Eightieth Congress, "To provide for furnishing transportation for certain Government and other personnel, and for other purposes," for the period July 1, 1950, through June 30, 1951; to the Committee on Armed Services.

783. A letter from the Chairman, Export-Import Bank of Washington, transmitting the twelfth semiannual report of the Export-Import Bank of Washington, covering the period January–June 1951, pursuant to section 9 of the Export-Import Bank Act of 1945, as amended; to the Committee on Banking and Currency.

784. A letter from the Attorney General, transmitting a letter relative to the case of Ramon Lara-Sotelo, file No. A-7070998 CR 32252, requesting that it be withdrawn from those now pending before the Congress, and returned to the jurisdiction of the Department of Justice; to the Committee on the Judiciary.

785. A letter from the Attorney General, transmitting a letter relative to the cases of Fannie Rotter or Fannie Bercovitch or Frymet Rotter, file No. A-4926231 CR 28341 and Guillermo Atondo-Palomino, file No. A-6499046 CR 33886, requesting that they be withdrawn from those now pending before the Congress and returned to the jurisdiction of the Department of Justice; to the Committee on the Judiciary.

786. A letter from the Attorney General, transmitting a letter relative to the case of Daniel Briones-Perez, file No. A-7208235 CR 32352, requesting that it be withdrawn from those now before the Congress and returned to the jurisdiction of the Department of Justice; to the Committee on the Judiciary.

787. A letter from the Attorney General, transmitting copies of orders entered in the cases where the ninth proviso to section 3 of the Immigration Act of February 5, 1917 (8 U. S. C. 136), was exercised in behalf of such aliens, pursuant to section 6 (b) of the act of October 16, 1918, as amended by section 22 of the Internal Security Act of 1950 (Public Law 831, 81st Cong.); to the Committee on the Judiciary.

788. A letter from the Postmaster General, transmitting a draft of a proposed bill entitled, "To amend section 1708 of title 18, United States Code, relating to the theft or receipt of stolen mail matter generally"; to the Committee on the Judiciary.

789. A letter from the Executive Secretary, National Security Council, Executive Office of the President, transmitting a report entitled "National Security Council Determinations, Nos. 12, 13, 14, 15, and 16," pursuant to section 1302, Public Law 45 (Third Supplemental Appropriation Act, 1951); to the Committees on Appropriations, Armed Services, and Foreign Affairs.

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. COOLEY: Committee on Agriculture. H. R. 39. A bill to encourage the improvement and development of marketing facilities for handling perishable agricultural commodities; without amendment (Rept. No. 972). Referred to the Committee of the Whole House on the State of the Union.

Mr. KILDAY: Committee of conference. H. R. 1726. A bill to provide for the organization of the Air Force and the Department of the Air Force, and for other purposes (Rept. No. 973). Ordered to be printed.

Mr. VINSON: Committee of conference. H. R. 4914. A bill to authorize certain construction at military and naval installations, and for other purposes (Rept. No. 974). Ordered to be printed.

PUBLIC BILLS AND RESOLUTIONS

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

By Mr. DAWSON:

H. R. 5350. A bill to amend further the Federal Property and Administrative Services Act of 1949, as amended, and for other purposes; to the Committee on Expenditures in the Executive Departments.

By Mr. LATHAM:

H. R. 5351. A bill to provide for the issuance of a postage stamp, in the year 1951 in commemoration of the five hundredth anniversary of the birth of Christopher Columbus; to the Committee on Post Office and Civil Service.

By Mr. WALTER:

H. R. 5352. A bill to amend section 1507 of title 18, United States Code, to prohibit the picketing of United States courts and the Congress, and for other purposes; to the Committee on the Judiciary.

By Mr. WIDNALL:

H. R. 5353. A bill to amend the Communications Act of 1934, so as to prohibit the showing of television programs in theaters practicing racial discrimination; to the Committee on Interstate and Foreign Commerce.

By Mr. RANKIN:

H. R. 5354. A bill to increase the capital stock of the Inland Waterways Corporation and to extend the service of such Corporation to the Tennessee and Cumberland Rivers; to the Committee on Interstate and Foreign Commerce.

By Mr. HOPE:

H. R. 5355. A bill making appropriations for flood relief and rehabilitation in agricultural areas; to the Committee on Appropriations.

By Mr. FUGATE:

H. Con. Res. 159. Concurrent resolution providing for a review of priority and allocation controls on steel to determine whether adequate and deliverable quantities of steel may be made available for highway-construction purposes; to the Committee on Banking and Currency.

By Mr. O'TOOLE:

H. Res. 411. Resolution to investigate practices in the fishing industry involving vessels of less than 20 tons; to the Committee on Rules.

By Mr. CLEMENTE:

H. Res. 412. Resolution to create a select committee to investigate all phases of football, baseball, basketball, boxing, racing, and all other sporting events; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, a memorial was presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Washington, memorializing the President and the Congress of the United States relative to commending the Senate Crime Investigating Committee for their work, and requesting that Congress provide for the continuance of such investigations; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

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

By Mrs. BOSONE:

H. R. 5356. A bill for the relief of Joseph Poynter Roche and Mary Elizabeth Roche; to the Committee on the Judiciary.

By Mr. BATES of Massachusetts (by request):

H. R. 5357. A bill for the relief of Joaquim Jose; to the Committee on the Judiciary.

By Mr. DOYLE:

H. R. 5358. A bill for the relief of Alfredo Medina; to the Committee on the Judiciary.

By Mr. HAYS of Arkansas:

H. R. 5359. A bill for the relief of Claude P. English; to the Committee on the Judiciary.

By Mr. PROUTY:

H. R. 5360. A bill for the relief of Alcide Orazio Marselli and Angelo Bardelli; to the Committee on the Judiciary.

By Mr. VELDE:

H. R. 5361. A bill for the relief of Margit Frieda Bohm and Klaus Seigfreid Bohm; to the Committee on the Judiciary.

By Mr. WALTER:

H. R. 5362. A bill for the relief of Francis Budovic; to the Committee on the Judiciary.

SENATE

MONDAY, SEPTEMBER 17, 1951

(Legislative day of Tuesday, September 13, 1951)

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

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Our Father God, whose mercies are new every morning, at this daily shrine of our spirits hallowed for us by a special sense of Thy presence, we would lift up our souls to Thee. Even as evil rages at its worst and deluded people imagine vain things, strengthen our trust in the eternal goodness. All beauty is Thine, the loveliness on the face of nature and the beauty hidden in the heart of man.

Deliver us this day from ugliness in thought and speech and conduct. May ours be a goodness that is set aflame with moral indignation at blatant betrayals of trust, endangering the very perpetuity of the Republic. Give us a new sense of our national destiny and the calm assurance that in all the shouting and tumult of these disordered days Thy truth is marching on. We ask it in the name of that One who is the truth and the life. Amen.

THE JOURNAL

On request of Mr. MCFARLAND, and by unanimous consent, the reading of the Journal of the proceedings of Friday, September 14, 1951, was dispensed with.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Snader, its assistant reading clerk, announced that the House had passed a bill (H. R. 1005) to amend the Tariff Act of 1930 to provide for the free importation of twine used for baling hay, straw, and other fodder and bedding material, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H. R. 608. An act for the relief of Kiyoko Matsuo; and

H. R. 1971. An act for the relief of Kirocor Haladjian, Tacouhi Haladjian, Gulunia Haladjian, and Virginie Haladjian.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. CHAVEZ, on behalf of Mr. HILL, and by unanimous consent, the Committee on the Judiciary was authorized to meet this afternoon during the session of the Senate.

PAY INCREASES FOR GOVERNMENT EMPLOYEES

The Senate resumed the consideration of the bill (S. 622) to increase the basic rates of compensation of certain officers and employees of the Federal Government, and for other purposes.

The VICE PRESIDENT. The pending question is on the amendment offered by the Senator from West Virginia [Mr. KILGORE].

REQUEST TO EXPUNGE STATEMENT FROM THE APPENDIX OF THE RECORD

Mr. HOLLAND. Mr. President, I ask that the approval of the RECORD be suspended until I have a chance to present a matter.

The VICE PRESIDENT. The Senate does not approve the RECORD. It only approves the Journal. There is nothing in the Journal about the matter concerning which the Senator wishes to correct the RECORD.

Mr. HOLLAND. Mr. President, a parliamentary inquiry. When is the proper time at which the Senator from Florida can make a motion or ask for unanimous consent to expunge from the RECORD a matter which had not occurred in the Senate and had no proper place in the RECORD?

The VICE PRESIDENT. The Senator can make a unanimous-consent request at any time.

TESTIMONY BY WILLIAM M. BOYLE, JR.—LETTER FROM ATTORNEY GENERAL MCGRATH

Mr. McFARLAND. Mr. President, during the session last Friday the distinguished junior Senator from Maine [Mrs. SMITH] called attention to what appeared to be a discrepancy between the testimony before a Senate committee of William M. Boyle, Jr., and the book Democracy at Work.

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

Mr. McFARLAND. Yes.

Mr. SALTONSTALL. As acting minority leader, I should like to send for the Senator from Maine if the Senator from Arizona is going to make a statement.

Mr. McFARLAND. I am not going to make a statement. I am merely asking permission to make an insertion in the RECORD.

Mr. SALTONSTALL. Very well.

Mr. McFARLAND. Mr. President, after that statement on Friday, I called Hon. J. Howard McGrath, present Attorney General of the United States, who was chairman of the Democratic National Committee during the period in question, to determine what the true facts were, and asked him to write a letter explaining the situation. I ask unanimous consent to place in the RECORD the letter which I received from him.

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

Mr. McFARLAND. Yes.

Mr. SALTONSTALL. Certainly, far be it from me to object to a unanimous-consent request of that character made by the majority leader. I think perhaps the Senator from Maine should have the opportunity of reading the letter or discussing it with the majority leader before it is put in the RECORD, if it is in conflict with the statement which the Senator from Maine made on the floor. That is my only request.

Mr. McFARLAND. I have no objection to the Senator from Maine being present when the request is made. I myself have no knowledge of the facts. All I asked was for insertion in the RECORD of a letter which explains the facts.

Mr. SALTONSTALL. Perhaps the Senator from Maine would like to comment on the letter, because she has made a very factual statement. I simply want to give her the opportunity to be present, or at least to read the letter, in order to comment on it at the time the request for insertion in the RECORD is made.

Mr. McFARLAND. That is perfectly satisfactory. But I would call the Senator's attention to the fact that the only thing the letter does is explain that the book from which she quoted was published after Mr. Boyle's appointment, although it purported to cover a period previous to that time.

Mr. SALTONSTALL. If that is all the letter states then I shall not object, if the Senator wants to put it in the RECORD. I hope he will give the Senator from Maine an opportunity to make a statement in connection with it.

Mr. McFARLAND. I understood the distinguished Senator from Maine has been sent a copy of the letter. I have no objection to her being on the floor at the time I make the request. As I stated, I have no personal knowledge of the facts. All I am interested in is that the true factual situation be available. Mr. McGrath's letter explains that the book was published after Mr. Boyle's appointment. If the Senator from Maine wants to make any comment upon it or if the Senator wants me to wait, I will do so.

Mr. SALTONSTALL. Will the Senator yield further?

Mr. McFARLAND. Yes.

Mr. SALTONSTALL. If perhaps the Senator from Florida is going to make his statement in the meantime, I will get in touch with the Senator from Maine.

Mr. McFARLAND. Mr. President, I wish to suggest the absence of a quorum anyway, and I will wait until after the quorum call to make my request.

Mr. SALTONSTALL. I thank the majority leader very much.

CALL OF THE ROLL

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

The VICE PRESIDENT. Does the Senator make the point of no quorum?

Mr. McFARLAND. Yes.

The VICE PRESIDENT. The Secretary will call the roll.

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

Aiken	Green	McFarland
Bennett	Hayden	McKellar
Benton	Hendrickson	McMahon
Bricker	Hennings	Millikin
Bridges	Hill	Monroney
Butler, Md.	Hoey	Morse
Butler, Nebr.	Holland	Mundt
Cain	Humphrey	Murray
Capehart	Hunt	Neely
Carlson	Ives	O'Conor
Case	Johnson, Colo.	O'Mahoney
Chavez	Johnson, Tex.	Pastore
Clements	Johnston, S. C.	Robertson
Connally	Kem	Russell
Cordon	Kerr	Saltonstall
Douglas	Kilgore	Schoeppel
Duff	Knowland	Smathers
Dworshak	Langer	Smith, Maine
Eastland	Lehman	Smith, N. J.
Ecton	Lodge	Taft
Ellender	Long	Underwood
Ferguson	Malone	Watkins
Flanders	Martin	Welker
Frear	Maybank	Williams
Fulbright	McCarran	Young
George	McCarthy	
Gillette	McClellan	

Mr. JOHNSON of Texas. I announce that the Senator from New Mexico [Mr. ANDERSON] is absent by leave of the Senate.

The Senator from Virginia [Mr. BYRD], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Washington [Mr. MAGNUSON], the Senator from Michigan [Mr. MOODY], the Senator from North Carolina [Mr. SMITH], the Senator from Alabama [Mr. SPARKMAN], and the Senator from Mississippi [Mr. STENNIS] are absent on official business.

Mr. SALTONSTALL. I announce that the Senator from Iowa [Mr. HICKENLOOPER] and the Senator from Minnesota [Mr. THYE] are absent by leave of the Senate.

The Senator from Indiana [Mr. JENNER], the Senator from California [Mr. NIXON], the Senator from Nebraska [Mr. WHERRY], and the Senator from Wisconsin [Mr. WILEY] are necessarily absent.

The Senator From New Hampshire [Mr. TOBEY] is absent because of illness.

The Senator from Illinois [Mr. DIRKSEN] and the Senator from Maine [Mr. BREWSTER] are absent on official business.

The VICE PRESIDENT. A quorum is present.

PERSONAL STATEMENT BY SENATOR HOLLAND—ITEM EXPUNGED FROM THE APPENDIX—RULE GOVERNING PRINTING IN THE RECORD

Mr. HOLLAND. Mr. President, about 4:30 o'clock p. m. on Saturday afternoon, I received a call from a member of the press stating that he had received inquiries from various newspapers in Tennessee relative to an article which he said I had inserted in the Appendix of the RECORD during Friday's session of the Senate. Since I had inserted no article in the RECORD on that date, I was, of course, surprised.

On checking I found that there was an article carried at page A5873 in the Appendix of the daily RECORD for Friday, September 14, not only purporting to have been inserted by the senior Senator from Florida, but also quoting the senior Senator from Florida in a statement which purported to express a request made by him of the Senate for unanimous consent to include the statement which had been printed in the RECORD.

Mr. President, of course, I had made no such request. No such request had been granted. No such article should have been printed in the Appendix of the RECORD, and I so informed the press.

Thereupon the press suggested that in order to get the matter entirely clear, a formal written press notice on the subject might well be issued by me. I immediately dictated such a statement, and released it late Saturday afternoon, September 15. I shall read that press release into the RECORD at this time, because I think it rather clearly sets forth what happened:

PRESS RELEASE BY SENATOR SPESSARD L. HOLLAND, SEPTEMBER 15, 1951

I have been astounded to see in the daily CONGRESSIONAL RECORD for yesterday, September 14, at page A5873, what purports to be an extension of remarks by me in which I am quoted as having asked the Senate for unanimous consent to have printed in the Appendix of the RECORD a statement by Fuller Warren describing the book Crime in America, issued under the name of the junior Senator from Tennessee, Hon. ESTES KEFAUVER.

Following said purported statement by me, there appears in the CONGRESSIONAL RECORD an article entitled "Statement by Fuller Warren" which makes several uncomplimentary references to Senator KEFAUVER.

Since I have very high respect for Senator KEFAUVER and would not have even thought of doing anything of this sort, which would have been obviously most unfriendly to him, I want to make it completely clear that (1) I did not ask for consent to insert this article in the RECORD, (2) the Senate did not grant such consent, and (3) said article should never have been printed in the CONGRESSIONAL RECORD. The article, in mimeographed form, was handed to me by Hon. Leslie Biffle, Secretary of the Senate, for my information, during the session of the Senate yesterday. After reading the article I looked several times for Mr. Biffle, intending to return it to him, but failed to find him. As I was leaving the Senate Chamber after the end of the session, I again thought of the article and handed it to a page with instructions to deliver it to Mr. Biffle, whose office is nearby the Senate Chamber. The page evidently misunderstood me and delivered the article to someone on the staff of the Official Senate Reporter, who in turn must have gotten the mistaken idea that the article was intended for insertion in the RECORD. It was, of course, wholly improper for anyone to have ascribed to me the words in which I was quoted as asking for consent to insert the article in the RECORD. As already stated, I did not speak such words or make any statement or request whatever to the Senate relating to the article.

Of course, I deeply regret the fact that I am misquoted, as just stated, and the fact that the article appears in the RECORD, and I shall ask the Senate on Monday to expunge the entire matter from the RECORD, since no such incident occurred.

Mr. President, I note that in addition to the quotation in the Appendix of the RECORD which I have just mentioned there is a brief and erroneous reference in the body of the RECORD to the effect that I made such a request.

I ask unanimous consent at this time that both the brief reference in the body of the RECORD and the entire treatment of the matter in the Appendix of the RECORD be expunged from the permanent RECORD, as something which never occurred and should not be shown in the RECORD.

