I have not mentioned. I hope to have that done sometime tomorrow and will insert it in the RECORD.

Earlier in my statement I read excerpts from an editorial which appeared in the Springfield Daily News of January 31, and I also read certain paragraphs from a resolution adopted by the Committee on Interstate and Foreign Commerce of the House. For the convenience of those interested in the matter and under permission previously given me, I set forth both in full at this point:

[From the Springfield (Mass.) Daily News of January 31, 1948]

#### THE OIL FIASCO

The fuel oil and kerosene shortage, which has come in the middle of one of the most severe winters southern New England has experienced in a number of years, is a disagreeable commentary on the failure of an industry to meet requirements it had every reason to anticipate.

Several factors have been emphasized repeatedly to explain the fuel oil and kerosene shortages by the petroleum industry. Among them is the explanation that oil consumption has undergone a tremendous increase in the postwar period. Obviously, the petroleum industry should have anticipated that increase. The industry knew that oil burner installations began to multiply by the thousands after the war ended. The industry knew that replacement of steam engines on the railroads with Diesels would require many millions of gallons of oil. The industry knew that greater use of oil by manufacturing plants would join in causing demands to accelerate. The petroleum industry encouraged every development, which would increase the use of oil at the same time.

Now the public is told in the midst of a shortage that the facilities of the petroleum

industry have been unable to keep pace with demands for oil. The public is assured that the petroleum industry is expanding its refineries and processing equipment so that one day, perhaps 2 or 3 years hence, it will be in a position to supply everyone with oil.

Not a very pleasant outlook for those people and businessmen who have committed themselves and their finances to the use of oil, certainly.

When John L. Lewis was pushing up the price of coal by enforcing wage demands for the miners under the threat of strikes, which would have paralyzed the Nation, many turned to oil for security. The Daily News editorially encouraged this trend, little realizing that in the space of a year or two the petroleum industry would leave many oil users in much the same position if they had stuck to coal and Lewis had gone ahead with his strikes. The Daily News was not forewarned of the situation that has arisen now. If it anticipated a crisis in the future, the petroleum industry let no inkling of it fall where the oil situation could be brought into the proper perspective for the benefit of the public at large.

It is too late, of course, to do much about the situation now. Like the Pied Piper of Hamelin, the petroleum industry has lured many citizens down a road along which they must struggle as best they can, by maintaining an unwarranted attitude of complacency until the crisis virtually had arrived in many sections of the country.

Like the petroleum industry, the Government also has failed the public and has added to domestic problems by authorizing excessive shipments of oil abroad. This latter policy is checked, as of today, under an order of the United States Department of Commerce, drastically curtailing oil exports to Europe. That order is long overdue. The fact that it is made at this late date is strong evidence that the oil situation in many parts of America is more grave than most people have been allowed to know heretofore.

Whereas this committee, by committee resolution, recommended on December 19, 1947, that the export-control authority granted by section 6 of Public Law 703, Seventy-sixth Congress, as amended, should be exercised to place such prohibitions or curtailments on the exportation of fuel oil and other petroleum products for such period of time, as may be necessary to alleviate such shortages; and

Whereas it also recommended that the President and the departments and agencies of the Government should take all other possible and appropriate action to utilize such powers as they now possess to aid in alleviating such shortages; and

Whereas on January 2, 1948, the Department of Commerce issued a bulletin referring to the fuel-oil difficulties in this country and advising that Canada had agreed to reduce exports from the United States of certain types of heating oil by 50 percent in the month of January, and stating in part, "This quota continues the policy of restricting exports of major petroleum products to the maximum extent possible until the current domestic shortages are alleviated; and

Whereas on January 16, 1948, the Department of Commerce issued another bulletin giving the tabulation of the export of petroleum products which would be allocated for shipment to all countries but Canada in the first 3 months of this year; and

Whereas on January 26, the House committee further recommended "The immediate cessation of the exportation of all petroleum products until it can be determined whether they are at the expense of our national economy or national security," and "The deferment of making any foreign commitment involving the supply of petroleum products until a complete review has been made of the entire petroleum problem to determine to



what extent such commitments can be made without injury to our national economy or security"; and

Whereas on January 30, the Department of Commerce issued another bulletin announcing the further revision and stating that this was done "in view of the serious shortage of fuel oil in certain areas of the United States"; and

Whereas this most recent revision does not result in the saving of heating and industrial oils necessary to alleviate the serious shortages in certain areas of the United States; and

Whereas during this week end conditions in certain areas of the United States have become even more acute: Now, therefore, be it

*Resolved*, That this committee insists that the Department of Commerce shall immediately consult with all countries to which allocations of petroleum and petroleum products were made on January 16, with a view to arranging without further delay a reduction in the quotas for the months of February and March of kerosene, gas oil, and distillate fuel oil, and residual fuel oil to at least 50 percent of the amount listed in the tabulation of January 16, 1948, and that certified copies of this resolution be delivered this date to the office of the President of the United States, to the Secretary of Commerce, and to the Director of the Office of International Trade, Department of Commerce, and to the chairman of the Board of Review.

The SPEAKER pro tempore (Mr. Bishop). Under previous order of the House, the gentlewoman from Massachusetts [Mrs. ROGERS] is recognized for 20 minutes.

#### REISSUANCE OF UNITED STATES CURRENCY

(Mrs. ROGERS of Massachusetts asked and was given permission to revise and extend her remarks and include a resolution and an article.)

Mrs. ROGERS of Massachusetts. Mr. Speaker, you may remember that last summer I asked the Treasury Department to change the color of the money and have different colors instead of greenbacks. I have not been successful in getting the Treasury to act, and I have introduced a joint resolution which provides for the calling in by the Secretary of the Treasury of all outstanding paper and note United States currency in all amounts, and for the reissuance of new paper and note currency in place thereof in new and different colors for each denomination. That is only part of the bill, which I will insert at this point:

Joint resolution to provide for the calling in by the Secretary of the Treasury of all outstanding paper and note United States currency in all amounts, and for the reissuance of new paper and note currency in place thereof in new and different colors for each denomination

Whereas many benefits will be derived from the issuance of new United States paper and note currency in place of the present currency: Therefore be it

*Resolved*, etc., That notwithstanding any provision of law to the contrary the Secretary of the Treasury of the United States is authorized and directed to call in all outstanding paper and note United States currency in all amounts, and to issue new paper and note currency in place thereof in new and different colors for each denomination.

Mr. Speaker, on Thursday, November 27, 1947, the Commercial and Financial Chronicle carries a reprint from an article by James J. Quinn, investment

counsel, entitled "New Money for Old—Hot or Cold?" It states:

[From the Commercial and Financial Chronicle of November 27, 1947]

#### NEW MONEY FOR OLD—HOT OR COLD?

(By James J. Quinn, investment counsel)

(Investment counsel strongly favors Representative ROGERS' proposal for recall and alteration of currency's color scheme. Ascertains this would be temporarily inflationary, but ultimately very deflationary. Suggests four to ten billion dollars of "hot" money of tax evaders might be recovered as incidental result—enough to launch Marshall plan and reduce taxes.)