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

Mr. HOLLAND. Mr. President, I have just been handed a statement by Mr. John D. Rhodes, one of the reporters of debates of the Senate, which I ask leave also to incorporate in the body of the RECORD at this time, as a part of my remarks.

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

STATEMENT OF JOHN D. RHODES, OFFICIAL REPORTER OF DEBATES, UNITED STATES SENATE

There is found in the back of the CONGRESSIONAL RECORD each day what is called the Appendix, containing anywhere from 4 to 5 to 40 or more matters not having to do with the pending debate, like newspaper articles, editorials, speeches made elsewhere than in the Senate, magazine articles, and the like.

At times Senators desiring the insertion of such matters in the Appendix rise in the Senate and ask unanimous consent that the insertions be made. But when a debate is in progress, in order not to interrupt or take up time, they bring the material to the desk and leave it for insertion.

In the latter cases, if the Senator has not written two or three lines indicating the nature of the insert, the Senator's name is written on the upper right-hand corner of the paper, and the Official Reporters frame a formal request for the insertion, and add, "There being no objection, the editorial was ordered to be printed in the RECORD, as follows."

In the case of the statement prepared by Fuller Warren regarding Senator KEFAUVER'S book, Senator HOLLAND gave the statement to a page with instructions to take it to Mr. Biffle, Secretary of the Senate, from whom he had received it. At about the same time the page was handed from the Senate desk an amendment which was to be handled by the Official Reporters' office.

This page was recently appointed, and through error brought both papers to the clerk of the Official Reporters, who asked the page what Senator had given him the statement, and on being informed that he did not know his name, our clerk instructed him to go into the Senate and ascertain which Senator had given him the statement. Returning, he said it came from Senator HOLLAND. Whereupon our clerk wrote Senator HOLLAND'S name on the upper right-hand corner of the statement, and turned it over to my desk and I found it in a large pile of matters to go into the Appendix in the way I have described, and I dictated the usual form, and handled the insert in the usual manner.

Senator HOLLAND did not utter a word on the Senate floor about the insertion, and the words attributed to him in the RECORD of Friday, September 14, were supplied by me as the usual introduction of a matter into the Appendix in a case in which the Senator does not rise on the floor and make the request for the insertion.

JOHN D. RHODES.

Mr. HOLLAND. Mr. President, I have inquired of the Parliamentarian, the Secretary of the Senate, the Vice President, and the Official Reporters, in an effort to determine the proper course in such matters. I find that there is no question whatever that the rules of the Senate specifically require that the inclusion of a matter shall have been consented to by the Senate itself in order to be included in the Appendix of the RECORD.

Notwithstanding that undoubted requirement of the rule, I have found that apparently, with the knowledge at least of some Members of the Senate, and with the acquiescence of the Senate, a very loose practice has prevailed, under which articles have been simply sent to the reporters' office and thus included in the Appendix of the RECORD, with a brief statement purported to have been made by a Senator, whereas the words of such statement were, in fact, supplied in the reporters' room by a member of the reporters' staff.

The incident involving the insertion to which I have been addressing myself, while embarrassing to me, and I am sure vexatious to the distinguished Senator from Tennessee [Mr. KEFAUVER], is not a matter of major importance. However, a similar happening could occur at any time under such a loose practice as I have described, which could be highly offensive to the Senate and highly hurtful to individual Members of the Senate, or to the reputation of the Senate as a whole.

For that reason, Mr. President, I should like to address several parliamentary inquiries to the distinguished Presiding Officer, because I believe the matter is sufficiently important to be cleared up once and for all, so that the loose practice now prevailing will be discontinued.

The VICE PRESIDENT. The Senator will state his parliamentary inquiries.

Mr. HOLLAND. The first inquiry is this: Is the Senator from Florida correct in his understanding that the rule upon this question is prescribed, under statute law, by the Joint Committee on Printing of the two Houses?

The VICE PRESIDENT. The Senator is correct. The law embodies the conditions under which matters may be inserted in the RECORD. That law requires that it shall be done by the unanimous consent of the Senate. Every Senator understands that an extraneous matter which does not transpire during debate can only be inserted in the RECORD by unanimous consent of the Senate. The same rule applies to the House of Representatives.

Mr. HOLLAND. I thank the distinguished Vice President. I should like to read into the RECORD the rule itself, as a predicate for my next parliamentary inquiry. I read paragraph 8:

8. Appendix to daily RECORD: When either House has granted leave to print (1) a speech not delivered in either House, (2) a newspaper or magazine article, or (3) any other matter not germane to the proceedings, the same shall be published in the Appendix, but this rule shall not apply to quotations which form part of a speech of a Member, or to an authorized extension of his own remarks: *Provided*, That no address, speech, or article delivered or released subsequently to the final adjournment of a session of Congress may be printed in the CONGRESSIONAL RECORD.

My next parliamentary inquiry is this: Is that the rule under which the Senate operates with reference to determining what is proper for inclusion in the Appendix of the RECORD?

The VICE PRESIDENT. That is the rule upon which the Senate is supposed to operate and upon which it ought to operate.

Mr. HOLLAND. I thank the distinguished Presiding Officer.

My third parliamentary inquiry is this: In view of the fact that the rule is obviously being violated, and the fact that a violation of the rule might easily lead to creating a situation which would be highly prejudicial to the Senate as a whole or to its Members, I should like to ask the distinguished Presiding Officer whether there is any step which can be taken at this time—and if so, the Senator from Florida would like to take it—which would guarantee against a continued violation of that rule.

The VICE PRESIDENT. There is a step which can be taken, and the Chair proposes to take it. The episode to which the Senator from Florida has called attention has brought to the Chair's attention a practice which has grown up in the Senate, and grown up right under the Chair's nose without his knowledge or consent, namely, that Senators come up here and poke something into the reporter's or clerk's hand and ask that it be printed in the Appendix of the RECORD. The next day the RECORD carries a statement to the effect that the Senate gave its consent that the matter be printed in the RECORD, which is not true, and, therefore, makes a false entry in the RECORD. It is the duty of the Chair to enforce the rules of the Senate, and the Chair will enforce that rule now by instructing the clerks and official reporters not to put anything in the Appendix of the RECORD except when the Senate has given its unanimous consent to do so.

If the attention of the Chair had been called to the violation of the rule heretofore he would have issued such an instruction long ago. The episode to which the Senator from Florida calls attention may be a blessing in disguise, by calling attention to the fact that Senators have no right to come to the Official Reporters and ask that something be printed in the RECORD which has not been agreed to by the Senate.

As the Senator says, if that abuse were carried to an extreme, it would embarrass every Senator and the Senate itself.

The Chair does not know how the practice started, but, like many other practices, it has grown up like Topsy, and this one is going to end today.

Mr. HOLLAND. I thank the distinguished President of the Senate, and I think his ruling is completely correct, and will protect Senators and the Senate against other untoward incidents.

The VICE PRESIDENT. The Chair thanks the Senator from Florida.

THE TUNA-FISH INDUSTRY—MEMORIAL OF THE LEGISLATURE OF WASHINGTON

Mr. CAIN. Mr. President, I ask unanimous consent that Senate Joint Memorial No. 1, as passed at the second extraordinary session of the Legislature of the State of Washington, be printed in the body of the RECORD.

Permit me to say, Mr. President, that this memorial points out the precarious position of the tuna-fish industry in the State of Washington, and carries a recommendation. The Senator from Washington hopes and expects soon to offer proposed legislation to implement and carry out the recommendation.

The VICE PRESIDENT. The Chair feels, in connection with this whole subject, that he should call attention to what the Parliamentarian has just called to his attention, namely, that such a request itself is a violation of the law and the rule, namely, to print anything in the body of the RECORD. It is very doubtful whether the Senate itself can give unanimous consent to a violation of the law or the rule which has been promulgated by the Joint Committee on Printing. Frequently that is done here.

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

The VICE PRESIDENT. The Senator will state it.

Mr. SALTONSTALL. As I listened to the Senator from Washington, it seemed to me that what he requested be placed in the body of the RECORD was a resolution of his own State Legislature.

The VICE PRESIDENT. That is a different matter, and it can be printed under the rule. There is a rule which provides for that; and, without objection, that will be done.

Mr. CAIN. That was my request, Mr. President; I thought I was making a request in accordance with the Senate rule.

The VICE PRESIDENT. The Chair was mistaken about the nature of the matter to which the request related. There is a Senate rule which covers such matters, and the memorial of the State legislature can be printed in the body of the RECORD.

Mr. CAIN. I thank the Senator.

The joint resolution of the Legislature of the State of Washington was received and referred to the Committee on Finance.

(See joint resolution printed in full when laid before the Senate by the Vice President on September 14, 1951, p. 11343, CONGRESSIONAL RECORD.)

TRANSACTION OF ROUTINE BUSINESS

By unanimous consent, the following routine business was transacted:

PROHIBITION OF ALCOHOLIC BEVERAGE ADVERTISING IN INTERSTATE COMMERCE—PETITION

Mr. WILLIAMS. Mr. President, I present a petition signed by numerous citizens of Ocean View, Del., praying for the enactment of legislation to prohibit alcoholic beverage advertising over the radio and television, as well as in magazines and newspapers.

I ask that the petition be referred to the Committee on Interstate and Foreign Commerce for consideration.

The petition was referred to the Committee on Interstate and Foreign Commerce.

FUTURE AMERICAN POLICY WITH RELATION TO POLAND—RESOLUTION OF POLISH SOCIETIES AND CLUBS OF DELAWARE

Mr. WILLIAMS. Mr. President, I present a resolution adopted on September 9, 1951, by the Council of the Polish Societies and Clubs of Delaware in observance of the twelfth anniversary of the Nazi invasion of Poland which was joined 16 days later by the attack of Soviet Russia.

The resolution contains the views of Americans who reside in Delaware of Polish origin as to the future of Poland and the policy which the United States of America should pursue to redeem the injustices which have been inflicted upon this great Nation.

I ask that the resolution be referred to the Committee on Foreign Relations for consideration.

The resolution was referred to the Committee on Foreign Relations.

FLOOD CONTROL—RESOLUTION OF KANSAS STATE CHAMBER OF COMMERCE

Mr. CARLSON. Mr. President, I present for appropriate reference and ask unanimous consent to have printed in the RECORD a resolution adopted by the Kansas State Chamber of Commerce, setting forth the recommendations of the chamber concerning flood control.

The recent disastrous floods in Kansas, Missouri, and Oklahoma have caused economic losses that are not only felt within the local areas, but will be felt on a Nation-wide basis.

The Kansas State Chamber of Commerce is to be commended on submitting proposals that, if carried into execution, will prevent a future recurrence of the disaster.

The program proposed by the chamber of commerce is in complete accord with the views that I have expressed for many years. We need coordinated reservoir construction and source control of water run-off on our tributary streams.

It is my sincere hope that we can get early consideration of these proposals in order that our people may have security from flood threats.

There being no objection, the resolution was referred to the Committee on Public Works and ordered to be printed in the RECORD, as follows:

POLICIES OF THE KANSAS STATE CHAMBER OF COMMERCE CONCERNING FLOOD CONTROL

I. The Kansas State Chamber of Commerce recommends that the plan for flood protection include soil conservation, reservoirs of a suitable kind on upper tributaries, suitable reservoirs to protect the main streams, levees, and necessary bank stabilization. We urge that the program of soil conservation be accelerated and that such plans be made a major part of our flood-control program; the importance of retention dams on tributaries as a significant part of the program; that the program of construction of suitable open and multiple-purpose dams as recommended by the Bureau of Reclamation, Corps of Engineers, and the Soil Conservation Service be continued; that the recompense to displaced owners be made very liberal to the extent that they will feel willing and able to set themselves up elsewhere; the Congress to appropriate sufficient money to accelerate studies and planning on the Arkansas River Basin in Kansas; that suitable levees with necessary bank stabilization for their protection be constructed; that sufficient appropriations be made for continued study of all phases of the flood-control program in Kansas.

II. The Kansas State Chamber of Commerce recommends that Congress reinstate funds to survey and complete plans for control of floods in the Arkansas River Valley.

III. The Kansas State Chamber of Commerce reiterates and reaffirms its opposition to any Missouri Valley Authority.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. McCARRAN, from the Committee on the Judiciary, with amendments:

S. 18. A bill to authorize suits against the United States to adjudicate and administer water rights (Rept. No. 755); and

S. 1775. A bill for the relief of Heinz Harald Bachmann (Rept. No. 764).

By Mr. McCARRAN, from the Committee on the Judiciary, with an amendment:

S. 582. A bill for the relief of Emma Burr (Rept. No. 756);

S. 634. A bill for the relief of Stela S. Ransier (Rept. No. 757);

S. 1048. A bill for the relief of Myrtle Harding (Rept. No. 758); and

S. 1421. A bill for the relief of Masako Sugiyama (Rept. No. 759).

By Mr. McCARRAN, from the Committee on the Judiciary, without amendment:

H. R. 676. A bill for the relief of Mrs. Aimee Hoyningen-Huene (Rept. No. 774);

S. 702. A bill for the relief of Joseph Emanuel Winger (Rept. No. 760);

S. 1158. A bill for the relief of Takako Kitamura Dalluge (Rept. No. 761);

S. 1199. A bill for the relief of Julie Nicola Frangou (Rept. No. 762);

S. 1541. A bill for the relief of Dr. Francis S. N. Kwok (Rept. No. 763);

S. 1800. A bill for the relief of Dr. Jacob Griffel (Rept. No. 765);

H. R. 579. A bill for the relief of Hendryk Kempski; (Rept. No. 766);

H. R. 580. A bill for the relief of Kwang Myeng Chu (Rept. No. 767);

H. R. 744. A bill for the relief of Wladimir Peter Lewicki, Mrs. Heedwige Lewicki, and George Wladimir Lewicki (Rept. No. 768);

H. R. 2916. A bill for the relief of Shizu Teruchi Parks (Rept. No. 769);

H. R. 3895. A bill for the relief of Ethel Cristeta Berner (Rept. No. 770); and

H. R. 4693. A bill to amend section 77, subsection (c) (3), of the Bankruptcy Act, as amended (Rept. No. 771).

By Mr. McCARRAN, from the Committee on the Judiciary, with an amendment:

H. Con. Res. 111. Concurrent resolution favoring the granting of the status of permanent residence to certain aliens (Rept. No. 772).

By Mr. McCARRAN, from the Committee on the Judiciary, without amendment:

H. Con. Res. 145. Concurrent resolution favoring the granting of the status of permanent residence to certain aliens (Rept. No. 773).

By Mr. HILL, from the Committee on Labor and Public Welfare:

S. 1452. A bill to promote the further development of public library service in rural areas; without amendment (Rept. No. 775).

By Mr. PASTORE, from the Committee on the District of Columbia:

S.106. A bill to amend the act entitled "An act to regulate the practice of optometry in the District of Columbia"; with amendments (Rept. No. 776).

FRED P. HINES—VETO MESSAGE—REPORT OF A COMMITTEE

Mr. LANGER, from the Committee on the Judiciary, to which was referred the bill (S. 827) for the relief of Fred P. Hines, together with the President's veto message, reported it with the recommendation that the bill do pass, the objections of the President notwithstanding, and submitted a report (No. 754) thereon.

BILLS INTRODUCED

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

By Mr. MALONE:

S. 2129. A bill for the relief of Benedetto Termini and his wife, Giuseppa Termini;

S. 2130. A bill for the relief of Emmanuel Aristides Nicoloudis; and

S. 2131. A bill for the relief of Demetrios Floras; to the Committee on the Judiciary.

By Mr. FERGUSON:

S. 2132. A bill for the relief of Antonios Lygizos; to the Committee on the Judiciary.

By Mr. LODGE:

S. 2133. A bill for the relief of Vito Bologna; to the Committee on the Judiciary.

By Mr. BUTLER of Maryland (for himself, Mr. O'CONOR, Mr. FERGUSON, Mr. MOODY, Mr. MCCLELLAN, and Mr. FULBRIGHT):

S. 2134. A bill to authorize and request the President to promote certain naval officers, and for other purposes; to the Committee on Armed Services.

SEPARATION OF SUBSIDY FROM AIR-MAIL PAY—AMENDMENTS

Mr. DOUGLAS submitted an amendment intended to be proposed by him to the bill (S. 436) to provide for the separation of subsidy from air-mail pay, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. DOUGLAS (for himself, Mr. LEHMAN, and Mr. AIKEN) submitted an amendment intended to be proposed by them, jointly, to Senate bill 436, supra, which was ordered to lie on the table and to be printed.

Mr. LEHMAN (for himself, Mr. DOUGLAS, and Mr. AIKEN) submitted an amendment intended to be proposed by them, jointly, to Senate bill 436, supra, which was ordered to lie on the table and to be printed.

Mr. AIKEN (for himself, Mr. DOUGLAS, and Mr. LEHMAN) submitted amendments intended to be proposed by them, jointly, to Senate bill 436, supra, which were severally ordered to lie on the table and to be printed.

HOUSE BILL REFERRED

The bill (H. R. 1005) to amend the Tariff Act of 1930 to provide for the free importation of twine used for baling hay, straw, and other fodder and bedding material, was read twice by its title and referred to the Committee on Finance.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE APPENDIX

On request, and by unanimous consent, addresses, editorial, articles, etc., were ordered to be printed in the Appendix, as follows:

By Mr. WATKINS:

Statement prepared by him with reference to Constitution Day, September 17, 1951.

By Mr. BENTON:

Article entitled "The Gap Between Congress and Main Street," written by Senator DOUGLAS and published in the New York Times magazine section of September 16, 1951.

By Mr. HILL:

Editorial entitled "Behold Acheson's Vindication," published in the Montgomery (Ala.) Advertiser of September 14, 1951, and written by the editor, Capt. Grover C. Hall, Jr.

By Mr. MCCLELLAN:

Editorial entitled "Needed: Some Devil's Advocates," published in the Washington Evening Star of September 17, 1951, referring to an appropriation for additional employees for the Senate Committee on Appropriations.

By Mr. CHAVEZ:

Article entitled "Mindful of Our Own Frailties," by Thomas L. Stokes, published in the Washington Star, with reference to the burial in Arlington Cemetery of Sgt. John R. Rice, Winnebago Indian, killed in Korea.

By Mr. TAFT:

Editorial entitled "A Friend in Need," relating to the Taft-Hartley Act and the copper strike, published in the American Metal Market for September 8, 1951.

By Mr. FULBRIGHT:

Letter from Tom. F. W. Barth, professor of mineralogy, University of Oslo, regarding the exchange-of-students program.

Letter from George Vogel regarding visit of two Lafayette College freshmen to the Strike It Rich program indicating their interest in the exchange-of-students program.

By Mr. SALTONSTALL (for Mr. MUNDT):

Press statement released by Senator MUNDT on September 17, 1951, entitled "Announcement of Formation of Bipartisan Committee To Explore Political Realinement."

By Mr. LEHMAN:

Editorials from the Baltimore Sun of September 16, 1951, and the Washington Post of September 11, 1951, dealing with air mail and subsidies.

ARTICLES RELATING TO HEARINGS BY INTERNAL SECURITY SUBCOMMITTEE OF SENATE JUDICIARY COMMITTEE

Mr. MALONE. Mr. President, I offer for printing in the RECORD an Associated Press dispatch which refers to a debate on the floor of the Senate on Friday. The dispatch obviously relates to an attempt to discredit the work of a subcommittee of this body. I think the kindest thing which can be said about the columnist writing the dispatch is that he is proadministration; and the least that can be said about the nature of the article is that it is unprecedented. I now offer it, to be printed in the RECORD, as a part of my remarks.

The VICE PRESIDENT. Without objection——

Mr. MALONE. And I desire to go on record as joining the Senators who have indicated a desire to see that the work of the Internal Security Subcommittee of the Senate Committee on the Judiciary is completed.

The VICE PRESIDENT. The request of the Senator from Nevada will have to be dealt with according to the rule of the Joint Committee on Printing. If the Senator's request is not in violation of the rule or the resolution adopted by the Joint Committee on Printing, the article to which the Senator has referred may be printed as a part of the Senator's remarks. If that would be in violation of the rule or resolution, the Chair does not feel that he can entertain a request to violate the resolution adopted under the statutes creating the Joint Committee on Printing.

Mr. MALONE. Mr. President, this is the first time that I have ever heard the distinguished President of this body define the rule. I requested the inclusion of the dispatch in the body of the RECORD, as a part of my remarks, if that is acceptable; and, if not, in the Appendix of the RECORD.

The VICE PRESIDENT. If it is not a violation of the rule and resolution of the joint committee, the article will be placed in the body of the RECORD; other-

wise it will go into the Appendix of the RECORD. Is that satisfactory?

Mr. MALONE. Mr. President, may we have a definition of the rule? It is not my desire to violate any rule of the Senate, but I do wish to have the dispatch printed.

The VICE PRESIDENT. The Chair will have to obtain a copy of the rule; he does not have it at his hand at this moment, and will let the matter be disposed of according to the rule. If the rule prohibits such printing, the article will go into the Appendix of the RECORD. Is that satisfactory?

Mr. MALONE. Then I hope it will be a general rule, not applicable only to this dispatch.

The VICE PRESIDENT. Oh, of course, it is a general rule; but, like many other rules, it has been violated a great deal.

Mr. MALONE. Mr. President, I should like to read an Associated Press dispatch appearing in the September 15 issue of the Washington Evening Star. It is headed "LEHMAN Is Undecided on Pressing Writer's Charges of Perjury." I read:

LEHMAN IS UNDECIDED ON PRESSING WRITER'S CHARGES OF PERJURY

Senator LEHMAN, Democrat-Liberal, of New York, left hanging today the question of whether he would take further steps to get an investigation of charges involving testimony given to the Senate Internal Security Subcommittee.

His demand for such an investigation yesterday brought a heated retort from Senator MCCARRAN, Democrat, of Nevada, that Senator LEHMAN had accused him of encouraging a witness to commit perjury. The New Yorker denied he had made any such charge.

Senator MCCARRAN is chairman of the subcommittee, which is investigating any subversive influences on United States policies in the Far East. A prolonged series of hearings now is underway.

Senator LEHMAN asked for a full investigation of what he called grave charges published by Columnist Joseph Alsop that demonstrably false testimony had been taken by the MCCARRAN subcommittee.

In recently published articles Mr. Alsop charged that testimony by ex-Communist Louis Budenz relating to John Carter Vincent and John S. Service, State Department officials, was in contradiction of his own previous testimony.

CHARGE CALLED TRAVESTY

Senator MCCARRAN, not present when Senator LEHMAN first voiced his demand, later shouted to the Senate that the New Yorker wants to sponsor a columnist's charges that a committee of the Senate is guilty of subornation of perjury—that is, getting another person to commit perjury.

Angrily, Senator MCCARRAN denounced this as a travesty which he said amounted to "accusing me of subornation of perjury."

Senator LEHMAN shot back that Senator MCCARRAN "puts words in my mouth which I never uttered and which I never thought. I have not accused him of subornation of perjury."

He emphasized that he did not know whether Mr. Alsop's charges were true or false, but he said he regarded the charges as grave and felt they should be investigated.

Later a reporter asked Senator LEHMAN if he intended to introduce a resolution calling for an investigation. He replied that he already had brought the matter to the attention of the Senate and couldn't tell yet what further action he might take.

WELKER BLOCKS LEHMAN MOVE

Senator MCCARRAN told a reporter that when the subcommittee's hearings were all over, the people could see for themselves who was right. In the Senate he had said that "all the Alsops from here to perdition can't stop this committee from going forward."

Senator LEHMAN tried to place the Alsop articles in the CONGRESSIONAL RECORD. Senator WELKER, Republican, of Idaho, blocked this in a parliamentary situation that enabled any one Senator to do so.

Senator BREWSTER, Republican, of Maine, suggested that Senator LEHMAN's demand for a Senate investigation of one of its own committees was without precedent.

Senator LEHMAN said he lacked sufficient information to form a judgment about the charges but insisted they should be investigated "to remove the stain upon the Senate, as I hope, or if the facts prove to be as printed, to form the basis for corrective action."

Mr. President, the senior Senator from Nevada is doing a good job, and he should be permitted to continue and should encounter a minimum of resistance from this august body which created the committee in the first instance.

Mr. MALONE subsequently said: Mr. President, continuing my remarks, I wish to refer to the testimony of Mr. Eugene Dooman on September 14 before the Judiciary Committee's subcommittee investigating the administration of the Internal Security Act and other internal security matters. As far back as the late thirties there were indirect attacks on any organization or the presentation of any ideas which might retard the State Department's plan to turn over China and Asia to Communist Russia.

Mr. President, if these indirect attacks were isolated, and did not form a pattern, they would not be so dangerous. However, they were not isolated and they did form a pattern.

More than a year ago I said on the floor of the Senate that there were two men whose services the administration wanted to dispense with in order to have these programs carried out. One was Gen. Douglas MacArthur and the other was J. Edgar Hoover, director of the FBI. In due time the indirect attack began on General MacArthur. It began in foreign nations such as in England, where we are spending considerable money under the Marshall plan and the ECA. In England, General MacArthur's services were deemed unsatisfactory. Articles to that effect appeared in dispatches from England to the United States, and culminated in the summary dismissal of General MacArthur.

On December 1, 1950, I made some remarks on the floor about a then newly published book entitled "The Federal Bureau of Investigation," written by Max Lowenthal. I said, as appears in the CONGRESSIONAL RECORD, volume 96, part 12, page 16023:

> If this attack was an isolated instance, it could be excused as an irresponsible flight of fancy by a nonentity—but it follows too closely the pattern of destruction of responsible Government to be ignored.

I refer the Senate to that statement, which I shall not repeat in full at this time. The attack to which I referred was an attack on Mr. Hoover.

Mr. President, that was not the only attack upon Mr. Hoover. The attack had been made by Charles L. Chute, national vice president of the National Probation and Parole Association, and formerly its executive vice president. He had had a feud going on with the Director of the FBI for many years, as I shall show. Mr. Chute has renewed his attack on the FBI in his organization's official publication entitled "Focus."

A newspaper editorial which appeared in the Providence (R. I.) Evening Bulletin on May 27, 1936, was the first attack. In that editorial the power which was building up in the FBI was deplored. The editorial, though pretending to laud the accomplishments of the FBI, emphasized its cost and deplored the power the FBI had.

Mr. President, in a review of Max Lowenthal's book, which was published by William Sloane Associates, Charles L. Chute very cleverly lauded the FBI to a certain extent, but the sum and substance was in opposition to the power of the Federal Bureau of Investigation.

The last paragraph of the book review reads as follows:

> The book proves beyond doubt that the FBI has built a powerful agency for law enforcement. It has had phenomenal success in its public-relations program. Another and different study is called for to answer the questions as to how its work may become of greater social and constructive value and as to what safeguards—

And I call attention to the emphasis placed by the writer of the review on what safeguards he believes are needed—

> are needed to avoid the dangers inherent in the arbitrary and unregulated powers it has assumed.

Mr. President, the review leaves the impression that the FBI has assumed powers which Congress did not grant to it. The review is signed by Charles L. Chute.

Earlier I reviewed the attack, or one of the first attacks, on the work of the Subcommittee on Internal Security of the Judiciary Committee. I hope there would be no further such attacks, but I fear there will be.

It is to be hoped that we do not have further attacks on the FBI; yet I predict that we shall.

Mr. President, it comes down to this: Unless the administration can dispense with the services of Mr. Hoover, it will be impossible for them to do to the files of the FBI what it is suspected they have done to the files of the State Department and the Department of Commerce; that is, to strip them of evidence which could be used against members of the State Department and of the Department of Commerce. That evidence, I believe, would prove them to be dangerous to this country as security risks, to say the least, and in some cases it would prove them guilty of traitorous actions.

Mr. President, it was obvious even a year ago that both men, General MacArthur and J. Edgar Hoover, would have to go in order to save the administration. First, General MacArthur would have to go to save their policy, or to consummate their policy in China and in Asia; and,

second, Mr. Hoover would have to go in order to save the reputations of many State Department officials and Department of Commerce officials.

It is high time the public begin to connect the instances of attacks upon responsible public men, as in the cases of General MacArthur and Mr. Hoover, Director of the FBI. The former is out, and the junior Senator from Nevada predicts that the attack upon Mr. Hoover will continue, culminating, if it is possible for them to bring about some semblance of a justification, in the dismissal of FBI Director Hoover.

The same thing will take place, if the administration hatchet boys can bring it about, to discredit the subcommittee which is investigating the administration of the Internal Security Act and other internal security laws. They just cannot stand being investigated.

Mr. President, I ask unanimous consent that this short discussion follow the remarks made earlier this afternoon by the junior Senator from Nevada on the matter of the Subcommittee on Internal Security.

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

WILLIAM M. BOYLE, JR.

Mr. McFARLAND. Mr. President, a few moments ago I was about to ask consent to place in the RECORD a letter from Hon. J. Howard McGrath, Attorney General of the United States, dealing with a statement which was made by the distinguished Senator from Maine [Mrs. SMITH] on last Friday, at which time she called attention to an apparent discrepancy between what appeared in a publication, Democracy at Work, and testimony by Mr. William M. Boyle, Jr., before a Senate committee last week. The book named Mr. Boyle as executive vice chairman during the 1948 campaign. I believe that the Senate should have the facts set forth in the letter from Mr. McGrath by having it appear in the body of the RECORD. Therefore, because of the rule just pronounced by the President of the Senate, I shall read the letter for the information of the Senate. I felt that when the distinguished Senator from Maine made the statement, I should obtain the true facts in regard to the matter. For that reason I called Mr. McGrath, who was chairman of the Democratic National Committee during the 1948 campaign. The following is the letter he wrote to me in response to my telephone request:

WASHINGTON, D. C.,
September 15, 1951.

DEAR SENATOR MCFARLAND: The statement made yesterday (September 14) on the floor of the Senate by Senator MARGARET CHASE SMITH purports to charge William M. Boyle, Jr., chairman of the Democratic National Committee, with making untrue statements before a subcommittee of the Senate, in that he said that during the 1948 election he held no office in the Democratic Party organization, and that he was merely a volunteer worker. Mrs. SMITH cites a volume, Democracy at Work, which contains the proceedings of the Democratic National Convention of 1948 and additional material wherein a picture of Mr. Boyle appears, entitled "William M. Boyle, Jr., Executive Vice-Chairman, Democratic National Committee."

Senator SMITH was understandably misled by the contents of the book in question. As the chairman of the Democratic National Committee during the period involved, I wish to set forth the accurate record.

William M. Boyle, Jr., came to the Washington headquarters of the party at my request shortly after the nominating convention of the party. He was given no title whatsoever and the work that I asked him to do consisted almost wholly in arranging the President's campaign trips. He received no compensation whatsoever and was in every sense of the word a volunteer, attempting to help the President, with whom he had long been associated. It was not until February 8, 1949, that I asked Mr. Boyle to relieve me of certain responsibilities at the national committee, and to accept, without pay, the position of executive vice chairman. This appointment is attested to by the public announcement made by the National Committee on February 8, 1949, and was carried in the press. I enclose copy herewith.

By April 20, 1949, I determined that my duties in the Senate were such that I would have to be further relieved of the day-to-day, hour-to-hour demands of the committee work, and I therefore asked Mr. Boyle to serve on a full-time salary basis. It was obvious to both Mr. Boyle and myself, based on our mutual experiences at the committee, that the work of the committee was such as to require the full-time services of an executive vice chairman.

Thus, you will see that Mr. Boyle held no official title or position with the Democratic National Committee until February 8, 1949, and that he received no salary from the committee until April 20, 1949; that he was, contrary to Senator SMITH's charge, exactly what he declared himself to be during the 1948 campaign, a volunteer worker.

The book to which Senator SMITH referred, Democracy at Work, was not published until late March 1949, at which time the authors saw fit to include as many photographs as seemed appropriate to fit the volume. Thus, Mr. Boyle's photograph appears therein under the title executive vice chairman, which title he had held only from February 8, 1949, but which he did not hold during the 1948 campaign.

Mr. Boyle further testified before the subcommittee that Merl Young was, during the 1948 campaign, a volunteer worker at the party's Washington headquarters. This is a correct statement. However, I wish to point out that at no time did Mr. Young hold any official, or even a staff, position with the national committee during the time that I was chairman, which was from October 29, 1947, to August 24, 1949.

All of the facts that I have here stated are supported by the public releases to the press from the Democratic National Committee, and can be further authenticated, in the files of most newspapers.

Very sincerely yours,
J. HOWARD MCGRATH.

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question on another subject?

Mr. McFARLAND. If I may first conclude, I shall then be happy to yield. The press release, which I also wish to read into the RECORD, was issued by the publicity division of the Democratic National Committee for immediate release on the 8th day of February 1949. I read:

William M. Boyle, Jr., today was named executive vice chairman of the Democratic National Committee to permit Senator J. Howard McGrath, chairman of the committee, to be free of administrative details in order to devote more time to his Senate duties.

Senator McGrath announced the appointment of Boyle, who helped to plan President Truman's campaign tours as an assistant to McGrath, after the two had visited with President Truman.

Boyle has previously served the President as assistant counsel to the War Investigating Committee when it was headed by the then Senator Truman, and as his executive assistant and secretary.

Boyle served on the Democratic National Committee in 1944 as an assistant to Robert E. Hannegan, when Hannegan was national chairman.

Boyle, 46, was born at Leavenworth, Kans., but moved to Kansas City as a boy. He attended to Westport High School in Kansas City, Kansas City Junior College, Georgetown University, in Washington, and was graduated from the Kansas City School of Law in 1926 and admitted to the Missouri bar in that year.

He was active in Kansas Cty political life and after serving as secretary to the director of police he later became director of police and also served as an assistant prosecutor.

In 1941 he came to Washington to take his post with the Truman Committee.

He is married to the former Genevieve C. Hayde and they have two children, Jean Marie, 18, a student at Chevy Chase Junior College, and Barbara Ann, 16, a student at the Holy Cross Academy. The family lives at 2924 Upton NW., and Boyle's law office is at 1029 Vermont Avenue NW.

Mr. President, I do not think the remainder is very material, but there is also included a clipping from the New York Times of February 9, 1949, with the news story of Mr. Boyle's appointment, and also a copy of a press release dated April 20, 1949, announcing the appointment of Mr. Boyle as executive vice chairman of the Democratic National Committee, and I ask that these be printed in the RECORD at this point in my remarks.