#### THE COMING CURRENCY CHANGE—A RECOLORING OR A RECALL?

The proposal of Massachusetts Representative EDITH NOURSE ROGERS to replace our green and black paper currency with a separate color for each denomination may have more to it than meets the eye. At first blush, the sole virtue of the idea would seem to be the greater ease of distinguishing between the various bills. Without imputing to Mrs. ROGERS' suggestion any other motivation, it is still true that the replacement of the old with new paper currency at this time carries with it implications of vast importance to many phases of our economic life—not the least of which are the relatively recently developed habits of conducting personal and commercial business transactions and keeping liquid savings in cash amounts of staggering proportions. Before examining the various possibilities, however, it may be helpful, perspective-wise, in gaining an appreciation of the scope and nature of the task that such an alteration in our currency would involve, if the events leading up to the last major change in United States folding money are reviewed.

#### The 1929 currency alteration

From 1861 until the late 1920's, the size of United States paper currency remained the same (7 $\frac{1}{16}$ " by 3 $\frac{1}{8}$ "). During that period, the economic development of the country was accompanied by various efforts to tie our money (a) to silver, (b) to gold, (c) to a combination of both, (d) to national bank deposits, and (e) to Treasury bond issues—among many other bases. The resultant hodgepodge currency of the 1920's was a natural outcome of the past haphazard approach to the problem of printing and engraving United States paper currency. While the size did not change during the 60-year period, its appearance, especially as regards colors and portraits used, ran the gamut of the entire spectrum on the one hand, and included, on the other, a wide variety of national and local heroes immortalized in print. At one time there were five separate designs for the \$5 bill—the type of variety in design that is an open invitation to counterfeiters, who gave the Secret Service many a busy day. Uniformity, however, was not the only reason for the proposed change. There were others.

First of all, the new size (6 $\frac{1}{16}$ " by 2 $\frac{1}{16}$ ") was more convenient to handle. The Philippines had been using the smaller size for years and had lauded its superiority. Since the new series bill could fit into pocketbooks without folding, the freedom from creasing, necessary with the old series, lengthened its life appreciably. The smaller, more uniform, but simpler designs, with their fine engraving, were considerably harder to counterfeit. Additionally, substantial economies in the cost of paper, ink, printing, and especially storing, were important factors. But more decisive than any of these was the 50-percent increase that the change automatically effected in the plant capacity of the Bureau of Engraving and Printing. The Bureau's building, erected in 1914, had not been designed to cope with the swelling cur-

rency demands (jumped 76 percent from 1917-26) of post World War I's booming economy. Without the change in size of the bills, a new building extension and a larger printing plant would have been unavoidable.

#### How the change was put through

The change-over presented the Treasury with the enormous problems of manufacturing, printing, scheduling, and public education. The latter was one of the gravest that Treasury officials had to cope with. A wide variety of difficulties cropped up that had not been anticipated. They ranged all the way from universal public dismay (especially on the part of the banking fraternity) at the prospect of having to transact business with two sizes of currency during the transition period, to derisive remarks about "the new cigar store coupons." Redesigning the various denominations and printing the 900,000,000 separate pieces was a huge task in itself. Nevertheless it was completed well ahead of original expectations. It was the scheduling of the distribution that brought on most of the headaches.

At first, only the \$1 bills were to be issued and those only over an estimated 12-month period. The others were to follow in appropriate order. So well, however, had the designing and printing progressed (including doing an additional last-minute job of an unscheduled redesigning and issuing of new national bank notes, which constituted 15 percent of all of the currency outstanding), that a general rather than an individual distribution date was decided upon, and even advanced by many months. On July 10, 1929, issuance of the new-sized current in \$1 to \$20 bills was begun. The larger denominations were issued later. No attempt was made to replace at one swoop the entire amount of old-series bills. Instead the normal procedure of retiring such old-series bills as came into the banks during everyday transactions was followed. The 4- to 6-month period estimated for the transition period when both old series and new series would be outstanding was, as it turned out, about right for all practical purposes. At any rate, except for odd stragglers, the outside limit for the complete change-over would hardly have exceeded a year since the number of pieces of the new series, about 900,000,000, was approximately equivalent to 1 year's normal retirements.

#### Legal aspects

In view of the ease with which the legal aspects of the 1929 currency change were handled—no legislation was necessary—the reported proposals by Representative ROGERS to prepare and submit a bill to Congress on what is essentially the same matter is puzzling. Secretary of the Treasury A. W. Mellon merely directed his Assistant Secretary to look into the matter of reducing the paper currency's size and submit recommendations. According to a press release at the time (1927), "Mr. A. W. Mellon announced that he has approved the recommendations submitted by Assistant Secretary Dewey for a reduction in the size of the paper currency (7 $\frac{1}{16}$ " by 3 $\frac{1}{8}$ " to 6 $\frac{1}{16}$ " by 2 $\frac{1}{16}$ "). That was all there was to it. Secretary Mellon was on firm legal grounds.<sup>1</sup> No change in the Secretary of the Treasury's powers over the currency has occurred in the interim. It would seem, then, that the pres-

<sup>1</sup> His powers over the currency's physical composition were complete and rested upon certain statutes: viz, national notes—section 104 of title 12 of U. S. Code: "Such notes . . . shall be in such form as the Secretary of the Treasury shall direct." Other U. S. currency is covered by sec. 40, title 31, U. S. Code, Money and Finance: "U. S. notes . . . shall be in such form as the Secretary of the Treasury may deem best." (Also see R. S. 3571, U. S. Laws and Statutes.)

ent Secretary's powers to effect the change proposed by Representative ROGERS in the color scheme of our currency are already ample. Mrs. ROGERS' proposal for special legislation to accomplish the revision is, in view of the foregoing, somewhat mystifying. It is in this apparent anomaly that the more searching implications for the entire economy of a currency recall at this time exist.

#### The implications of a currency recall

Unlike the 1929 recall, the proposed currency modification, if adopted, will have been preceded by over 12 years of steady annual increases in the amount of money in circulation (see table). From 1920 to 1930, money in circulation (MIC) actually declined irregularly, a period of the greatest peacetime boom in the country's history, not surpassed until post-World War II. Some of the reasons for the fantastic increase in MIC since 1936, especially that from 1941-45, are patent, others are abstruse, and still others downright suspect. The accompanying table I attempts to discover whether there is any correlation between the expansion of MIC and the changes that have occurred since 1920 (that is, where available statistics permit) in the various phases of the economy.