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

TRUMAN GIVES POST TO CAMPAIGN AIDE—W. M. BOYLE, STRATEGIST OF PREELECTION TRAIN TOURS, WILL JOIN NATIONAL COMMITTEE

(By Anthony Leviero)

WASHINGTON, February 8.—President Truman sanctioned today the appointment of William M. Boyle, Jr., of Kansas City, one of the leading strategists of his political campaign, as executive vice chairman of the Democratic National Committee.

The appointment was announced at the White House by Senator J. Howard McGrath, chairman of the committee, after a conference with the President. Mr. Boyle also was present.

Mr. McGrath said that Mr. Boyle would be chiefly responsible for the administrative operation of the National Democratic headquarters but would also share in the policy making. The Senator explained that this relief from the administrative burden would allow him to give most of his time to his senatorial duties, which had increased with the Democratic election victory.

The appointment placed in a key party position an intimate of the President who, like Mr. Truman, was a product of the Pendergast political machine in Kansas City. But, like the President, Mr. Boyle has never been touched by the scandals of the Tom Pendergast era.

TRUMAN IN "HEARTY ACCORD"

"The President is in hearty accord with the plan," said Senator McGrath, in making the announcement.

Mr. Boyle, who is now a lawyer here, will serve without pay. While his main role will be one of day-to-day management, it was also said in informed quarters that he would be the big political power in passing on patronage.

This was not expected to embrace all high-level appointments like Cabinet posts and the most important ambassadorships, but it was believed that patronage claims from the State and other local party organizations would be scanned by him.

Mr. Boyle, who is 46 years old, is credited with advising Mr. Truman to make the whistle stops in what proved to be the decisive areas of Ohio and southern Illinois against the advice of some other Democratic chieftains.

He is also credited with devising in detail Mr. Truman's 31,000-mile campaign itinerary and, above that, in sensing the psychological timing of the Chief Executive's appearances for maximum effect.

The White House conference, it was understood, also made it assured that John M. Redding would continue as publicity director of the national committee. Involved in the appointment is a plan to tighten up the headquarters organization and to define the missions of what are now four loosely coordinated divisions—women's publicity, treasurer's, and politics.

No important personnel changes are involved, but the committee will soon have to select a national treasurer to fill the vacancy caused by the recent death of Joe L. Blythe, of Charlotte, N. C.

Effective immediately, William M. Boyle, Jr., will assume full-time duties on a salary basis at the Democratic National Committee as executive vice chairman, Senator J. Howard McGrath, chairman of the Democratic National Committee, announced today.

In making the announcement, Senator McGrath said:

"I am pleased to say that Bill Boyle will from now on give his full attention to the task of directing the day-to-day operations of the Democratic National Committee. This move is a logical development arising from the constantly increasing responsibilities which have been assigned to Mr. Boyle and which have begun to consume his entire time and attention.

"Mr. Boyle's acceptance of these duties is appreciated by both the committee and the Democratic Party."

Mr. McFARLAND. Mr. President, I wish to call attention to the first paragraph of the news item which appeared in the New York Times of February 9, 1949. I shall read merely the first paragraph:

TRUMAN GIVES POST TO CAMPAIGN AIDE, W. M. BOYLE—STRATEGIST FOR PREELECTION TRAIN TOURS WILL JOIN NATIONAL PARTY

WASHINGTON, February 8.—President Truman announced the appointment of William M. Boyle, Jr., of Kansas City, one of the leading strategists of the political campaign, as executive vice chairman of the Democratic National Committee. The appointment was announced at the White House by Senator J. Howard McGrath, chairman of the committee, after a conference with the President. Mr. Boyle was also present.

I have also before me copy of a press release dated March 30, 1949, issued by the local Democratic political committee of Pennsylvania, which I understand was largely responsible for the compilation and publication of the volume Democracy at Work. I shall not ask that it appear in the RECORD, but I note that the release makes clear that the volume was to sell for from $5 to $10 a copy, and that it was compiled and edited under the auspices of a local Democratic political committee in Pennsylvania and is not an official publication of the National Committee.

Mrs. SMITH of Maine subsequently said: Mr. President, tomorrow the junior Senator from Maine will reply to the letter from Hon. J. Howard McGrath inserted in the CONGRESSIONAL RECORD today by the majority leader.

ORDER OF BUSINESS

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

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

Mr. McFARLAND. I yield.

Mr. SALTONSTALL. The Senator from Arizona stated on Friday that the order of business would be the bill which is now pending before the Senate, which concerns the compensation of certain Government officers and employees, after which he proposes to move to the consideration of Senate bill 436 relating to the separation of subsidy from airmail pay. Can the Senator give us any indication of when he expects the tax bill to be taken up by the Senate for consideration? I understand there may be some change in plans.

Mr. McFARLAND. I am informed, and I have no information to the contrary, that the tax bill will come up for consideration on Wednesday, next.

Mr. SALTONSTALL. On Wednesday?

Mr. McFARLAND. On Wednesday.

Mr. SALTONSTALL. Is the Senator likely to move to call the calendar of unobjected-to bills, in the event the two bills I have mentioned are finished early tomorrow afternoon?

Mr. McFARLAND. I had thought I would ask unanimous consent to call the calendar between now and next Wednesday morning, and as soon as we know definitely about when we shall be able to dispose of the airmail pay-subsidy separation bill.

Mr. SALTONSTALL. Mr. President, will the Senator from Arizona permit me to ask a question of the Senator from New Jersey, whether that would be agreeable to the calendar committee representing the minority group?

Mr. McFARLAND. Before the Senator does that, I had intended to consult with the Senator from New Jersey before making the announcement. I want that to be clear.

Mr. HENRICKSON. The Senator from Arizona referred to "next Wednesday morning." Did the Senator mean Wednesday of this week, or Wednesday of next week?

Mr. McFARLAND. I meant the coming Wednesday.

Mr. SALTONSTALL. It would be sometime Wednesday, would it?

Mr. McFARLAND. It would be sometime tomorrow, if we get through with this bill and the air-subsidy bill in time.

Mr. HENDRICKSON. It would be quite satisfactory to have the calendar called on Thursday.

Mr. McFARLAND. I would not want the call of the calendar to interfere or affect the consideration by the Senate of the tax bill. I would rather have the calendar go over than do that. Could the Senator be ready tomorrow?

Mr. HENDRICKSON. I doubt very much whether the Republican calendar committee could be ready by tomorrow; but we can try.

Mr. McFARLAND. I shall certainly consult the Senator later on, to determine whether he could be ready at that time.

Mr. HENDRICKSON. I thank the Senator.

Mr. SALTONSTALL. Mr. President, if the Senator from Arizona will permit, I should like to ask one other question, in the interest of the minority. The question is as to what bill might be taken up if the tax bill were not ready, or what bills might be taken up after the tax bill shall have been disposed of.

Mr. McFARLAND. I should prefer to answer that question later in the day, or tomorrow. I would want to find out how much delay there might be, before announcing what bill would be taken up.

Mr. SALTONSTALL. So that, if consideration of these two bills is concluded, the session might be fairly short, unless there were a call of the calendar. Is that correct?

Mr. McFARLAND. That is true, unless we could find another bill which would not take very long.

Mr. SALTONSTALL. I thank the Senator.

PAY INCREASES FOR GOVERNMENT EMPLOYEES

The Senate resumed the consideration of the bill (S. 622) to increase the basic rates of compensation of certain officers and employees of the Federal Government, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. KILGORE].

Mr. PASTORE. Mr. President, may the amendment be again stated?

The PRESIDING OFFICER. The clerk will state the amendment again for the benefit of the Senator from Rhode Island.

The LEGISLATIVE CLERK. On page 4, between lines 18 and 19, it is proposed to insert a new paragraph, as follows:

(c) (1) The rates of basic compensation of officers and employees in or under the judicial branch of the Government whose rates of compensation are fixed pursuant to section 62 (2) of the Bankruptcy Act (11 U. S. C. 102 (a) (2)), section 3656 of title 18 of the United States Code, the second and third sentences of section 603, section 604 (5), or sections 671 to 675, inclusive, of title 28 of the United States Code, or who are appointed pursuant to section 792 (b) of title 28 of the United States Code, are hereby increased by amounts equal to the increases provided by subsections (a) and (b) in corresponding rates of compensation paid to officers and employees subject to the Classification Act of 1949."

On page 4, line 19, strike out "(c)" and insert in lieu thereof "(2)."

Mr. PASTORE. Mr. President, I think it should be pointed out that the judiciary, under the present law, can now bring about the end result which the

distinguished Senator from West Virginia seeks to accomplish by his amendment. The question was discussed before our subcommittee at some length, and I should like to have the RECORD show that what the Senator seeks to accomplish can presently be done under the law. However, I might say at this time that, personally, I do not see any real harm in the amendment.

Mr. CARLSON. Mr. President, will the Senator from Rhode Island yield in order that I may ask a few questions about this amendment?

Mr. PASTORE. I yield.

Mr. CARLSON. How many employees would be affected?

Mr. PASTORE. I am afraid I cannot answer that question.

Mr. CARLSON. The Senator from West Virginia might be able to answer it.

Mr. KILGORE. I cannot tell the Senator the exact number. They are what might be called employees in the rather low-salaried bracket of judicial employees.

Mr. PASTORE. Mr. President, I have just been informed that 3,375 employees are included.

Mr. CARLSON. Are they secretaries and law clerks in judicial offices?

Mr. KILGORE. No; they are mainly clerks in district attorneys' offices, marshals' offices, and court clerks' offices; they are employees of that type.

Mr. CARLSON. Mr. President, I personally have no objection to the amendment.

Mr. KILGORE. I may say also that, since we have put bankruptcy employees on a salaried basis instead of on a fee basis, the amendment includes clerks in bankruptcy commissioners' offices. From those offices far more revenue is derived than is spent in clerk hire and referee hire. It would include referees' employees.

Mr. CARLSON. I am not opposed to the inclusion of these employees in the bill which is now before the Senate. In fact, I think the idea has some merit.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia.

Mr. McCARRAN. Mr. President, I should like to ask the able Senator from South Carolina, having charge of the bill whether this bill covers all civil-service employees.

The PRESIDING OFFICER. The Senator from South Carolina is recognized to answer that question.

Mr. McCARRAN. Does it cover employees in the Library of Congress?

Mr. JOHNSTON of South Carolina. It does not cover all Federal employees in the civil service; it covers only those who are under the Classification Act.

Mr. McCARRAN. Does it cover employees in the Library of Congress?

Mr. JOHNSTON of South Carolina. It does cover employees in the Library of Congress.

Mr. McCARRAN. That has been a matter of concern with some of us for a long time, because if there is any underpaid group it is the group of workers in the Library of Congress.

Mr. JOHNSTON of South Carolina. They are included in the bill. That is a group which is not under the Classification Act, but it is included in the bill.

Mr. KILGORE. Mr. President, will the Senator from South Carolina yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. KILGORE. The Senator also realizes that the employees covered by my amendment are classified employees. They include clerks in deputy marshals' offices and others who must have civil-service qualifications.

Mr. JOHNSTON of South Carolina. Yes; they must have civil-service qualifications, but they were not included in the Classification Act.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia.

The amendment was agreed to.

The PRESIDING OFFICER. The committee amendment is open to further amendment.

Mr. McMAHON. Mr. President, I have an amendment at the desk, which I call up and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 7, line 19, it is proposed to insert the following:

SEC. 3. Each of the rates of basic compensation provided by sections 412 and 415 of the Foreign Service Act of 1946 (Public Law 724, 79th Cong.), as amended, is hereby increased by (1) 8.8 percent, or (2) $800 per annum, whichever is the lesser.

On page 7, line 20, it is proposed to change: "SEC. 3" to "SEC. 4."

Mr. McMAHON. Mr. President, this is the amendment I discussed briefly on Friday last, which I had previously discussed with the Senator from South Carolina [Mr. JOHNSTON] and the Senator from Rhode Island [Mr. PASTORE]. I think it is their disposition to accept the amendment. It is designed to include in the bill the Foreign Service officers who were left out of it by the committee only because they were tender of the jurisdiction of the Foreign Relations Committee. I explained that the Foreign Relations Committee had been overwhelmed with work, that we had not considered it, but that as chairman of the subcommittee of the State Department's organization and its affairs I had been approached, and had agreed to offer this amendment. As I understand, the Senator from South Carolina is willing to take the amendment to conference. I might add that the House included the Foreign Service officers in the House bill.

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

Mr. McMAHON. I yield.

Mr. CARLSON. I should like to ask a question merely for information. I think such information should be available to the Senate, and personally I should like to have it. Are not these salaries fixed by the State Department?

Mr. McMAHON. In the same sense that the salaries of the other members of the classified service are fixed. In other words, it is up to the administrative agency to determine in what classification a particular officer or employee comes and when he is promoted, but the classifications, as I understand it, are fixed by law.

Mr. CARLSON. I note by the Senator's amendment that it deals with rates of basic compensation provided by sections 412 and 415 of the Foreign Service Act of 1946. The question I really want to clear up in my own mind is whether these employees do come under the Classification Act, and if this is a proper place to adjust their salaries.

Mr. McMAHON. I would say to the Senator from Kansas that the classification for the State Department has been provided it is true, by separate acts. The last time Congress adjusted salaries of Federal employees, the Foreign Service employees were taken care of in a separate bill. I see no reason why we should not take care of them at this time, particularly since the House of Representatives has done so, and it would seem to me to be a manifest injustice if we were to exclude these classified employees from the benefits of a raise in salary.

Mr. CARLSON. I will say to the distinguished Senator from Connecticut that I certainly want to accord these employees justice in any pay scale raise we may consider. I know that more than 19,000 employees are involved in the Senator's amendment. I assume, in fact I am going to make the statement, that they constitute a group that is entitled to consideration. I have only one question. I was hoping that some other committee, if the matter is within the jurisdiction of some other committee, would keep in mind the difference in living costs in some of the foreign countries as compared to living costs in this country. Everyone who is familiar with the costs in foreign countries must realize that in many cases Foreign Service employees are living in an economy which requires much less in the way of cost per day than is required for citizens and employees of the Government in this country. I sincerely hope someone is giving that question some thought, because I think there could be a disparity. I assure the Senator I do not want a disparity. I want to take care of these persons. But I trust that suggestion will be given some thought.

Mr. McMAHON. I think that is a fair observation. But I would say to the Senator that when the salaries were fixed originally, I believe that provision was made for the considerations which the Senator has mentioned. Of course, there are today some other considerations. I am sure the Senator is aware of that—such as the bad living conditions under which some Foreign Service employees live. There are some spots where neither the Senator from Kansas nor I would want to spend 3 or 4 or 5 years. From my study of the question I think that my amendment involves no disproportionate increase in salary.

Mr. JOHNSTON of South Carolina. Mr. President, will the Senator yield?

Mr. McMAHON. I yield.

Mr. JOHNSTON of South Carolina. Mr. President, I have long felt that persons in Foreign Service should be included under the Classification Act. I have an amendment which would place them under the Classification Act for all purposes. I shall offer my amendment as a substitute for the amendment offered by the Senator from Connecticut if the Senator is agreeable to that procedure.

I will explain to the Senator why I make that proposal. It used to be that a great many employees in the Foreign Service were paid more than $10,000, and that at that time there was a ceiling of $10,000 upon classified employees, above which no classified employees could go. Since the new law on the subject was passed brackets above $10,000 have been established in the classified civil service, so Foreign Service employees can come under such classification. If Foreign Service employees were brought under the Classification Act there would be no question raised in the Senate respecting increase in their salaries. Personally I should be glad to have such action taken.

Mr. McMAHON. This is a new thought to me, I will say to the Senator from South Carolina. Will the Senator tell me what the implications would be respecting the Foreign Service employees? In event the Senator's amendment should be adopted, would they be chosen through civil-service examinations rather than State Department examinations?

Mr. JOHNSTON of South Carolina. Only the pay provisions would be involved. The State Department would still have the right to choose its own employees.

Mr. McMAHON. Only the pay provisions would be involved?

Mr. JOHNSTON of South Carolina. Yes.

Mr. McMAHON. I can see no objection to the Senator's proposal. At any rate, since the Senator from South Carolina will take the matter to conference, and since it is something which does not appear in the bill, I shall be glad to see that action taken.

Mr. JOHNSTON of South Carolina. Mr. President, I shall be glad to take both the Senator's amendment and my amendment to conference.

Mr. McMAHON. I certainly have no objection to that.

Mr. JOHNSTON of South Carolina. Mr. President, I send to the desk an amendment which I offer in the nature of a substitute for the amendment offered by the Senator from Connecticut.

The PRESIDING OFFICER. The amendment of the Senator from Connecticut [Mr. McMAHON] is pending.

Mr. JOHNSTON of South Carolina. I believe the amendment which I offer as a substitute will cover what the Senator from Connecticut has in mind to cover.

The PRESIDING OFFICER. Does the Senator from Connecticut withdraw his amendment?

Mr. McMAHON. Before any further action is taken, I should like to see the Senator's amendment.

The PRESIDING OFFICER. The amendment in the nature of a substitute offered by the Senator from South Carolina [Mr. JOHNSTON] will be stated for the information of the Senate.