Although all of the gold now in the United States is not specifically pledged behind the currency, column 1 reveals that the actual yellow metal backing for the dollar has weakened drastically since 1940, and except for 1946, has not been so poorly supported in that respect since 1921, coincidentally the last comparable postwar year. Nevertheless, the ups and downs in the United States gold stocks are not especially indicative of MIC causation. In reality they reflect the flight to the dollar that began with the devaluation in 1934 and accelerated rapidly with the gathering of war clouds in the late 1930's.

Columns 2 and 3 are purposely juxtaposed. They show clearly that while MIC per capita has, since 1936, jumped 304 percent, MIC per dollar of wages and salaries gained only 166 percent—slightly more than half. Obviously we shall have to look elsewhere than to the serviceman and the laboring man for the explanation.

Column 4 contains the first, and as will be developed later, the closest correlative in the entire table. Liquid assets per dollar of MIC retain their identity with MIC because of the war-inspired practice (prewar, postwar, and during war) of transacting both business and personal affairs on a cash basis in ever-increasing amounts—especially as the price level mounted and the workings of OPA grew to be most onerous with war's end. This is clearly shown by column 5 where the amount of MIC in relation to bank debits doubled since 1939 and quadrupled since 1929. Currency in the hands of the public constitutes by far the greatest amount of MIC, as column 6 illustrates: Right now, 92 percent is publicly held, as against 75 percent in 1929, 85 percent in 1939.

It has been argued that the vastly greater rate of consumer expenditures since 1936 justifies unprecedented expansion of MIC. Columns 7-10 do not support this view—the reverse being true if anything. Total consumer expenditures in 1947 (column 7), for some reason apparently required 80 percent more cash than in 1936, a year of considerably less personal credit expansion and generally weaker personal credit position. Broken down, it would seem that purchasers of durables need 44 percent more cash, nondurables 58 percent, and services 138 percent. In view of the 62 percent increase in consumer credits since 1936 (128 percent since 1944, the war's low point), our quest for the solution of the MIC riddle may be finding a large part of its answers in the nature and scope of business practice surrounding personal expenditures.

TABLE I.—United States currency relationships

Year	Money in circulation (billions)	Gold stocks per dollar	Money in circulation per capita	Wages and salaries, per dollar	Liquid assets total, per dollar	Bank durables, commercial banks	Currency outside banks, per dollar	Per dollar personal consumption expenditures			
								Total	Durables	Nondurables	Services
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1947.....	\$28.29	\$0.74	\$198	\$0.23	\$0.12	\$0.02	\$1.08	\$0.18	\$1.41	\$0.30	\$0.64
1946.....	28.25	.73	200	.25	.13	.02	1.06	.20	1.89	.32	.68
1945.....	26.75	.75	191	.23	.12	.02	1.01	.22	3.33	.35	.70
1944.....	22.50	.91	163	.19	.12	.02	.96	.22	3.32	.34	.62
1943.....	17.42	1.26	128	.16	.12	.02	.92	.17	2.68	.28	.51
1942.....	12.38	1.84	92	.15	.11	.02	.89	.14	1.82	.23	.40
1941.....	9.61	2.36	72	.16	.12	.01	.96	.12	.98	.22	.34
1940.....	7.85	2.80	59	.16	.11	.01	1.07	.11	1.00	.21	.30
1939.....	7.05	2.50	54	.15	.11	.01	1.10	.10	1.05	.20	.28
1938.....	6.46	2.25	50	.15	.11	.01	1.12	.10	1.12	.19	.26
1937.....	6.45	1.97	50	.14	.11	.01	1.15	.10	.92	.18	.26
1936.....	6.24	1.78	49	.15	.11	.01	1.10	.10	.98	.19	.27
1935.....	5.57	1.81	44	.15	.11	.01	1.08	.10	1.08	.19	.26
1934.....	5.37	1.54	43	.16	.11	.01	1.10	.10	1.25	.20	.26
1933.....	5.43	.74	43	.19	.11	.01	1.14	.12	1.55	.24	.26
1932.....	5.41	.78	43	.18	.11	.01	1.11	.11	1.47	.24	.24
1931.....	4.54	.92	37	.12	.11	.01	.07	.07	.82	.16	.17
1930.....	4.24	1.01	34	.09	.11	.005	.06	.06	.58	.12	.14
1929.....	4.46	.90	37	.09	.11	.005	1.25	.06	.47	.12	.14
1928.....	4.51	.85	38			.005					
1927.....	4.56	.90	39			.005					
1926.....	4.60	.91	39			.005					
1925.....	4.52	.91	39			.01					
1924.....	4.56	.87	40			.01					
1923.....	4.54	.87	40			.01					
1922.....	4.18	.87	38			.01					
1921.....	4.62	.73	43			.01					
1920.....	5.18	.61	48			.01					

NOTES.—(1) MIC excludes 1920-33 \$287,000,000 withdrawn from circulation in 1934. (2) All 1947 figures estimated. (3) All amounts computed by dividing columnar figures (1-10) into money in circulation.

#### The anatomy of United States money in circulation

The above table suggests that not even in the course of studying usual economic pursuits will the answer to the question regarding the phenomenal rise in money in circulation during the past 12 years be found. It almost seems to hint that the explanation may not be an economic one at all. That is, such would be the case were it not for the peculiar correlation of the growth of money in circulation with that of liquid assets; the end of our quest will probably be found in an examination of the nature and motivation behind the extraordinary accumulation of liquid asset savings that has occurred, particularly during the war. No doubt the equally phenomenal rise in factory pay rolls during wartime expansion, and in servicemen's pay, were among the prime causes behind the initial issuance of the currency out of the banks; but the question still remains, why, once these funds were expended, they did not find their way back into the banks as deposits in the usual manner.

That war workers' wages and servicemen's pay were not the only causative factors behind the initial withdrawals of currency is demonstrable. The number of factory workers hit the wartime peak in 1943 (14,560,000); in no year since has that figure been exceeded. In August 1947 it was about 15 percent below (12,565,000). Factory pay rolls, for all the intervening wage hikes, are still about 10 percent below 1943's. The armed forces averaged 11,300,000 in 1944, the peak year, increasing from January's 10,300,000 to December's 11,800,000, about 15 percent. It is now down to 1,400,000. Further, Series E war bond sales averaged over 33 percent of annual average factory pay rolls in 1943 and 1944. Moreover, most overseas personnel (about 40 percent of the total in 1944) were paid in foreign currencies. The writer can personally attest to this, having disbursed naval funds in Brazil as a supply officer. All payments were in Brazilian cruzeiros. No incoming personnel could bring in more than \$50 for any reason, and that had to be exchanged immediately for native currency. Thus, despite a stabilized factory wage and armed forces pay situation, 1944 saw MIC increased from \$20,400,000,000 to \$25,300,000,-

000, over 26 percent (well in excess of the entire amount of MIC in 1929). With large amounts of workers' and servicemen's pay going into war bonds, these figures would suggest that the astounding expansion in wartime MIC and the continuance of its rise into the postwar period has been in major part due to an obvious preference, newly developed on the part of civilians, for transacting personal and business affairs in cash.