The legislative clerk read the substitute amendment, as follows:

SECTION 1. Hereafter, Foreign Service officers, including the class of career minister, and Foreign Service staff officers and employees, shall be compensated in accordance with the compensation schedules of the Classification Act of 1949, as amended and supplemented.

SEC. 2. Sections 412 and 415 of the Foreign Service Act of 1946, as amended, and all other provisions of such act which are inconsistent with the Classification Act of 1949, as amended, are hereby repealed.

SEC. 3. Section 202 (2) of the Classification Act of 1949, as amended, is hereby repealed.

SEC. 4. The compensation of any Foreign Service officer or Foreign Service staff officer or employee who is an officer or employee of the United States on the effective date of this amendment shall not be reduced by reason of the provisions of this amendment; but when any such position becomes vacant any new appointee shall be compensated in accordance with the compensation schedules of, and regulations issued by the Civil Service Commission under, the Classification Act of 1949, as amended.

Mr. McMAHON. Mr. President, that would seem to me to cover the subject. I would assume that when the bill goes to conference, inasmuch as this provision is not contained in the House version of the bill, the chairman of the committee will see to it that there will be careful examination made of the amendment by the conferees.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from South Carolina [Mr. JOHNSTON] as a substitute for the amendment heretofore offered by the Senator from Connecticut [Mr. McMAHON].

Mr. McCARRAN. Mr. President, will the Senator yield for a question?

Mr. McMAHON. I yield.

Mr. McCARRAN. Under the law at the present time Foreign Service employees receive additional compensation because of the difference in living conditions abroad, and because of the difference between the value of the currency in the country in which they serve and our currency, and because of other factors.

There is another matter involved in this situation, and that is that nearly two-thirds of the employees in the Foreign Service are citizens of the foreign country in which they serve. They are not American citizens. They are not paid at the same rate. I am wondering if the amendment of the Senator from South Carolina, like a Mother Hubbard, covers too much.

Mr. JOHNSTON of South Carolina. I will answer the Senator's question by saying that this amendment does not affect the salaries of civilian employees in foreign countries who are nationals of those countries. That is the intention of the amendment, and the way I had it drawn.

The PRESIDING OFFICER. The question is on agreeing to the substitute amendment offered by the Senator from South Carolina [Mr. JOHNSTON] for the amendment offered by the Senator from Connecticut [Mr. McMAHON].

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the amendment offered by the Senator from Connecticut [Mr. McMAHON] as amended.

The amendment as amended was agreed to.

Mr. LANGER. Mr. President——

Mr. McCARRAN. Mr. President, does the Senator from North Dakota desire the floor? Is this bill about ready to pass?

Mr. LANGER. Mr. President, I offer the amendment which I send to the desk and ask to have stated. It is the same as the amendment I offered in connection with the postal bill, which was taken to conference the other day. The amendment provides that the act shall be retroactive to July 1, 1951.

The PRESIDING OFFICER. The amendment offered by the Senator from North Dakota will be stated.

The LEGISLATIVE CLERK. On page 7, lines 21 and 22, it is proposed to strike out the words "after the date of its enactment" and insert the words "on or after July 1, 1951."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Dakota [Mr. LANGER].

The amendment was agreed to.

Mr. UNDERWOOD. Mr. President, I have an amendment at the desk which was intended to be offered as an amendment to an amendment to be proposed by the Senator from West Virginia [Mr. NEELY]. However, it is in the nature of a separate matter. I think it was left out of the bill because of an inadvertence in drafting the bill. I offer the amendment at this time.

The PRESIDING OFFICER. The amendment offered by the Senator from Kentucky will be stated.

The LEGISLATIVE CLERK. On page 7, between lines 19 and 20, it is proposed to insert the following:

(c) Section 66 of the Farm Credit Act of 1933 (48 Stat. 269) is hereby amended to read as follows:

"SEC. 66. No director, officer, or employee of the Central Bank for Cooperatives, or of any production credit corporation, production credit association, or bank for cooperatives shall be paid compensation at a rate in excess of $13,800 per annum."

Mr. UNDERWOOD. Mr. President, I should like to ask the chairman if he will accept this amendment, since it involves only one group of agencies which were omitted from the bill.

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

Mr. UNDERWOOD. I yield.

Mr. PASTORE. Is my understanding correct that all this amendment does is to make it possible to go above the ceiling stipulated by law, so as to grant the $800 increase?

Mr. UNDERWOOD. That is correct. The amendment merely includes the agencies named along with the others.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky.

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

Mr. UNDERWOOD. I yield.

Mr. CARLSON. I should like to ask if the agencies named are the only agencies in the Government which would be affected or which need to be taken care of?

Mr. UNDERWOOD. The Senator is correct. It takes care of the employees of the Central Bank for Cooperatives, or of any production credit corporation, production credit association, or bank for cooperatives.

Mr. CARLSON. As I understand, the amendment would correct a condition which should be corrected.

Mr. UNDERWOOD. Yes. These agencies were inadvertently not included.

Mr. CARLSON. I have no objection. I think it is very commendable of the Senator to offer the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. UNDERWOOD].

The amendment was agreed to.

Mr. NEELY. Mr. President, I offer an amendment which I send to the clerk's desk.

The PRESIDING OFFICER. The amendment offered by the Senator from West Virginia will be stated.

The LEGISLATIVE CLERK. On page 7, between lines 19 and 20, it is proposed to insert the following:

SEC. 3. (a) The annual compensation (including basic salary and additional compensation in lieu of overtime pay and night pay differential) of each officer and member of the Metropolitan Police, the United States Park Police, the White House Police, and the Fire Department of the District of Columbia, as increased by the act entitled "An act to provide for an adjustment of salaries of the Metropolitan Police, the United States Park Police, the White House Police, and the members of the Fire Department of the District of Columbia, to conform with the increased cost of living in the District of Columbia," approved July 14, 1945, as amended, and by the act entitled "An act to increase the compensation of certain employees of the municipal government of the District of Columbia, and for other purposes," approved June 30, 1949, shall be further increased by 8.8 percent or $800, whichever is the lesser. The proviso contained in the first sentence of the first section of said act of June 30, 1949, is hereby repealed; but no officer or member covered by this section shall, by reason of the enactment of this section, be paid with respect to any pay period, basic salary, or basic salary plus additional compensation at a rate in excess of $11,130 per annum.

(b) (1) Each employee of the Board of Education of the District of Columbia whose salary is fixed and regulated by the District of Columbia Teachers' Salary Act of 1947, except the Superintendent of Schools, shall receive, in addition to the compensation already provided by such act and by the act of June 30, 1949, compensation at the rate of 8.8 percent of the aggregate compensation provided by said acts, or $800 per annum, whichever is the lesser.

(2) The basic and maximum salaries for all salary classes in title I of the District of Columbia Teachers' Salary Act of 1947, except class 29, are hereby increased by 8.8 percent or $800, whichever is the lesser.

Mr. NEELY. Mr. President, the purpose of this amendment is to extend to the Metropolitan Police, the White House Police, the United States Park Police, the teachers, and the members of the Fire Department of the District of Columbia the benefits proposed by the bill. These praiseworthy employees are not within the classified civil service but their right to an increase in compensation is manifestly identical with the right of those in the classified service for whose relief the pending measure provides. The necessity, the propriety, and the justice of granting the increases proposed by the amendment are so thoroughly and sympathetically understood by the Senate that it would be superfluous for me or anyone else to speak in behalf of the desired result. Therefore, I ask for the immediate adoption of the amendment.

Mr. JOHNSTON of South Carolina. Mr. President, this amendment deals with the employees of the District of Columbia mentioned therein. It will be recalled that a few years ago when we were increasing the salaries of Federal employees we got into a jam in regard to the District of Columbia. The question of the sales tax was involved, and we could not pass a District bill. As I see it, this amendment would expedite matters. These salaries are not paid by the Federal Government. They are paid by the District of Columbia.

The Senator from West Virginia is a member of the District of Columbia Committee. I am a member of that committee, as is the Senator from Rhode Island [Mr. PASTORE]. This amendment will expedite matters, and save us from passing another bill.

Mr. NEELY. Mr. President, to the best of my knowledge and belief, every member of the Committee on the District of Columbia is in favor of the amendment.

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

Mr. NEELY. I yield.

Mr. CARLSON. I assure the Senator from West Virginia that I think his amendment has merit, and that these employees are entitled to a pay increase. There was one question which arose, and that was as to whether our committee had jurisdiction, or whether this provision would fit into the pending legislation. However, in view of the fact that we are voting increases for classified employees, I favor this increase.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. NEELY].

The amendment was agreed to.

Mr. LANGER. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from North Dakota will be stated.

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

Sections 603 (b) and 603 (c) of the Classification Act of 1949, as amended, are hereby amended to read as follows:

"(b) The compensation schedule for the General Schedule shall be as follows:

Grade	Per annum rates						
GS-1	$2,600	$2,680	$2,760	$2,840	$2,920	$3,000	$3,080
GS-2	2,850	2,930	3,010	3,090	3,170	3,250	3,430
GS-3	3,050	3,130	3,210	3,290	3,370	3,450	3,530
GS-4	3,275	3,355	3,435	3,515	3,595	3,675	3,755
GS-5	3,500	3,625	3,750	3,875	4,000	4,125	4,250
GS-6	3,850	3,975	4,100	4,225	4,350	4,475	4,600
GS-7	4,225	4,350	4,475	4,600	4,725	4,850	4,978
GS-8	4,600	4,725	4,850	4,978	5,114	5,250	5,386
GS-9	5,005	5,141	5,277	5,413	5,549	5,685	5,821
GS-10	5,440	5,576	5,712	5,848	5,984	6,120	6,256
GS-11	5,875	6,093	6,310	6,528	6,746	6,963	
GS-12	6,963	7,181	7,398	7,616	7,834	8,051	
GS-13	8,269	8,486	8,704	8,922	9,149	9,357	
GS-14	9,574	9,792	10,000	10,200	10,400	10,600	
GS-15	10,800	11,050	11,300	11,550	11,800		
GS-16	12,000	12,200	12,400	12,600	12,800		
GS-17	13,000	13,200	13,400	13,600	13,800		
GS-18	14,800						

"(c) (1) The compensation schedule for the crafts, protective, and custodial schedule shall be as follows:

Grade	Per annum rates						
CPC-1	$1,910	$1,970	$2,030	$2,090	$2,150	$2,210	$2,270
CPC-2	2,520	2,590	2,660	2,730	2,800	2,870	2,940
CPC-3	2,652	2,732	2,812	2,892	2,972	3,052	3,132
CPC-4	2,850	2,930	3,010	3,090	3,170	3,250	3,330
CPC-5	3,074	3,154	3,234	3,314	3,394	3,474	3,554
CPC-6	3,300	3,380	3,460	3,540	3,620	3,700	3,780
CPC-7	3,525	3,625	3,725	3,825	3,925	4,025	4,125
CPC-8	3,800	3,925	4,050	4,175	4,300	4,425	4,550
CPC-9	4,175	4,300	4,425	4,550	4,675	4,800	4,925
CPC-10	4,550	4,675	4,800	4,925	5,059	5,195	5,331

"(2) Charwomen working part time shall be paid at the rate of $2,800 per annum, and head charwomen working part time at the rate of $2,940 per annum."

Mr. LANGER. Mr. President, the purpose of the amendment is to increase the salary rates under the Classification Act of 1949, as amended, by a minimum of $400, or 8.8 percent, whichever is greater, but not to exceed $800.

Mr. PASTORE. Mr. President, will the Senator please explain what this amendment would do?

Mr. LANGER. As the Senator knows, this question was considered in the committee. In connection with the postal pay bill, an amendment was offered providing that salaries should be increased by 8.8 percent, with a floor of $400, and a ceiling of $800.

Mr. PASTORE. That is not very clear to me. Senate bill 622, which is now pending, specifies that there shall be an increase of 8.8 percent, but not to exceed $800.

Mr. LANGER. That is correct.

Mr. PASTORE. Will the Senator please tell me what this amendment would do to the bill?

Mr. LANGER. It puts a floor of $400 in the bill, and it provides that no increase shall exceed $800, which the bill does not now provide, as I understand.

Mr. PASTORE. Mr. President, the question of whether or not there should be a percentagewise increase across the board, or whether it should be a lump-sum increase applying to all employees in the Post Office Department and in the classified service, is one to which the committee gave considerable study and thought. I believe for the purposes of the RECORD it behooves me at this time to point out exactly what we are getting into with amendments which are offered from the floor.

When S. 355, the postal pay-increase bill was under consideration last Friday the Senator from Kansas [Mr. CARLSON] suggested a minimum of $400. On the floor we worked out a compromise to the effect that the formula of 8 8 percent would apply to all postal workers, provided, however, that in no case would an employee's salary be increased by less than $400.

In the postal pay-increase bill certain other adjustments were made with reference to grades 1 and 2, under which those grades were to be eliminated, and by which the employees in those two grades were to receive a $200 increase. More than that, we tried to adjust the salaries of employees who came into the postal service subsequent to June 30, 1945.

As the postal pay-increase bill now stands there is a serious question in the minds of myself and many members of the committee as to whether or not the bill as it was passed does not in fact grant an increase of a minimum of $600 with reference to postal employees. In other words, to make the RECORD a little clearer, the bill originally provided for an increase of 8.8 percent.

A serious question exists whether the $400 minimum is to be applied after the adjustment of $200 takes place, or whether the figure of $400 is to be used after the increase has been computed on the basis of 8.8 percent, in which case no employee of the Post Office Department in any category would receive an increase of less than $400.

To connect the same argument to the pending bill, and apply it to an employee who today is working in the Post Office Department in grade 1, and is receiving in the neighborhood of $2,670, if we grant him a $600 increase, it would mean that anyone now employed under the classified system who is receiving $2,650 in GS–3 would be getting under the bill we are now considering, S. 622, an increase of only $250.

In other words, to point up the harm that can come from floor amendments, I am saying now that under the postal bill which we passed last Friday, anyone presently employed in the Post Office Department in grade 1 would get an increase of $600, whereas a comparable employee in the classified service, who receives $2,650, in GS–2, would get under the bill which has been approved by the committee an increase of only $250.

In that way, we would create in our Government a situation under which two men in the same family of Federal workers, receiving the same amount of money today, would, under the action of the Senate as the two bills now stand, S. 355, which was passed Friday, and the bill now being considered, the following difference in salary. The employee in the postal department would get an increase of $600, under the interpretation being given to the postal pay increase by some Members of the Senate, and at least $400, according to the interpretation which I believe was intended, but not made clear. On the other hand, the employee in the classified service, employed in GS–3, would receive an increase of only $250.

I say to the distinguished Senator from North Dakota [Mr. LANGER], while there is abundant argument for consistency, namely, that we ought to undertake in this bill to provide the same minimum of $400, as fixed in the postal pay bill—and it is hard to deviate from the argument of consistency—the fact still remains that this is what we are doing: To employees who work, let us say, in CPC 2, receiving in the neighborhood of $1,600, $1,700, or $1,800, we would give an increase of $400, which in fact would be an increase of 25 percent. I believe we would completely violate the provisions of the Wage Stabilization Act.

Mr. President, I say very frankly that while I can adhere to the argument of consistency, I can also see the absurdity of proceeding in that way.

Mr. LANGER. The purpose of the amendment is to put a floor of $400 in the bill. Certainly anyone working in the Government ought to have an income of at least $2,500. There is nothing inconsistent or ridiculous about it. It gives a person enough to live on. Certainly a family needs $2,500 a year to live on.

Mr. CARLSON. Mr. President, in view of the statement which has just been made by the distinguished Senator from Rhode Island [Mr. PASTORE], I believe that it might be well to discuss again the postal pay increase bill which we passed last week. The bill, S. 355, which we approved last Friday, eliminates two grades. The figures submitted to us by the Post Office Department show it would cost the Post Office Department $10,000,000. For all postal employees, including supervisors and postmasters, a $400 across-the-board pay increase except fourth class postmasters and hourly paid employees would cost $189,350,000. Therefore, how anyone could assume that it would mean a $600 increase for all employees is more than I can understand.

The $200 increase, which would eliminate two grades, according to the Post Office Department figures, would cost $10,000,000, while the $400 increase, which is 200 percent of $200 would come to $189,350,000.

In addition to that, we advanced two grades of postal employees who have entered the service since June 30, 1945, and who have not benefited by the two grade advances. It affects 150,000 postal employees, and would cost $28,410,000.

Personally, I am confident that the Senate, when it acted on the postal pay increase bill, understood that we were eliminating two grades, and that those two grades had not been used during the past few years, except in a limited number of cases.

Therefore, the total amount added by the elimination of the two grades would not exceed $10,000,000, and could not possibly be interpreted as giving $200 to every employee, because the $400 increase totals more than $189,000,000. I wanted to make that statement for the RECORD.

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

Mr. CARLSON. Yes.

Mr. PASTORE. I believe the distinguished Senator from Kansas will concede that the question has been raised as to whether or not the $400 minimum is to be applied after the computation of 8.8 percent or whether the $400 minimum is to be considered before the computation of the 8.8 percent, which would make a difference of $200 when all the adjustments are to be made. For the purpose of the RECORD I believe it ought to be clearly shown that the intent of Congress was that all we were trying to do was to insure a minimum increase of $400 to every employee, instead of giving an increase of $600.