#### Tax evasion and black marketeering

The two obvious motives for conducting a sizable business chiefly on a cash basis have been tax evasion and black-market operations. There has been a third, the financing of enemy intelligence and propaganda activities within and without the United States; this latter is admittedly of minor importance, however, in relation to the first two. The extent of tax evasion and black marketeering, nevertheless, in terms of dollars and cents is almost impossible to delineate accurately. Some idea, though, of their scope may be derived from table II below showing the changes that have occurred in outstanding amounts of the various currency denominations, with the emphasis on the unprecedented growth in large bills (\$50-\$500 notably), suggesting eloquently the probable nature of their function.

By indexing the individual denominations, using 1936 as 100, the table reflects the effect upon United States currency of (a) the flight to the dollar; (b) individual uncertainty about the security of banks, especially after the 1933 experience; (c) fears of inflation and soft money (this explains the notably greater increase in coin over the \$1-\$5 bills); (d) the rise in the commodity price level; (e) the impact of war. As is plainly evident, the most striking increases occurred in those denominations least used in ordinary consumer business transactions, the \$10-\$100 bills. Such ordinary transactions would justify an increase of about 60 percent in the \$1-\$5 categories in view of the rise in the consumer's price index. The additional 40-percent to 80-percent jump actually experienced may represent a combination of the effects of the notorious "stoopies" market, and incidental saving (that is, hoarding).

Considering, however, the relative rarity of the \$50 and \$100 notes for business purposes,



the continued growth in their rate of issuance in the postwar period, as against the stabilizing to decline in the others, suggests that they are being used as a repository for savings, or as temporary storage for capital, rather than as a medium of exchange. Because of the ease in handling and storing fewer bills, the larger denominations, \$500, \$1,000, and \$10,000, would appear to be superior for this purpose. Oddly, nevertheless, a curious reversal occurred in the burgeoning popularity of these large bills, coincident with the issuance by the United States Treasury Department through the Federal Reserve System in May 1945, of an order directing all financial institutions to make a full report of any exchange of currency involving sums of cash in excess of \$1,000 in bills of \$50 and above, or any denominations if the sum exceeded \$10,000. Accompanying a later revision of the report

form, on October 24, 1945, the Treasury advised the Federal Reserve as follows: "The end of hostilities has, unfortunately, not put an end to tax evasions, nor lessened the need for tax enforcement. Accordingly this Department is continuing to give the fullest attention to the reporting and other phases of its tax-enforcement program."

It would seem, then, that the five- and six-fold increase in those bills (\$20, \$50, and \$100) that are free from official surveillance and therefore most suitable for saving as against trading, strongly intimates an unwillingness on the part of many owners to submit their cash accumulations to the routine scrutiny of bank officials by depositing them—for reasons that can only be guessed at. Among those reasons are, as mentioned, income-tax evasion and/or black-market operations—they usually go hand in hand.

cent reduction in the MIC would be in order. This would imply a return of most of the largest denominations and some of the smaller to bring the MIC down to about \$16,000,000,000, that is, a reduction of \$12,000,000,000. Parenthetically, it should be appreciated also that a decrease in the present unprecedented rate of personal expenditures would further lessen the need for even a \$16,000,000,000 total of MIC. Any such contraction in the MIC would, it is submitted, have a shock value for the economy not now susceptible to full evaluation. The remainder of this article will be devoted to exploring the possible impact a currency recoloration or recall would have on certain segments of United States life.

#### Effects of a currency recall

A currency recall would not actually have to occur to set off reverberations that would register in most parts of the economy immediately. The mere threat of such a change in the amount of the money in circulation would touch off so many anticipatory moves of a far-reaching nature, by both actual and potential owners of outstanding currency, that most phases of the Nation's life would be markedly affected. Few citizens' daily lives would be quite the same for some months afterwards, once the currency change proposal evidenced a convincing chance of going through.

#### Financial repercussions

In reality, money in circulation is undeposited bank deposits. Conceivably, all transactions whether business or personal, could be financed by check. Experience, nevertheless, has demonstrated the feasibility of restricting the payment for certain business, personal expenditures, and purchases to cash. That most of the currency now outstanding is not necessary for such purposes, at least when they are bona fide, has already been discussed. A return to banks as deposits of the excess currency, estimated in round figures at about \$12,000,000,000, could profoundly alter the present money supply situation. Instead of banks having excess reserves of about \$1,000,000,000, the figure would be \$13,000,000,000, permitting a credit base expansion of about \$65,000,000,000, three times the present amount of all loans outstanding in the Federal Reserve System.

As the Federal Reserve has already recorded its desire to curb inflationary forces through contracting credit, this development would be a major set-back. In order to sop up the additional excess reserves, reserve requirements would have to be increased to 31 percent. They are now 20 percent in central reserve cities; at their highest, 1937 and 1942, they never exceeded 26 percent, the statutory limit. Since reserve requirements could not, if increased, exceed 26 percent, excess reserves would, with the currency recall, be over \$4,000,000,000, and that has important implications for the securities markets.

Such an amount of excess reserves would be almost totally investable, and would find its way mostly into the United States Government bond market. The resultant effect on Treasury bond prices would probably carry them toward record high ground. In the purest sense of the word, that would be "monetizing" the debt with a vengeance. The technical position of treasuries, incidentally, would be further strengthened by any debt reduction which application of the windfall taxes, supra, would effect. The municipal bond market would similarly be affected, perhaps more so if no reduction in personal and corporate income-tax rates has occurred beforehand.

Stocks and commodities would benefit price-wise initially. Such of the old colored money as is "hot" would rapidly be sold at discounts to those willing to assume the risks. Much of such currency would in small amounts find its way into the markets. The greatest of all markets, however, would be

TABLE II.—United States money in circulation, by denomination

[1936=100]

Year	Total circulation	Coin	\$1	\$2	\$5	\$10	\$20	\$50	\$100	\$500	\$1,000	\$5,000	\$10,000
1947.....	442	264	201	180	227	401	610	637	730	319	296	71	67
1946.....	442	263	206	191	239	417	621	625	675	324	296	114	144
1945.....	435	246	207	208	254	432	615	581	599	337	304	100	133
1944.....	387	232	198	232	238	383	482	501	587	412	373	143	133
1943.....	312	197	182	200	217	332	381	371	412	302	283	129	122
1942.....	235	171	161	157	186	259	273	255	271	213	221	129	139
1941.....	170	145	139	126	150	175	170	182	202	193	209	342	256
1940.....	134	125	122	111	125	129	120	135	157	168	198	428	333
1939.....	116	114	112	103	112	114	105	115	130	142	160	286	178
1938.....	104	106	105	97	104	103	99	102	109	118	123	242	178
1937.....	100	104	101	91	100	100	98	97	100	103	108	86	67
1936.....	100	100	100	100	100	100	100	100	100	100	100	100	100
1935.....	90	92	92	94	90	88	91	90	89	91	90	100	89
1934.....	85	87	85	91	85	82	88	84	81	83	81	71	39
1933.....	84	86	80	94	79	79	89	91	87	93	89	114	55
Percent change, 1936-47.....	+342	+164	+101	+80	+127	+301	+510	+537	+630	+219	+196	-29	-33
Millions of pieces:	Total												
1947.....	2,627		1,000	31	411	623	457	51	52	.86	.81		
1936.....	944		449	17	181	156	75	8	7	.27	.27		

NOTE.—1947 is as of Aug. 31.