Mr. CARLSON. The Senator from Kansas wanted it definitely understood that no postal employee was to receive an increase of less than $400, and that the adjustments, as proposed in Senate bill 355, would have to be worked out later. I admit that we were caught a little unawares on the floor, and I have not had time to go into all the effects of it. My personal belief is that either $400 or 8.8 percent would make very little difference in this legislation.

CONSTITUTION DAY

Mr. MCCARRAN. Mr. President, this is the day on which our Nation does honor to the Constitution of the United States, on the anniversary of its adoption.

It is sometimes difficult to discuss objectively matters which are close to our hearts, because our very familiarity with them leads us to presume an equal familiarity on the part of our hearers, and thus we tend to pass lightly over points which may be basic to full understanding. Our Constitution is one of the things too many Americans take for granted, and for that very reason we fail to grasp its monumental value.

Those who look no further back than the eighteenth century for the idea of government by the consent of the governed, that is, the people; and those who look no further back than the sixteenth century for the idea of the natural law, fail to see in the Preamble of our Constitution the outline of a republic as set for by St. Augustine in the fifth century in his "city of God." There one reads of union of people in community, seeking to establish justice and the common good. There one reads of liberty as the heritage of man from his Creator. There, too, the citizens of republics may learn how slavery, the grim alternative, may overtake a people lost to prudence and becoming a mere mass.

While there are among us many who have developed a great—almost religious—veneration for our Constitution,

all of us arrived at our status as legislators by the act of taking an oath to support it. Yet, all too few of us ever have occasion or opportunity to see certain contrasts which illustrate the great values of this document. It may seem strange, but I have found it true, that many who have the fiercest love of our Constitution are men who have lived abroad.

Over the years I have had occasion to know many of our diplomats and military men stationed in other lands, some of whom, in fact, have passed more adult years in Europe and Asia than in their own country. These men whom we send abroad, from ambassadors to clerks, have opportunities not vouchsafed to the rest of us. It is startling to talk with them, to see how bitterly they describe the contortions which the very process of daily living requires of citizens in lands that are dictatorships. It is startling to hear them speak with cynical familiarity of their professional problems when working in countries in Europe, in Asia, and in Latin America—in rigid, static governments, where laws are made by police, or under regimes where judges act on orders from above, where wealthy gangs take care of their own, where shootings occur on the streets, and where it would be naive to entertain the assumption—natural and normal in America—that murders are dealt with by courts where justice is done. These things are startling to us because our Constitution, while guarding the power of the States, guarantees speedy and public trial, and trial by jury.

The world is constantly getting smaller, politically speaking; and indeed it is time we learned, if we have not learned already, about the shocking status of human rights in those lands which account for two-thirds of the world's human beings. The nations with the largest number of slave camps and those with the largest starving masses are those in which the rights of life and liberty are not sustained by safeguards to private property. Our Constitution relies for its support of property rights upon the Christian concept that man needs property to develop personality. This personality determines his service to God and country, his education, and his vote.

In scores of countries the movement of goods across a city limit or a county line or the boundary of a province is taxed. The economies of many European, Asiatic, and Latin American regions groan from the imposition of interstate taxes and obstructions. Only a few countries have adopted the startling principle, written into our own Constitution, that trade between citizens of a single nation—and, let us say, between regions—shall move unhampered. No multiplication of TVA's for Asia can ever do for the Asian individual what the simple provisions of our Constitution regarding rights in property have done for American citizens.

Our Constitution provides that every few years all officers of the republic shall stand before the people for judgment, for endorsement, or for removal from office. This provision we take for granted, because we started learning about it in kindergarten. Yet, as we survey this shrinking world, as we observe the great movements of masses of peoples, as we watch the revolutionary movements among millions in Asia and in Europe, as we see these movements resorting more and more to mass violence or demagogic manipulation, we are forced to face a frightening statistical fact. That fact is that only a ridiculously small percentage of the men and women of the world have the right to cast a ballot. Only in these few nations can an individual make his own voice heard on the question of whether he is to live as a freeman or as a statistical figure. The franchise has made of America a people. Its lack has left Asia with its masses. Our republic presupposed a people developed from the principle of the free-voting individual. The mere politicizing of social groups or of economic associations will not produce a people. We may build dams, drain swamps, or exterminate germs; but we cannot build a people without the individual ballot and the guidance of a free press can give.

The American Constitution, compiled by that unique group of men 164 years ago, is so remarkable that the genius of its provisions becomes apparent only when we take a look at the way other societies have mishandled and misdirected the energies of their peoples; when we see the class wars, the civil wars, and the great social frictions which many countries have solved or resolved only by creating police states.

By the Articles of Confederation the United States expressed their abhorrence of tyrants and despots. By the Constitution they controlled the tyranny of majorities and the violence of demagogically led masses. They devised a system of government, operating through three branches, two of which are responsible directly, and one indirectly, to the people of the Republic. They established a union government having real power, and placed the control of that power in the people.

In the 164-year span which has followed the adoption of the Constitution, 32 men have been elected President of the United States, and numberless Members of Congress have also been elected. Each candidate has had to reach high office through the peaceful process of persuasion. While that persuasion process may involve a wide range of activity, from great statesmanship to little undiscovered acts of human kindness, and while high office has been attained at times by frivolous politicians who promised all things to all men, the fact of the power in the people remains. An historian of freedom of the nineteenth century, Lord Acton, hailed as a great discovery the American principle that the nation can control the state—a discovery second only to the English invention of the representative legislature and one based upon the momentous pronouncement which gave the state its measure of power and rendered it benign by giving religion at the same time its greatest freedom: Render unto Caesar the things that are Caesar's and unto God the things that are God's.

Yes, Mr. President, the scholars and patriots who put together our constitution had an insight into human nature, an understanding of human weaknesses, of human envy, of ambition, of human cruelty and of all man's baser instincts, which even the most eminent of today's army of psychologists could not surpass. They understood the possible patterns of human behavior, and they wrote a document which set up grooves and channels for man's drives and impulses: No bills of attainder, no cruelty, no executive power to tax, no expenditure without a law. But, better still, a free press, free speech, free service to God, were guaranteed.

Written when the Nation's population was smaller than that of many of our States today, the organic law of the land now serves over 150,000,000 persons. There are few human contingencies, few new situations, which it did not envision at least in principle, and for which it did not provide a standard based on principles of universal right. This document was written at a time when transport was handled by ox-cart, canoe, and horse-drawn carriage, yet it has successfully provided the legal principles and the guide for a civilization whose air-transport industry alone has produced a library of air law. It was written at a time when there were but few nascent industries and when the civilization of the United States was mainly agricultural, yet it has furnished the legal precepts for a society highly industrialized and technologically advanced, in which, let it be said, the independent farmer still holds his own. Against the operation of unlimited greed the constitution provided due control. When it enshrined the principle of private property and the concept of free enterprise, it accepted the Christian economic principle that national wealth is the product of the savings of a secure citizenry, that national strength is measurable in terms of family savings.

The Constitution of the United States, Mr. President, embodies that balance of force and freedom which has been dreamed of for centuries by the peoples of Western Europe and the Americas. Eastern Europe, the Middle East, and Asia await the dream. But only one land has reached such heights of freedom by following the precepts of a document which gives encouragement to private initiative while curbing man's avarice, which provides for the greatest stability in Government by making possible adjustment to change. All the progress in this country's 164-year history since the constitution was adopted has been made possible and protected by this great mother document. It is ever present, is impossible to ignore, is hard to circumvent. To the Nation facing its future it is the epitome of hope. The Constitution is like a lighted house to which one may go to when it becomes too dark to see, like the care of a mother for the child that senses fear, like a great reservoir of juridical wisdom for the Nation's leaders, statesmen, jurists and plain citizens when baffled by the

new problems of new decades. The magnanimity of the people, the power of the Government, and the wealth and the progress which have occurred in the United States of America have their source in it.

Mr. President, on this anniversary of the adoption of our Constitution, I hope all of us may have a true appreciation of its value. This is the document which has fostered and made possible the most progressive society in history, the widest spread of human rights, and a technological civilization which in 164 years has encouraged the production by freemen of things needed by mankind in larger measure than were created in the preceding 20 centuries. The Constitution was conceived in genius, and for 164 years we have shown the political acumen to adhere. May God grant that, as individuals and as a Nation, we may have the wisdom and the courage and the prudence to protect it as it has protected us.

Today there are those who look abroad and profess to see something more dazzling, like those who have looked at Russia, and at other states that follow the negativism of Karl Marx as interpreted by Lenin and Stalin. They profess to see an improvement. There are those who are bent on bringing that Marxist-Lenin-Stalinist system here to our own shores, and those who encourage that systems' growth in other lands. And some there are who, holding a republic to be a decadent form of government, would advocate the politicizing of social groups rather than inculcating the free individual ballot. They impugn the document which has created this great Nation. We must resist them in every field of their activity and by every technique available to us. Those who wish to destroy our organic law, or merely to substitute for it the subversion of political science to socio-economics subordinating man to the functional state, are seeking to take from this Nation something more precious than the individual life of any one of us. As long as misguided men attack the Constitution, men of good will must fight to protect it. Our freedom was won not through passivity, but through blood and brawn and spiritual struggle. Its preservation demands of us no lesser willingness to consecration and sacrifice.

Mr. JOHNSON of Colorado. Mr. President, will the Senator from Nevada yield?

Mr. McCARRAN. I yield the floor.

Mr. JOHNSON of Colorado. I should like to have the Senator yield to me for one moment.

Mr. McCARRAN. I yield.

Mr. JOHNSON of Colorado. I desire to thank and to congratulate the Senator from Nevada for the remarkable speech which he has delivered, the eloquent tribute which he has paid to the Constitution of the United States. It is one of the great speeches which have been delivered in his Chamber for a long time, and my prediction is that it will ring down through the years to come.

Mr. McCARRAN. I thank the Senator from Colorado.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Snader, its assistant reading clerk, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1726) to provide for the organization of the Air Force and the Department of the Air Force, and for other purposes.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 4496) making appropriations for the legislative branch for the fiscal year ending June 30, 1952, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. McGRATH, Mr. KIRWAN, Mr. ANDREWS, Mr. CANNON, Mr. HORAN, Mr. SCHWABE, and Mr. TABER were appointed managers on the part of the House at the conference.

The message further announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 5054) making appropriations for the National Security Council, the National Security Resources Board, and for military functions administered by the Department of Defense for the fiscal year ending June 30, 1952, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MAHON, Mr. SHEPPARD, Mr. SIKES, Mr. RILEY, Mr. CANNON, Mr. TABER, Mr. WIGGLESWORTH, and Mr. SCRIVNER were appointed managers on the part of the House at the conference.

INCREASE OF BASIC RATES OF COMPENSATION OF CERTAIN GOVERNMENT EMPLOYEES

The Senate resumed the consideration of the bill (S. 622) to increase the basic rates of compensation of certain officers and employees of the Federal Government, and for other purposes.

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

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. PASTORE. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded, and that further proceedings under the call be suspended.

The PRESIDING OFFICER (Mr. NEELY in the chair). Is there objection? The Chair hears none, and it is so ordered.

PROPOSED INVESTIGATION OF CERTAIN ACTIVITIES OF OFFICERS AND EMPLOYEES OF DEPARTMENT OF AGRICULTURE

Mr. KEM. Mr. President, on behalf of myself, the senior Senator from Vermont [Mr. AIKEN], the senior Senator from Nebraska [Mr. WHERRY], the Senator from New Jersey [Mr. HENDRICKSON], the Senator from Pennsylvania [Mr. MARTIN], the Senator from Michigan [Mr. FERGUSON], the Senator from Kansas [Mr. SCHOEPPEL], the Senator from Idaho [Mr. WELKER], the junior Senator from Nebraska [Mr. BUTLER], the Senator from New York [Mr. IVES], the Senator from Ohio [Mr. BRICKER], the Senator from Utah [Mr. BENNETT], the Senator from Maryland [Mr. BUTLER], the Senator from Indiana [Mr. CAPEHART], the Senator from North Dakota [Mr. LANGER], the Senator from Nevada [Mr. MALONE], and the junior Senator from Vermont [Mr. FLANDERS], I ask unanimous consent to submit for appropriate reference a resolution.

The PRESIDING OFFICER. Without objection, the resolution will be received and appropriately referred.

There being no objection, the resolution (S. Res. 210) was read and referred to the Committee on Agriculture and Forestry, as follows:

Whereas it has been disclosed in the Senate that the Commodity Credit Corporation of the Department of Agriculture has recently been involved in subleasing from a private concern storage space leased by such concern from the War Assets Administration at Camp Crowder; and

Whereas such private concern has by thus acting as intermediary between two Government agencies made a tremendous profit without the risk of private capital and with commensurate loss to the Government; and

Whereas the last-mentioned loss to the Government came out of price-support funds which are not appropriated and are therefore not subject to effective supervision by the Congress and by the General Accounting Office; and

Whereas it has also been disclosed that 22 past and present employees of the Farm Credit Administration of the Department of Agriculture and of agencies supervised by it in the St. Louis district have been involved in (1) speculation in properties in which the Farm Credit Administration and its agencies were interested, and (2) dealings with persons having business with the Farm Credit Administration and its agencies; and

Whereas the activities aforesaid may have been illegal and may bring discredit to, and lessen the public confidence in, the Department of Agriculture and the agencies concerned; and

Whereas it appears likely that the instances aforesaid are not isolated cases: Now, therefore, be it

Resolved—

SECTION 1. That the Committee on Agriculture and Forestry, or any duly authorized subcommittee thereof, is authorized and directed to make a full and complete study of all activities of officers and employees of the Department of Agriculture which may tend to discredit or lessen public confidence in the Department of Agriculture or any of its agencies, and, in particular, to make a full and complete study of the administration of price-support funds with a view to determining the extent to which officers or employees of the Department of Agriculture have misused such funds or have profited or have permitted others to profit illegally or improperly by the manner in which such funds have been administered. The committee shall report its findings together with its recommendations for such legislation as it may deem advisable to the Senate not later than September 1, 1952.

SEC. 2. For the purposes of this resolution, the committee, or any duly authorized subcommittee thereof, is authorized to employ upon a temporary basis such technical, clerical, and other assistants as it deems advisable. The expenses of the committee under this resolution, which shall not exceed $150,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

Mr. KEM. Mr. President, the resolution calls for a full and complete investigation by the Senate Committee on Agriculture and Forestry of the administration of the farm price-support program, and the handling of all other funds of the Department of Agriculture.

The purpose of the investigation now proposed is to determine the extent if any to which officers or employees of the Department of Agriculture or any of its agencies, including the Commodity Credit Corporation, have misused such funds, or have personally profited by the manner in which such funds have been administered, or have engaged in other activities which may tend to discredit or lessen public confidence in the Department of Agriculture and the farm program. Corn and wheat and oil do not mix well with graft and corruption.

The situation has been brought to a head by the charges made last Thursday in the Senate by the Senator from Delaware [Mr. WILLIAMS] that the Commodity Credit Corporation paid out $382,201.11 of price-support funds in 20 months for the use of buildings leased on September 19, 1949, from Mid-West Storage & Realty Co. of Kansas City, which, only 4 days previously, had leased the same buildings from the War Assets Administration for less than $1,000 a month.

This follows a disclosure that 22 past and present employees of the Farm Credit Administration at St. Louis have been involved in speculation in oil interests in lands in which the Farm Credit Administration and its agences were interested.

These unsavory transactions require a full investigation by a Senate committee of the mishandling of USDA funds. I believe the Senate Committee on Agriculture and Forestry is the logical and appropriate committee. The Mid-West Storage & Realty Co. and the St. Louis Land Bank may or may not be isolated cases. There may be other activities where "rats have found the cheese," to use Jesse Jones' expressive phrase.

Price-support funds are not appropriated. They are not subject to effective supervision by the General Accounting Office. This situation places a heavy responsibility on Congress. I hope the Senate will act and act promptly.

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

Mr. KEM. I yield.

Mr. AIKEN. I join with the Senator from Missouri and other Senators in submitting this resolution, not because I believe that any great number of Department of Agriculture employees are guilty of malfeasance in office, or of any particular crime. However, there has been divulged enough of an unsavory nature to warrant a thorough investigation into the entire affair.

The other day the Senator from Delaware [Mr. WILLIAMS] pointed out that a group of persons had leased property from one agency of government and then leased it back to another agency of government—in this case the Commodity Credit Corporation—and made what was apparently a profit of around $300,000, with no risk involved, and no capital investment of any amount. I happen to know that the case which was pointed out by the Senator from Delaware is only one of a large number of similar cases in which certain Government agencies, namely, the Army, the Navy, the Air Force, and the War Assets Administration, have turned over storage space to private citizens at what I believe to be a very low rate of rental. They never would tell me how much rent was received for those properties. I do not know how the Senator from Delaware found out about the case which he pointed out the other day. When the properties are turned over, we might say that they are turned over to the faithful. The Senator from Missouri knows what I mean by the "faithful."

Mr. KEM. I think I know exactly what the Senator means.

Mr. AIKEN. Then they are rerented to the Government, putting the Government in the position of paying a high rental rate for the use of its own property.

In one instance I understand that the deal was arranged through the national committeeman of the party in power, who, it is further believed, is sharing in the profit from this transaction. In another case, which involves a locality in the State of the Senator from Missouri, it has been reported that a group made approximately $2,000,000 in 1 year, by taking storage space from one agency of the Government and re-letting it to another agency of the Government.

That sort of thing is becoming altogether too prevalent. There should not be any such cases to point out. It further appears that the General Accounting Office has no supervision over the rates which are paid for storage in such cases as these. It may be that as the result of an investigation Congress may see fit to enact legislation providing for some supervision over transactions of this nature, which are an open invitation to graft and fraud if there are persons so minded—and it appears that in some cases they have been so minded.

I do not say that in all cases in which the War Assets Administration, the Army, or other agencies have let property to private interests there has been dishonest or undue profiteering. But certainly the smell is strong enough so that in the interest of the innocent as well as in the interest of ferreting out the guilty, it appears that the time has come when something should be done about the matter.

Mr. KEM. Mr. President, I appreciate very much the effective support of the able ranking minority member of the Committee on Agriculture and Forestry. I appreciate his interest and forceful statement.

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

Mr. KEM. I yield.

Mr. WILLIAMS. I congratulate the Senator from Missouri, who as a member of the Committee on Agriculture and Forestry, is submitting this resolution to investigate certain transactions of the Agricultural Department. I am glad that at last, some of these transactions are going to be examined.

After I had discussed the case of the Midwest Realty Co. last week one of the parties involved called me on the telephone and pointed out that the figures which I used in the RECORD did not represent all profit. He said that only about half of it was net profit. Even if that be true, if half or two-thirds of it is net profit, with practically no investment, it is still a substantial profit. This agent pointed out that he did not believe that he should be singled out, because he said, "There are many others who make many times what we did in leasing similar properties." I tried to get him to name the other cases, on the assurance that if there were others he would not be singled out. I understand, as the senior Senator from Vermont has pointed out, that there are many instances of property being leased by the War Assets Administration or by some other Government agency to outside interests and then being leased back to the Commodity Credit Corporation within a few days. I think the Senator from Vermont and the Senator from Missouri will agree with me that there is nothing in the law, nor has there ever been anything in the law, which would have prohibited the Department of Agriculture from leasing these facilities direct from these other agencies. There is no excuse in the world for siphoning out these fantastic profits to individuals.

In the investigation I hope the Senator will check not only that angle, but also the question as to how much money some of the speculators in agricultural commodity markets, who have been so bitterly denounced by the President of the United States on numerous occasions, have made on the basis of inside information, with particular reference to the Dr. Grahams and all the other political stooges who are in positions where they have access to inside information. I think we should check that phase of their operations in particular. I am extremely suspicious of Government officials who are making fantastic profits in such a short period of time, when prior to becoming Government officials they could hardly make a living. I think they should be required to file statements of their net worth and show how much of this came from association with Government.

Mr. AIKEN. Mr. President, I point out that last year, when I was looking into this situation as best I could by myself, I was informed that there were 13 of these instances in the States of Missouri and Kansas alone. How many there were in the other 46 States, I do not know.

I called the armed services to find out what the rental values were, and what they received for the properties. They declined to give the information, but they did say that earlier, before leasing these properties, they had advised the Commodity Credit Corporation and the Department of Agriculture that the facilities were available for the storage of grain, and the Department of Agriculture had indicated that it was not interested in taking them over direct from the other Government agencies.

In other words, the Department apparently insisted upon the facilities going through the hands of private persons, who undoubtedly profited, or else they would not have had anything to do with the transactions.

In view of that fact, I think we should get to the bottom of this situation and find out just who is guilty and who is innocent. I am not sure that we shall find that any law has been violated; but if there is no law covering such transactions, there should be one.

Mr. KEM. There ought to be one.

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

Mr. KEM. I shall be glad to yield. Before yielding, let me say that the American people are greatly indebted to the Senator from Delaware [Mr. WILLIAMS] for the ability and energy he has shown in bringing about these important disclosures.

Mr. SCHOEPPEL. Mr. President, I wish to say to the distinguished Senator from Missouri that I am happy to join with him in the request for this type of investigation. I commend not only the Senator from Delaware, but also the distinguished Senator from Vermont [Mr. AIKEN], who has been occupying a most important position as ranking minority member of the Committee on Agriculture and Forestry.

He makes reference to certain instances in the States of Kansas and Missouri. I want to say to the distinguished Senator that on a number of occasions the senior Senator from Kansas made inquiry of the departments to find out exactly what the situation was, and always found that he could not get complete disclosures. I am sure the distinguished Senator from Missouri knows that the Committee on Expenditures in the Executive Departments have just concluded certain phases of hearings which go to the reorganization of the Department of Agriculture. Therefore, I believe that this method at this time is timely. If the investigations disclose practices which are unethical—and they may be legal and yet not good administrative practice and procedure—we should look to the reorganization suggestions which come out of the Committee on Expenditures in the Executive Departments, so as to preclude such practices as this. It is most wholesome to move out in this direction, and I compliment the Senator from Missouri.

Mr. KEM. I thank the Senator from Kansas for his statement. The people of his State as well as the people of my State have a tremendous interest in the price-support program, and are interested in seeing that it is honestly and efficiently administered. Certainly the facts in connection with the disclosures made by the Senator from Delaware and other Senators should be investigated and fully developed.

THE NEW TAX BILL—APPLICATION OF CAPITAL-GAINS RATE TO LIVESTOCK ETC.

Mr. WILLIAMS. Mr. President, in today's Post there appears an article under the heading "Washington Merry-Go-Round" which deals with the contents of the new tax bill. There are certain inaccuracies in this article which I wish to point out. In this article the writer gives the impression that a certain amendment relating to turkey breeders was put into the bill upon my request and for my benefit, while the facts are that I voted against the proposal in the committee and also opposed a similar measure on the floor last year. Not only that, but last week I publicly stated that I would sponsor amendments on the floor to strike out this provision. I quote from that article:

> The House permitted livestock breeders to count their income as capital gains. The Senators accepted this and added turkey breeders to boot, since one turkey-breeding Senator is a member of the committee. This new capital-gains bonanza on cattle is why dairy farmers are going out of the milk business in favor of raising show herds which they can sell at a huge capital-gain profit.
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> However, Senator HUBERT HUMPHREY, of Minnesota, Democrat, will lead the fight on the Senate floor to close the tax loopholes. He will be backstopped by a group of Democratic Senators, including millionaires LEHMAN, of New York, BENTON of Connecticut, and GREEN, of Rhode Island.

Mr. President, the article is written by a writer who boasts that he is 84 percent accurate in all his predictions, but to prove his inaccuracy on this I wish to refer to the CONGRESSIONAL RECORD, volume 96, part 10, page 14082, during the debate on the tax bill, when a similar amendment was offered from the floor of the Senate by the senior Senator from Minnesota [Mr. THYE]. At that time the Senator from Minnesota proposed an amendment to include not only cattle breeders but all livestock as eligible for being taxed at capital-gains rates. I spoke against the amendment offered by the Senator from Minnesota [Mr. THYE]. I might say that had this amendment offered last year been adopted it would have benefited me personally to a substantial degree. The statement I then made is as follows:

> Mr. WILLIAMS. Mr. President, I do not think there is any question about the effect of the amendment. I agree with the Senator from New Mexico that when we use the word "livestock" in this connection, we include all livestock, all types of farm animals, including cattle, sheep, hogs, horses, rabbits, poultry, and all other types and kinds of farm animals. The result of agreeing to the amendment as modified will be that the entire broiler industry in my State will have its income from such sources taxed at the capital-gains rate, instead of at the normal income-tax rate. And, Mr. President, if such preferential treatment is to be given to the producers of some forms of livestock, the same preferential treatment should be extended to all producers of all kinds of livestock.
>
> It is obvious that such an amendment would result in great loss of revenue. It is unfair to other taxpayers and I will not support it.
>
> Therefore, I now move that the amendment, as modified, be laid on the table.

Mr. President, to keep the RECORD straight, I ask that the colloquy which followed this statement be inserted in the RECORD at this point as part of my remarks. It will be seen that the Senator from Illinois [Mr. DOUGLAS] joined me in opposing the amendment, on the ground that it would be unfair to include any livestock as being subject to the capital-gains rates. I have never changed my position. I ask unanimous consent that the colloquy and the vote be printed in the RECORD at this point as part of my remarks.

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

> Mr. THYE. Mr. President, it was for that reason that I conceded that I would wish to have my amendment handled in the conference by the able chairman of the committee, in order to have the conferees work out the exact details of the amendment.
>
> Mr. WILLIAMS. Mr. President, a point of order.
>
> The PRESIDING OFFICER. The Senator will state it.
>
> Mr. WILLIAMS. I have moved to lay the amendment, as modified, on the table and that motion is not debatable.
>
> Mr. WHERRY. Mr. President, a parliamentary inquiry.
>
> The PRESIDING OFFICER. The Senator will state it.
>
> Mr. WHERRY. Did the distinguished Senator from Minnesota yield for the purpose of permitting the motion to table to be made? I do not believe he did.
>
> Mr. WILLIAMS. Mr. President, I thought I was recognized.
>
> If the Senator from Minnesota wishes to make another speech, I shall withhold the motion.
>
> The PRESIDING OFFICER. The Senator from Minnesota had not yielded the floor.
>
> Mr. THYE. Mr. President, I now yield the floor.
>
> Mr. DOUGLAS. Mr. President, will the Senator yield for a question?
>
> Mr. THYE. I shall be glad to reply to a question, if I can.
>
> Mr. DOUGLAS. Since this bill is supposed to be a revenue-increasing bill, I should like to ask the very able Senator from Minnesota how much additional revenue would be brought in by means of his amendment.
>
> Mr. THYE. Mr. President, of course the Senator from Illinois knows the answer to that question; he knows it altogether too well.
>
> I say to the Senator from Illinois that this amendment would not bring in any revenue, but it would certainly alleviate many and many a headache.
>
> Mr. DOUGLAS. Would the amendment decrease the total revenue to be raised by the bill?
>
> Mr. THYE. The amendment would not decrease the revenue; but if the Bureau of Internal Revenue attempted unjustly to exact the payment of a tax from a livestock producer, after a court had ruled that such toll should not be levied against him, I do not think anyone would classify such an attempt on the part of the Bureau of Internal Revenue as an attempt to raise revenue.
>
> Mr. DOUGLAS. Would the effect of the amendment be to apply the lower capital-gains-tax rate to such income, rather than the higher normal-income-tax rate.
>
> Mr. THYE. If the income tax of such a livestock producer, based on the normal-income-tax rate, were to amount to $1,000, let us say, and if his income were sufficiently large, of course the result of adopting the amendment would be that he would pay his tax on the basis of the capital-gains rate, rather than on the basis of the normal-income-tax rate, and the result would be decrease in the amount of the tax that livestock producer would pay. In such case, adoption of the amendment would result in a decrease in the amount of revenue obtained.

Mr. DOUGLAS. Therefore, would not the effect of the amendment be to reduce the income taxes which would be paid by large stock breeders?

Mr. THYE. In certain instances where such a person's income was high enough, taxation under the capital-gains rate, instead of under the normal-income-tax rate, adoption of the amendment would result in a reduction of his tax; and in such case, of course, the Treasury would lose money.

However, if such a tax would be an unjust tax, unjustly levied, no one would expect such a tax to be levied or imposed on the taxpayer.

Mr. DOUGLAS. Mr. President, will the Senator yield for a further question?

Mr. THYE. I yield for question.

Mr. DOUGLAS. The Senator from Minnesota is very gracious.

Is it not true that as long as the stock raiser's income was less than $18,000 a year, if he were single, $36,000 if married, there would be very little advantage to him as a result of adoption of the amendment. But if his income exceeded $18,000 a year, if single, and $36,000 a year if married, then the amendment, if adopted, would enable him to pay a much smaller tax, by virtue of the fact that in such case he would pay his tax on the basis of the capital-gains rate, rather than on the basis of the normal-income-tax rate. The result would be a loss to the Treasury and a benefit, as I have said, primarily to the large stock raisers. Is not that correct?

Mr. THYE. Mr. President, there are several technical questions which could well be raised in connection with the question asked by the very able junior Senator from Illinois.

We must recognize that what the Senator from Illinois is attempting to establish is that we should not be worried about taxpayers whose incomes exceed $18,000.

However, assuming that such a taxpayer were in the process of closing out his livestock operations, the effect of the bill, if it did not include my amendment, might be to require such a taxpayer to pay a much larger tax, because in such case he would pay his tax on the basis of the normal income-tax rate, rather than on the basis of the capital-gains rate.

I wish to say that I have yielded the floor, Mr. President; and I am trying to get out of the debate, so that the Senate can act on this amendment, as modified.

The PRESIDING OFFICER. The Senator from Minnesota declines to yield further.

The question is on agreeing to the modified amendment of the Senator from Minnesota.

Mr. WILLIAMS. Mr. President——

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. WILLIAMS. Mr. President, am I recognized in my own right?

The PRESIDING OFFICER. Yes.

Mr. WILLIAMS. Mr. President, I thoroughly agree with the Senator from New Mexico that there is only one definition of the word "livestock," as he and I view the matter, and that is that the word "livestock" means all types and kinds of farm animals. Therefore the amendment now before us would apply to all income from all types and kinds of farm animals.

I shall vote against the amendment, because I do not think any of the livestock producers should be extended such preferential treatment.

Mr. WILLIAMS. Mr. President, following this colloquy my motion to take the amendment was defeated and then the Senate proceeded by roll call to vote on the Thye amendment.

Mr. President, I ask unanimous consent to have printed in the RECORD as part of my remarks, the record of the vote on this amendment.

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

The result was announced—yeas 52, nays 13, as follows:

Yeas, 52: Aiken, Anderson, Benton, Butler, Byrd, Chapman, Connally, Darby, Donnell, Dworshak, Ecton, Ferguson, Fulbright, George, Graham, Gurney, Hendrickson, Hickenlooper, Hill, Hoey, Holland, Humphrey, Ives, Jenner, Johnson of Colorado, Johnson of Texas, Johnston of South Carolina, Kerr, Knowland, Langer, Lehman, McCarran, McFarland, McKellar, McMahon, Malone, Maybank, Millikin, Morse, Mundt, Murray, Pepper, Russell, Smith of New Jersey, Sparkman, Taylor, Thomas of Utah, Thye, Watkins, Wherry, Withers, Young.

Nays, 13: Douglas, Frear, Green, Kilgore, Leahy, Lodge, Long, Lucas, Myers, Neely, Smith of Maine, Stennis, Williams.

Voting present, 1: McClellan.

Not voting, 30: Brewster, Bricker, Bridges, Cain, Capehart, Chavez, Cordon, Downey, Eastland, Ellender, Flanders, Gillette, Hayden, Hunt, Kefauver, Kem, McCarthy, Magnuson, Martin, O'Conor, O'Mahoney, Robertson, Saltonstall, Schoeppel, Taft, Thomas of Oklahoma, Tobey, Tydings, Vandenberg, Wiley.

So Mr. THYE's amendment, as modified, was agreed to.

Mr. WILLIAMS. Mr. President, I call particular attention to this vote, which appears at page 14089 because in the article to which I have referred, the Senator from Minnesota [Mr. HUMPHREY], the Senator from New York [Mr. LEHMAN], and the Senator from Connecticut [Mr. BENTON] are listed as those who will lead the fight against this proposal on the floor of the Senate when the new tax bill is considered. Yet, as can be seen from the RECORD, when the roll was called last year on this same amendment we find that the Senator from Connecticut [Mr. BENTON], the Senator from Minnesota [Mr. HUMPHREY], the Senator from New York [Mr. LEHMAN] voted the other way or to include all livestock under the capital gains provision. If the article of today is at all accurate they are going to come over and join my philosophy, and I shall welcome their support.

I should like also to point out the inaccuracy of the article, in that I have never been a breeder of turkeys, so therefore am not affected regardless. I would not support this proposal, because as the senior Senator from Illinois [Mr. DOUGLAS] pointed out last year during the debate, the benefits of such a provision would go entirely to the large operators. Furthermore capital gains provisions are not practical for any type livestock. If we want to give the farmers tax credits there are many other ways which would be more practical.

PAY INCREASES FOR GOVERNMENT EMPLOYEES

The Senate resumed the consideration of the bill (S. 622) to increase the basic rates of compensation of certain officers and employees of the Federal Government, and for other purposes.