Should Representative ROGERS' recoloring proposal be adopted, in effect a currency recall will result. In the process, all those deposits for the new-colored money of the old-colored cash, not susceptible to full explanation to the Bureau of Internal Revenue, are liable to confiscation; their owners, more importantly, are liable to criminal prosecution for tax evasion (tax avoidance is only liable to a penalty fine). Mr. Henry Lustig and associates, once of Longchamps fame, like Al Capone, have become fully acquainted with the workings of the Bureau of Internal Revenue when tax evasion is an issue. Our peculiar Federal income-tax law does not concern itself with the sources of taxable income (Lucky Luciano, the white slaver, was always careful to pay his income taxes). Black marketers have little to fear as such. It is only if they have been so careless as to overlook the necessity of full disclosure on Form 1040 that they would run into difficulties with an aroused Bureau of Internal Revenue.

Black marketeering, it is generally known, occurred in numerous forms of business and agriculture at about every stratum of income. The usage of large-denomination bills was necessary in such transactions to insure expeditious movement, while maintaining the required confidential atmosphere with the small physical size of the bundle. The old tin box and the bulging black suitcase went out of style with the torrid twenties. Further, in this connection, an undetermined number of refugees, who had converted their foreign funds into United States currency and who habitually had all their liquid resources with them, descended upon our shores in the late 1930's and early 1940's. The habits these individuals had developed in Europe, of necessity, due to the Fascist harrying, of doing business for cash only, had become too ingrown to cast off easily. Carry-

ing large amounts of currency on one's person could only be accomplished comfortably with the larger bills. Undoubtedly, this group's monetary practices augmented the MIC out of all proportion to its numbers.

Rather than face the almost dead certainty of confiscation and criminal prosecution, tax-evader holders of an undetermined amount of the MIC would not attempt to exchange their currency for the new-colored money. As the Government could set a deadline, by which time all old-colored currency must be exchanged, the Treasury would come into "windfall" taxes of vast proportions. (The banks would simply credit the Government with the amount of unexchanged currency as of the deadline date.) The exact figure which this sum would reach, though, is not easily ascertainable. If the view is taken that a large part of the extraordinary concentration of currency savings in the higher denominations cannot, generally speaking, stand the light of day, then the Government, it can be seen, would benefit by an indirect payment of what might be considered a huge backlog of uncollected taxes. This amount, were the relationship of the larger denominations reverted to the 1940 status and personal expenditures financed in the same proportion, could range between \$4,000,000,000 to \$10,000,000,000.

Looked at another way, the nonbusiness denominations (\$50-\$10,000), that is, those not used regularly as a medium of exchange, constitute over 30 percent of the MIC. In addition, it is extremely doubtful that all of the lower denominations outstanding are actually required in normal business transactions. Were a return made to the 1936-40 relationship of financing personal consumption expenditures with about 10 cents per dollar of money in circulation (see table I) instead of the present 18 cents, a 45-per-

the black market in the currency itself. Now a settled part of the postwar economic life of most of the world, black markets in currency would soon be well established in the United States—at least until the deadline date. As its life would be short, no necessity for setting up special controls would apparently exist, so its activities would probably justify the description of being "rampant," to put it mildly.

The banks' problem in handling the mechanics in exchanging the new for the old currency would be manifold. Whereas in the 1929 currency face-lifting, 900,000,000 pieces were involved in the Rogers recoloration project, over 2,600,000,000 pieces would have to be processed. There would be the usual transition period when both currencies would be outstanding, with its implications of confusion and extra clerical outlays. Combined with the probability of a deadline on completing the substitution, the foregoing would infer a measure of out-of-pocket expense by banks. Alert bank management would, however, take full advantage of the opportunity to add a previously untapped source of new deposits and new business with an unplumbed potential.

#### *Economic repercussions*

The onset of a major black market in United States currency, either in anticipation or during the actual processing of the Rogers proposal, would be an inflationary force of the first magnitude. The only course open to those holders who may not, for one reason or another, exchange their old currency for the new, would be to swap it for anything tangible—houses, cars, jewels, stocks, commodities, what have you. There would be no way of effectively curbing these activities. In an already tight market for durables these operations would of necessity be disruptive. On the other hand, removal of any such sum as \$12,000,000,000 from the public's hands, which the actual exchange would probably effect, would be somewhat deflationary, since the new holders, the banks, would funnel such of it as the Federal Reserve left investable, but not loanable, into fixed interest securities directly.

After World War I's postwar boom burst, MIC dropped 18 percent in 2 years from 1920-22. While a similar contraction following the current boom would be material, it would still leave about \$8,000,000,000 more than is needed as a medium of exchange. In this connection, it is interesting to note that were the rate of increase in MIC for World War II to be equal to that of World War I, the amount of MIC now would be about \$15,000,000,000 in excess. In view of the similarity in the extent of the rise in the wholesale price level, this is an illuminating contrast, the explanation for which may possibly lie to some extent in the eye-opening difference in income-tax rates—lowest and highest in World War I ranged from 1 percent to 65 percent; in World War II, 20 percent to 91 percent.

The more profound economic intimations in the Rogers currency proposal would flow from the politico-diplomatic steps which the Federal Government could take, especially as regards tax reduction and financing the Marshall plan.

#### *The politico-diplomatic repercussions*

Outside of the risk of possibly stepping on the toes of some party officials, both high and low, there should be no politico-diplomatic reasons why both Republicans and Democrats would not welcome such a currency plan as Representative ROGERS proposes, with open arms. On the contrary, it opens up possibilities which in a Presidential election year, could not be more promising. First of all, few politicians would miss the chance of engaging in a Nation-wide witch-hunt for the rascals in a key election year. It is such a worthy cause, like being "agin sin." Second, and vastly more important, a currency

recall may provide the perfect answer to the politician's \$64 question regarding the Marshall plan—who is going to pay for it? As estimated above, the take in "hot money" could approximate \$4,000,000,000 to \$10,000,000,000. Such a sum would, in the upper range, not only finance the heavy first year of the Marshall plan, but much of the second. This would clear the way for the politician to put his best foot forward in a Presidential year—by cutting taxes.

At the same time, the diplomatic front would be strengthened. Not only would the success of the Marshall plan in some tangible form be assured; certain other frictional aspects of our relations with foreign countries would be eased. One of these is the surging black markets<sup>2</sup> in various currencies with United States money usually the base. Recall of the currency would put an end to many such markets for an indefinite period. Operations of the International Monetary Fund would, as a result, benefit greatly.

From a governmental administrative point of view, Representative ROGERS' currency recoloration could be the inaugural for a periodical refurbishing of United States money, say, every 5 or 10 years. Not only would this confound counterfeiters, it would also serve to thwart any concerted efforts to use United States currency as other than a medium of exchange. Further, on a piece basis, the entire currency is normally turned over (that is, renewed) about once a year anyway. Therefore, the element of cost would be of minor consequence.

#### *Prospects and summary*

Undoubtedly there is a good chance of Representative ROGERS' proposal going through, if not in 1948, perhaps in 1949. It has all the best arguments on its side. Nevertheless, it would run into strong opposition from many quarters, whose arguments would not be too easy to rebut. They run as follows:

1. A recall of the currency would be disruptive to the economy in a critical, i. e., a Presidential, year.

2. A probable increase in the banking structure's credit base has harmful implications, especially with outstanding loans now at or just below the all-time highs.

3. There is no assurance that the amount of "windfall" taxes, to which the Government may fall heir, would anywhere nearly approximate the sums postulated above (viz, \$4-\$10 billion). Therefore, the alleged benefits are of doubtful eventuality.

On the other hand, the opposition would probably find it even more difficult to cope with the arguments of the pros. They follow:

1. A new color scheme for the currency would undeniably facilitate the handling and counting of bills and thereby accelerate bank business transactions.

2. The country does not need any more than \$16,000,000,000 of currency in circulation, if that much. The recoloration could serve as a recall which would probably reduce MIC to that figure, as the owners would

<sup>2</sup> Since finishing this article, a noteworthy development regarding British currency has taken place. In England, the alleged black marketeering in sterling has become so rampant as to lead the Government to consider a recall of the entire British currency and an issuance of new notes. Sir Stafford Cripps, the Chancellor of the Exchequer, revealed on November 18. In order to achieve maximum effectiveness in squelching marketeering in sterling, Cripps stated that such "a currency cancellation would come without warning." Since it is a foregoing conclusion that United States currency is being used for a base for marketeering in sterling, a recall of American money probably would accomplish the Chancellor's objectives without necessitating a British currency cancellation.

doubtless leave the difference in banks as deposits.

3. Recoloration at this time could be the inaugural of a periodical currency recall which would formally fix control over the end use of United States money as an exchange medium, in the hands of the individual designated by law, the Secretary of the Treasury.

4. Tax evasion would be restricted to other than currency media.

5. The Federal debt and income taxes could be reduced in 1948 by applying such of the windfall taxes, which the tax evaders provided by failure to exchange their old currency holdings for the new.

6. The Marshall plan financing may, as an alternative to or in conjunction with No. 5, be based in part upon employment of the same windfall tax income.

7. The inflation potential in the present amount of MIC, long a bugaboo of private and Government economists, will have been largely eliminated, as over 40 percent of the MIC would have been more or less immobilized.

8. As no changes in the designs of the currency are in prospect, the mechanics of the job are much simpler than those of 1929 when, in effect, the entire currency was completely revamped. The major difficulties, printing time and color processing, are technological and probably could be easily overcome. The problem of assigning colors could be simplified by making the rarely used \$50-\$10,000, notes the same color and reserving four standard shades for the bills most often used—the \$1-\$20 denominations. The \$2 bill, race-track money, has long outlived its usefulness and should be eliminated from the currency. The Rogers recoloration proposal would offer a good opportunity to do it while accomplishing more essential objectives.

Mr. Speaker, it is obvious to my mind now that without a great deal of agitation the Treasury Department does not intend to act on this extremely important matter of changing the color of our paper currency, which would involve the recall of millions and millions of dollars and would be of untold value to the United States.

#### *BILLS PRESENTED TO THE PRESIDENT*

Mr. LECOMPTE, from the Committee on House Administration, reported that that committee did on January 30, 1948, present to the President, for his approval, bills of the House of the following titles:

H. R. 2361. An act to authorize the filing of actions in State courts to quiet title to lands described in a treaty between the United States and the Delaware Indians, dated October 3, 1818.

H. R. 3153. An act to provide for the sale or other disposal of certain submarginal lands located within the boundaries of Indian reservations in the States of Montana, North Dakota, and South Dakota.

H. R. 3322. An act to empower the Secretary of the Interior to grant rights-of-way for various purposes across lands of individual Indians or Indian tribes, communities, bands or nations.

H. R. 3326. An act to provide for the granting of certificates of competency to certain members of the Osage Indian tribe in Oklahoma, and for other purposes.

H. R. 3645. An act relating to the exchange of certain private and Federal properties within Gettysburg National Military Park, Pa., and for other purposes.

#### *ADJOURNMENT*

Mr. BRADLEY. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 2 minutes p. m.) the



House adjourned until tomorrow, Tuesday, February 3, 1948, 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:

1273. A letter from the Administrator, War Assets Administration, transmitting the progress report for the fourth quarter of 1947; to the Committee on Expenditures in the Executive Departments.

1274. A letter from the United States Atomic Energy Commission, transmitting the Third Semiannual Report of the United States Atomic Energy Commission, as required by the Atomic Energy Act of 1946; to the Joint Committee on Atomic Energy.

1275. A letter from the president, Potomac Electric Power Co., transmitting a report of the Potomac Electric Power Co. for the year ended December 31, 1947; to the Committee on the District of Columbia.

1276. A letter from the president, Potomac Electric Power Co., transmitting the report of the Washington Railway & Electric Co. for the year ended December 31, 1947; to the Committee on the District of Columbia.

1277. A letter from the Acting Secretary of the Navy, transmitting a copy of a report of real and personal property leased by the Department of the Navy under the authority of Public Law 364, Eightieth Congress; to the Committee on Armed Services.

1278. A letter from the Under Secretary of Agriculture, transmitting the report on co-operation of the United States with Mexico in the control and eradication of foot-and-mouth disease; to the Committee on Agriculture.

#### REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. COLE of New York: Joint Committee on Atomic Energy. H. R. 5216. A bill to amend the Atomic Energy Act of 1946 so as to provide that no person shall take office as a member of the Atomic Energy Commission or as General Manager of such Commission until an investigation with respect to the character, associations, and loyalty of such person shall have been made by the Federal Bureau of Investigation; without amendment (Rept. No. 1290). Referred to the Committee of the Whole House on the State of the Union.

#### PUBLIC BILLS AND RESOLUTIONS

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

By Mr. PASSMAN:

H. R. 5238. A bill to confirm and establish the titles of the States to lands and resources in and beneath navigable waters within State boundaries and to provide for the use and control of said lands and resources; to the Committee on the Judiciary.

By Mr. SUNDSTROM:

H. R. 5239. A bill to promote recovery programs abroad, to strengthen the national defense, to discourage illegal and gray-market operations, to aid in stabilizing the currency of the United States, and for other purposes; to the Committee on Banking and Currency.

By Mr. WELCH:

H. R. 5240. A bill to authorize the withdrawal of public notices in the Yuma reclamation project, and for other purposes; to the Committee on Public Lands.

By Mr. DIRKSEN:

H. R. 5241. A bill to amend the act entitled "An act to regulate the practice of optometry

in the District of Columbia"; to the Committee on the District of Columbia.

By Mr. LUDLOW:

H. R. 5242. A bill to amend the act of July 6, 1945, relating to compensation of postal employees, so as to provide for giving appropriate credit for periods of past service in the making of assignments to salary grades; to the Committee on Post Office and Civil Service.

By Mr. TWYMAN:

H. R. 5243. A bill to repeal the tax on oleomargarine; to the Committee on Agriculture.

By Mr. BARTLETT:

H. R. 5244. A bill to amend an act entitled "An act to allow credit in connection with certain homestead entries for military or naval service rendered during World War II"; to the Committee on Public Lands.

By Mr. FOOTE:

H. R. 5245. A bill to advance the effective date of within-grade salary advancements of officers and employees subject to the Classification Act of 1923 and of grade-to-grade promotions of officers and employees in the postal service; to the Committee on Post Office and Civil Service.

By Mr. HOPE:

H. R. 5246. A bill to amend section 4 of the act of March 1, 1911 (36 Stat. 961; 16 U. S. C. 513), to relieve the Secretary of the Army from serving as a member of the National Forest Reservation Commission; to the Committee on Agriculture.

By Mr. WILLIAMS:

H. R. 5247. A bill for the relief of Amite County, Miss.; to the Committee on the Judiciary.

By Mr. HARTLEY:

H. R. 5248. A bill to declare the national policy regarding the test for determining invention; to the Committee on the Judiciary.

By Mr. McCORMACK:

H. R. 5249. A bill to provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes; to the Committee on Education and Labor.

By Mr. ROBERTSON:

H. R. 5250. A bill to provide for the acquisition and preservation as a memorial to Theodore Roosevelt of the Maltese Cross Ranch, Billings County, N. Dak.; to the Committee on Public Lands.

By Mr. ROSS (by request):

H. R. 5251. A bill to amend certain provisions of the National Service Life Insurance Act of 1940, as amended; to the Committee on Veterans' Affairs.

By Mr. WEST:

H. R. 5252. A bill to extend the time for commencing the construction of a toll bridge across the Rio Grande at or near Rio Grande City, Tex.; to the Committee on Foreign Affairs.

By Mrs. ROGERS of Massachusetts:

H. J. Res. 315. Joint resolution to provide for the calling in by the Secretary of the Treasury of all outstanding paper and note United States currency in all amounts, and for the reissuance of new paper and note currency in place thereof in new and different colors for each denomination; to the Committee on Banking and Currency.

By Mr. BUSBEY:

H. J. Res. 316. Joint resolution to place temporary restrictions on the exportation of certain petroleum products; to the Committee on Interstate and Foreign Commerce.

By Mr. KNUTSON:

H. Con. Res. 142. Concurrent resolution authorizing the printing of additional copies of parts 4 and 5 of the hearings relative to revenue revisions, 1947-48, held before the Committee on Ways and Means; to the Committee on House Administration.

H. Con. Res. 143. Concurrent resolution authorizing the printing of additional copies of the hearings relative to reduction of individual income taxes held before the Committee on Ways and Means; to the Committee on House Administration.

By Mr. MUNDT:

H. Con. Res. 144. Concurrent resolution authorizing the Committee on Foreign Affairs to have printed additional copies of a special subcommittee report and appendix on the United States Information Service in Europe; to the Committee on House Administration.

By Mr. KEATING:

H. Con. Res. 145. Concurrent resolution to request the French Government for repatriation of Horst Kupski, and for other purposes; to the Committee on Foreign Affairs.

By Mr. O'TOOLE:

H. Res. 451. Resolution to create a special committee to investigate the oil-supply situation as it affects the eastern seaboard; to the Committee on Rules.

#### MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Rhode Island, memorializing the President and the Congress of the United States to have included in the forthcoming river and harbor bill the project of dredging Bullocks Cove in the town of East Providence; to the Committee on Public Works.

#### PRIVATE BILLS AND RESOLUTIONS

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

By Mr. BEALL:

H. R. 5253. A bill to place Emanuel H. Waldecker upon the appropriate register of eligibles for appointment in the classified civil service; to the Committee on Post Office and Civil Service.

By Mr. DAWSON of Utah:

H. R. 5254. A bill authorizing the issuance to Mountain States Development Co. and Crescent Eagle Oil Co. of patents for certain placer-mining claims located in Grand County, Utah; to the Committee on Public Lands.

By Mrs. DOUGLAS:

H. R. 5255. A bill to authorize the naturalization of Michael Kroskof-Thomas; to the Committee on the Judiciary.

By Mr. JAVITS:

H. R. 5256. A bill for the relief of Elza Friedrich; to the Committee on the Judiciary.

By Mr. MUNDT:

H. R. 5257. A bill for the relief of Allan A. Bryan; to the Committee on the Judiciary.

By Mr. REGAN:

H. R. 5258. A bill for the relief of Mrs. Mary Chagra; to the Committee on the Judiciary.

#### PETITIONS, ETC.

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

1276. By Mr. ANDREWS of New York: Resolution adopted by the Board of Supervisors of Erie County, N. Y., in strong opposition to the St. Lawrence seaway proposal, and urging all organizations, public, semipublic, and private, in the Niagara frontier to create a united force to the end that all opposition possible may be brought against this unsound and undesirable project; to the Committee on Public Works.

1277. By Mr. GWYNNE of Iowa: Petition of Mrs. Anna Haberkorn, Osage, Iowa, and others, in re S. 265, the Capper bill; to the Committee on Interstate and Foreign Commerce.

1278. Also, petition of Mrs. Ralph S. Moore and others, in re S. 265, the Capper bill; to the Committee on Interstate and Foreign Commerce.

1279. Also, petition of Mrs. Wm. E. Sasse, Waterloo, Iowa, and others, in re S. 265, the Capper bill; to the Committee on Interstate and Foreign Commerce.

1280. By Mr. JENISON: Petition of the American Legion, Donovan, Ill., signed by 34 persons, petitioning the Congress to enact legislation establishing a system of universal military training, as recommended by the President's Advisory Commission on Universal Training; to the Committee on Armed Services.

1281. By Mr. LEWIS: Petition of 28 residents of Tippecanoe, Ohio, in support of the passage of S. 265, a bill to prohibit the transportation of alcoholic-beverage advertising in interstate commerce and the broadcasting of alcoholic-beverage advertising over the radio; to the Committee on Interstate and Foreign Commerce.

1282. Also, petition of 36 residents of Steubenville, Ohio, and vicinity, urging legislation establishing a system of universal military training, as recommended by the President's Advisory Commission on Universal Training; to the Committee on Armed Services.

1283. By Mr. LUDLOW: Petitions of citizens of Indianapolis, Ind., requesting enactment of universal military training legislation, as recommended by the President's Advisory Commission on Universal Training; to the Committee on Armed Services.

1284. Also, petition of residents of Indianapolis, Ind., urging the enactment of legislation establishing a system of universal military training; to the Committee on Armed Services.

1285. By Mr. REED of Illinois: Petition of Rev. Clarence F. Hammen, Elgin, Ill., containing the signatures of 25 residents of Elgin, protesting the enactment of legislation to establish a system of universal military training; to the Committee on Armed Services.

1286. By the SPEAKER: Petition of legislative department, Board of Aldermen of Chelsea, Mass., petitioning consideration of their resolution with reference to protesting a temporary easement granted to the Mystic Bridge Authority for the purpose of making a preliminary survey for the proposed bridge between Chelsea and Charlestown; to the Committee on Public Works.

1287. Also, petition of John P. Hamilton, Miami, Fla., and others, petitioning consideration of their resolution with reference to endorsement of the Townsend plan, H. R. 16; to the Committee on Ways and Means.

1288. Also, petition of J. A. Justice, Miami, Fla., and others, petitioning consideration of their resolution with reference to endorsement of the Townsend plan, H. R. 16; to the Committee on Ways and Means.

1289. Also, petition of J. T. Lawlor, Miami, Fla., and others, petitioning consideration of their resolution with reference to endorsement of the Townsend plan, H. R. 16; to the Committee on Ways and Means.

1290. Also, petition of Mrs. Hattie Erdman, Miami, Fla., and others, petitioning consideration of their resolution with reference to endorsement of the Townsend plan, H. R. 16; to the Committee on Ways and Means.

1291. Also, petition of the Missouri River States Committee, petitioning consideration of their resolution with reference to the development of the Missouri River Basin; to the Committee on Appropriations.

1292. Also, petition of the Engineering Association of Hawaii, petitioning consideration of their resolution with reference to endorsing immediate action to enable Hawaii to be admitted as a State; to the Committee on Public Lands.

1293. Also, petition of Department of Massachusetts, Veterans of Foreign Wars of the United States, petitioning consideration of their resolution with reference to urging the granting of a rule to bring the universal-training bill to the floor of the House for action; to the Committee on Rules.

1294. By Mr. MARTIN of Massachusetts: Petition of Mrs. Martha E. Meinhardt and sundry citizens of Massachusetts, advocating enactment of universal military training; to the Committee on Armed Services.

## SENATE

TUESDAY, FEBRUARY 3, 1948

(Legislative day of Monday, February 2, 1948)

The Senate met at 12 o'clock meridian. Rev. James D. Bryden, assistant minister, New York Avenue Presbyterian Church, Washington, D. C., offered the following prayer:

O God, the source of our very life, help us, Thy children, in our need and give Thy guidance to this body, the Senate of the United States, assembled this day. We do believe not only that Thou art omnipotent, but that Thou art near, and not only that Thou art almighty, but that our best concerns are Thine also. Help now those who labor here for the good of our people to depend on Thee, knowing that they need not carry their burdens alone. May they have not only strength for their bare duties, but strength also for responsibility which lies far beyond all assigned duty. Having insight to see the final importance of trivial matters, may they be delivered from the tyranny of small concerns and have joy in their work. Bless through them the people of the United States; may Thy will be done and Thy kingdom come. For Thy name's sake. Amen.

### THE JOURNAL

On request of Mr. WHERRY, and by unanimous consent, the reading of the Journal of the proceedings of Monday, February 2, 1948, was dispensed with, and the Journal was approved.

### MESSAGES FROM THE PRESIDENT—APPROVAL OF BILL AND JOINT RESOLUTION

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on February 2, 1948, the President had approved and signed the following act and joint resolution:

S. 1100. An act for the relief of Frankie Stalnaker; and

S. J. Res. 179. Joint resolution to change the date for filing the report of the Joint Committee on the Economic Report.

### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed a bill (H. R. 4790) to reduce individual income-tax payments, and for other purposes, in which it requested the concurrence of the Senate.

### ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (H. R. 1826) making it a petty offense to enter any national-forest land while it is closed to the public, and it was signed by the President pro tempore.

### MEETINGS OF COMMITTEES DURING SESSIONS OF THE SENATE

Mr. BARKLEY asked and obtained consent for a subcommittee of the Committee on Labor and Public Welfare to hold hearings during the session of the Senate today.

Mr. WHERRY asked and obtained consent for the Subcommittee on Interior Department Appropriations of the Senate Committee on Appropriations to hold hearings during the sessions of the Senate today and for the rest of this week.

Mr. LANGER asked and obtained consent that the Senate members of the conference committee considering the retirement bill be excused for the remainder of the session today.

### LEAVES OF ABSENCE

Mr. WHERRY. Mr. President, I ask unanimous consent that the Senator from Nevada [Mr. MALONE] be granted leave of absence from the Senate for a period of 2 weeks for the purpose of holding hearings on behalf of the National Resources Economic Subcommittee of the Committee on Interior and Insular Affairs.

The PRESIDENT pro tempore. Without objection, the leave is granted.

Mr. FERGUSON asked and obtained consent to be absent from the Senate until February 16.

### EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

### QUARTERLY REPORT UNDER SECOND DECONTROL ACT OF 1947

A letter from the Secretary of Commerce, transmitting, pursuant to law, the second quarterly report under the Second Decontrol Act of 1947 (with an accompanying report); to the Committee on the Judiciary.

### REPORT ON LEASE OF CERTAIN PROPERTY BY NAVY DEPARTMENT

A letter from the Acting Secretary of the Navy, transmitting, pursuant to law, a report of real and personal property leased by that Department, for the period August 5 through December 31, 1947 (with an accompanying report); to the Committee on Armed Services.

### TRANSFER BY NAVY DEPARTMENT OF NAVAL MOTOR BARGE TO CITY OF BLAINE, WASH.

A letter from the Acting Secretary of the Navy, reporting, pursuant to law, that the city of Blaine, Wash., had requested the Navy Department to transfer a motor barge for use by that city in rescue and disaster work; to the Committee on Armed Services.

### DISPOSITION OF EXECUTIVE PAPERS

A letter from the Archivist of the United States, transmitting, pursuant to law, a list of papers and documents on the files of several departments and agencies of the Government which are not needed in the conduct of business and have no permanent value or historical interest, and requesting action looking to their disposition (with accompanying papers); to a Joint Select Committee on the Disposition of Papers in the Executive Departments.

The PRESIDENT pro tempore appointed Mr. LANGER and Mr. CHAVEZ members of the committee on the part of the Senate.

### PETITION

The PRESIDENT pro tempore laid before the Senate a resolution adopted by