Mr. MONRONEY. Mr. President, I send an amendment to the desk and ask to have it stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 2 it is proposed to strike out lines 13 to 16, and on page 3 to strike out lines 1 to 3 and insert in lieu thereof the following:

Sections 603 (b) and 603 (c) of the Classification Act of 1949, as amended, are hereby amended to read as follows:

"(b) The compensation schedule for the General Schedule shall be as follows:

Grade	Per annum rates						
GS-1	$2,420	$2,500	$2,580	$2,660	$2,740	$2,820	$2,900
GS-2	2,695	2,775	2,855	2,935	3,015	3,095	3,175
GS-3	2,915	2,995	3,075	3,155	3,235	3,315	3,395
GS-4	3,160	3,240	3,320	3,400	3,480	3,560	3,640
GS-5	3,410	3,535	3,660	3,785	3,910	4,035	4,160
GS-6	3,795	3,920	4,045	4,170	4,295	4,420	4,545
GS-7	4,205	4,330	4,455	4,580	4,705	4,830	4,955
GS-8	4,620	4,745	4,870	4,995	5,120	5,245	5,370
GS-9	5,060	5,185	5,310	5,435	5,560	5,685	5,810
GS-10	5,500	5,625	5,750	5,875	6,000	6,125	6,250
GS-11	5,940	6,140	6,340	6,540	6,740	6,940	
GS-12	7,040	7,240	7,440	7,640	7,840	8,040	
GS-13	8,360	8,560	8,760	8,960	9,160	9,360	
GS-14	9,600	9,800	10,000	10,200	10,400	10,600	
GS-15	10,800	11,050	11,300	11,550	11,800		
GS-16	12,000	12,200	12,400	12,600	12,800		
GS-17	13,000	13,200	13,400	13,600	13,800		
GS-18	14,800						

"(c) (1) The compensation schedule for the crafts, protective, and custodial schedule shall be as follows:

Grade	Per annum rates						
CPC-1	$1,660	$1,720	$1,780	$1,840	$1,900	$1,960	$2,020
CPC-2	2,330	2,400	2,470	2,540	2,610	2,680	2,750
CPC-3	2,475	2,555	2,635	2,715	2,795	2,875	2,955
CPC-4	2,695	2,775	2,855	2,935	3,015	3,095	3,175
CPC-5	2,940	3,020	3,100	3,180	3,260	3,340	3,420
CPC-6	3,190	3,270	3,350	3,430	3,510	3,590	3,670
CPC-7	3,435	3,535	3,635	3,735	3,835	3,935	4,035
CPC-8	3,740	3,865	3,990	4,115	4,240	4,365	4,490
CPC-9	4,150	4,275	4,400	4,525	4,650	4,775	4,900
CPC-10	4,560	4,690	4,815	4,940	5,065	5,190	5,315

"(2) Charwomen working part time shall be paid at the rate of $2,610 per annum, and head charwomen working part time at the rate of $2,750 per annum."

Mr. MONRONEY. Mr. President, I am offering a substitute for the Langer amendment, in the hope that there can be worked out in conference a compromise which will do away with the $400 flat increase plus the 8.8 percent increase.

I do this because I am fearful that the adoption of the $400 flat increase would destroy our wage stabilization program by setting a pattern throughout the country which will be impossible for industry to follow, without largely increasing the cost of the articles which industrial workers are making.

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

Mr. MONRONEY. Yes.

Mr. LONG. Mr. President, will the Senator inform me what, under the Senator's amendment, the percentage increase would be for the lowest bracket, in lieu of the $400 flat increase?

Mr. MONRONEY. It would be a 10-percent increase.

Mr. LONG. What would the $400 increase be in terms of percentage?

Mr. MONRONEY. In the lowest brackets it would amount to about 28 percent, under the $400 across-the-board increase, to messenger boys and the lowest paid scale of employees.

Mr. LONG. Some employees would receive as much as 28 percent, would they not?

Mr. MONRONEY. Yes. In the difficult period in which we find ourselves, with the danger of inflation, if the Senate should set a pattern for wage demands throughout the country by adopting a legislative mandate for that type of raise, I am very fearful of what would happen to the price line.

I dislike not being able to advocate raising the salaries of classified employees more than 10 percent, although that is approximately the cost-of-living increase. A blanket $400 increase is what we provided in the postal pay bill, and that is the amount proposed by the Langer amendment. It is not used by any industry. Increases are figured on a percentage basis. When labor bargains collectively it does not bargain on lump-sum basis. It wants the higher skills to receive a percentage increase.

Furthermore, the placement of a $400 automatic increase in every one of the 18 grades under the Civil Service Act would again serve to disrupt the carefully arranged differentials between the various grades for which the employees qualify and we would begin to compress the top against the bottom. Sooner or later we would have to reconsider our action and make a complete revision, as we have had to do in the past, and it would take a year to straighten it out again.

As I say, my amendment will cost the country considerably less than will the amendment offered by the Senator from North Dakota. The cost of his amendment will amount to approximately $377,000,000, while the cost of my amendment will amount to approximately $340,000,000. The original committee bill, providing for an 8.8-percent increase would cost in the neighborhood of $307,000,000.

So I am offering this amendment in the hope of making it possible to arrive at a compromise by which we shall do justice and equity to the civil-service workers under the classified-pay scales and yet not disrupt the Nation's inflation-control efforts and start throughout the country a whole round of demands for wage increases based on the $400-minimum formula which the Senate itself would be setting by means of the Langer amendment.

I understand that the House has before it a bill providing for only a $400 increase. If the House passes that bill and if we adopt the percentage-increase amendment, when the bill goes to conference the conferees can consider the question as between the percentage-increase provision and the provision for a lump sum $400 payment.

Some have asked how the $400 figure was arrived at. As a matter of fact, the changes made in the bill itself took care of most of the $400. On the other hand, too great a change was provided in that way, because we abolished the first two grades and provided for automatic increases of $200 for those who had not had their pay increased. So not too great a change was made by the Carlson amendment. However, the Langer amendment, which I hope to amend by means of my compromise, would change the entire arrangement, because the bill as it came from the committee did not contain any provision for an increase to take up a part of the $400 extra, as the postal workers pay bill did.

Mr. LONG. Mr. President, will the Senator yield for a question?

The PRESIDING OFFICER (Mr. HUNT in the chair). Does the Senator from Oklahoma yield to the Senator from Louisiana?

Mr. MONRONEY. I am glad to yield to the distinguished Senator from Louisiana.

Mr. LONG. Can the Senator tell me the lowest pay received by any Federal employee? What is the lowest pay for a Federal worker now employed under the GS grade system?

Mr. MONRONEY. Under the GS grade, the lowest pay is $2,240, which is the pay for GS–1. My amendment would increase that to $2,420 or a $180 increase.

Mr. LONG. Are we to understand that now a person simply cannot be classified for full-time Federal employment at less than $2,240; and under the Senator's amendment, a Federal employee at the very lowest grade, at the bottom or starting grade, would be paid $2,420?

Mr. MONRONEY. Yes; under GS–1. The custodial workers are employed at the present time at rates as low as $1,510, in the case of messengers and others who are in no way skilled employees. In the next bracket the rate jumps to $2,120. My amendment would increase the first one by $150.

The largest group of employees are in GS–3, and their salary at the present time is $2,650. My amendment would increase that salary to $2,915.

When we reach GS–7, the present salary is $3,825, and my amendment would increase it to $4,205.

One other thing which I think every Member of the Senate should be careful to consider is that 80 percent of all the employees about whom we are talking work outside the city of Washington. That means that every one of the Government employees in that group of 80 percent will be in competition with workers in private industry. If we increase the grades of those Government workers, we automatically affect the rates which private industry will have to pay. In other words, a lawyer who must hire a stenographer or a store which has to hire a bookkeeper or an industry which must employ certain workers would be forced to meet the scale we would put into effect if we adopted the Langer amendment, and the result would be to raise the wage scale in the local community to that extent. Every week I receive letters from persons in small, county-seat towns saying, "Some of our employees in the courthouse or some who are working in the various agricultural programs are receiving more pay than are the vice presidents and cashiers of the local banks." I think we must be careful not to get the Government pay scale too far out of line with that of private industry.

Mr. LONG. Mr. President, will the Senator yield for another question?

Mr. MONRONEY. I yield.

Mr. LONG. If I correctly understand the Senator's argument, it is that we put ourselves in a very inconsistent position if we try to control wages and prices and prevent them from getting out of hand by holding them down to a 10-percent increase, on the one hand, while on the other hand we, ourselves, provide for an increase of as much as 28 percent for some Federal workers.

Mr. MONRONEY. That would be true in the case of the lower grades; and in other cases the increases would be 20 percent or 17 percent or 11 percent. However, the result would be to destroy everything we are insisting upon under the wage-stabilization program, namely, a limit on the amount of pay increases.

I think the pattern we set by the action we take in connection with this matter may very well be adopted in the demands of labor organizations, who will say, "The Senate by unanimous consent voted to increase the pay scales of Government workers 28 percent. Therefore, all pay scales should be increased 28 percent."

Everyone knows that labor is a most important factor in connection with the cost of living and in connection with determining the cost of goods produced by labor. We cannot control prices unless we control the cost of labor.

Labor has agreed to a formula which is working satisfactorily. For the Congress at this time to vitiate that formula by saying, "We will pay a $400 increase to every Government worker," and for Congress then to agree to a pay increase for Federal workers based on a formula of an 8.8-percent raise in pay, would set a wage pattern which would be absolutely impossible.

Mr. BUTLER of Maryland. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield.

Mr. BUTLER of Maryland. First, I wish to compliment the junior Senator from Oklahoma. I know he has worked

very hard on this bill, together with the junior Senator from Rhode Island [Mr. PASTORE] and myself, on the subcommittee.

Mr. MONRONEY. The junior Senator from Maryland was very helpful in the work of the committee and of the subcommittee, and in the final work on the bill.

Mr BUTLER of Maryland. I thank the Senator.

Let me say that I consider this question which has been raised is most important. I think the amendment submitted by the Senator from Oklahoma is a fine one.

To back up what the Senator from Oklahoma has said, I cite again to the Senate that all responsible heads of Government departments who passed on this matter said that the increases must be made on a percentage basis, not on a flat-sum basis.

So, I think the chairman of the committee will do well to accept this amendment and take it to conference.

Mr. MONRONEY. I thank the Senator.

Another point where the classified pay bill differs from the postal pay bill is that as a rule the postal workers when first employed start at the very bottom, and receive their pay increases on the basis of longevity; and usually there is very little chance for them to advance in grade otherwise. On the other hand, in connection with the general group of Federal Government workers, a worker can begin at GS–3, or GS–5, or GS–7, and then can rise in grade; and we know that promotions are far more rapid in the classified service than they are in the postal system.

Mr. BUTLER of Maryland. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield to the Senator from Maryland.

Mr. BUTLER of Maryland. Is it not also true that the postal employees have not been reclassified since 1945, whereas the civil employees were reclassified in 1949?

Mr. MONRONEY. The Senator is eminently correct in that.

Mr. PASTORE. Mr. President, will the Senator yield to me that I may make an observation?

Mr. MONRONEY. I am happy to yield to the Senator from Rhode Island.

Mr. PASTORE. I felt all along, and I think the Senator from Oklahoma and the Senator from Maryland agree with me, that the practical and realistic way of meeting this responsibility is to do it on a percentagewise basis. Mr. Ramspeck appeared before the committee and showed very clearly that we had striven for quite some time to bring our classified system into line. We did that in October 1949. I realize the impact of the argument which is made, that the employees at the bottom of the scale need the help much more than do some at the top. It is a very glamorous argument, as I said once before, and a very attractive argument to make, but the fact still remains that we must keep in mind the point which has been made by the distinguished Senator from Oklahoma, namely, that 80 percent of the Federal employees work outside the District of Columbia.

In line with that argument, I have before me a chart which has been prepared by the United States Civil Service Commission, which bears out in very vivid fashion the argument which we are trying to make It is a chart which shows the prevailing wages for comparable work in private industry and in Government in different localities. I am now looking at the classification, calculating machine operators.

In San Francisco the weekly wage for a calculating machine operator, on the average, is $54; in Denver, Colo., it is $44; in Boston, Mass., it is $41.50; in Atlanta, Ga., it is $46; in Chicago, Ill., it is $51.50; in Portland, Oreg., it is $50; in Bridgeport, Conn., it is $45.50; in Dayton, Ohio, it is $53.50; and in New York, it is $50.50. If we were to apply the 8.8 system, which was in the original bill, the pay for that same type of Federal work in some localities would be $51.27 per week, which is pretty close to the average, perhaps slightly above it. Yet, if we applied the $400 minimum, that position would pay $54.82, which would be 82 cents more than the highest, which is being paid in San Francisco, and it would be $10 and $14 more in Denver, Colo., and in Boston, Mass., respectively.

In view of the action which was taken by the Senate last Friday in allowing the minimum of not less than $400 for postal clerks, I realize that our subcommittee is put in a rather awkward position to bring these two forces into line with one another; but I am convinced that the plan for a solution suggested by the distinguished Senator from Oklahoma is the fairer of the two.

I think it has been established that the cost of living, on the average, has risen about 9.4 percent since October, 1949, and in food alone it has risen about 12 percent. I feel that the 10-percent amendment will not only keep the classified system in line, but that, in fact, it will give us something that we may talk about in conference, in the hope of bringing forth a bill which will do equity not alone to the postal workers, but also to the classified workers.

Mr. MONRONEY. I thank the distinguished Senator from Rhode Island for that observation.

Mr. PASTORE. Mr. President, if the Senator will yield to me further, I ask unanimous consent to have the chart to which I referred inserted in the RECORD at the conclusion of the remarks of the Senator from Oklahoma.

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

(See exhibit 1.)

Mr. MONRONEY. Mr. President, I should like to ask whether the chairman of the committee would consider accepting this substitute and taking it to conference.

Mr. JOHNSTON of South Carolina. Mr. President, I am unable to speak for the committee as to taking the amendment to conference, but personally, after all, I may say three of the members of the subcommittee of my committee have agreed to 10 percent instead of 8.8, in order to get rid of the other question of the $400 increase, as the minimum. I feel impelled to go along with the Senator and agree to it, and I certainly ask that the Senate do likewise, in order that we may not upset the entire Stabilization Board. I think that is what it would be apt to do.

Mr. MONRONEY. I thank the Senator. I yield the floor, and ask for a vote.

EXHIBIT 1

Comparison of average weekly salaries for selected office occupations in several metropolitan areas and weekly entrance salary rates for comparable positions in the Federal service, 1951

Occupation	Private industry									Federal Government		Proposed	
										Grade of largest group			
	San Francisco, Calif., January	Denver, Colo., January	Boston, Mass., March	Atlanta, Ga., March	Chicago, Ill., April	Portland, Oreg., June	Bridgeport, Conn., June	Dayton, Ohio, June	New York, N. Y., April	GS–2	GS–3	8.8 percent	$400
Typist:													
Class A	$51.00	$41.50	$43.00	$42.00	$50.00	$48.00	$47.50	$55.00	$48.50		$50.96	$55.44	$58.66
Class B	44.50	38.50	36.50	36.50	44.00	42.50	43.50	44.00	41.00	$47.12		51.27	54.82
Stenographers:													
General	55.00	45.50	43.00	47.00	51.50	51.50	50.50	55.00	49.50		50.96	55.44	58.66
Technical	57.50		46.00	47.00	57.50				57.00				
Transcribing-machine operators		42.50	39.50	43.50	48.00		46.00	48.50	48.00	47.12		51.27	54.82
Bookkeeping-machine operators	51.00	42.50	40.50	40.50	48.00	47.50	41.50	46.00	45.50		50.96	55.44	58.66
Calculating-machine operators	54.00	44.00	41.50	46.00	51.50	50.00	45.50	53.50	50.50	47.12		51.27	54.82
File clerks:													
Class A		39.50	42.50	42.50	46.50	47.50		50.50	48.50		50.96	55.44	58.66
Class B	42.50	36.00	34.50	35.00	40.50	39.00	40.00	41.50	38.00	47.12		51.27	54.82

Source: Private industry rates from the Bureau of Labor Statistics.

Mr. CARLSON. Mr. President, I feel that I should make a statement at this time, in view of the fact that the Senator from North Dakota [Mr. LANGER] was called out on official business and will not be present for the final vote. He offered the amendment for a $400 increase for classified employees. I regret that I am unable to discuss this particular amendment, with the same degree of knowledge which I thought I had regarding the postal employees' pay raise, since I have not been a member of the subcommittee which dealt with this subject. The Senate this afternoon has had an opportunity to observe some of the problems which we encounter when we begin to discuss pay raises on the Senate floor, and offer amendments to a bill of this type.

Personally I have always thought that our committee's recommendations regarding the pay of postal and classified employees were too low. I did not think that percentage increases of 8.8 and 8.4 were sufficiently high in view of the increased cost of living. It was for that reason that I felt we should offer an amendment calling for a flat increase for postal employees of $400. We could justify it. I could justify it on the ground that there had not been a reclassification in the postal service since 1945.

As I stated, I am not so familiar with this particular amendment, but I am pleased that a proposal is being made to increase the salary of classified employees by 10 percent. As the chairman has stated, he is offering to take the amendment to conference, where we shall endeavor to work it out between the House and Senate. If the House approves a flat $400 increase we should be able to deal justly with our classified employees.

I sincerely hope that the conference committee will give serious consideration to the amendment offered by the Senator from North Dakota. I think it has much merit, and I think it should be given further consideration when and if we meet in conference.

The PRESIDING OFFICER. The question is on the amendment in the nature of a substitute, offered by the Senator from Oklahoma [Mr. MONRONEY] to the amendment of the Senator from North Dakota [Mr. LANGER].

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

Mr. HILL. Mr. President, I hope I may have the attention of the distinguished chairman of the committee, the Senator from South Carolina. The bill, as we know, provides increases for all those under civil service. As the Senator will recall, in 1946 Congress took the doctors, dentists, and nurses in the Department of Medicine and Surgery of the Veterans' Administration from under civil service, and I think the tremendous improvement which has been made in the medical care of our veterans since that time has well confirmed the wisdom of that act of Congress.

If the bill were to pass in its present form, we should find that all the civil-service employees within the Veterans' Administration, along with civil-service employees within other Government agencies, will receive the increases in pay, but there will be no increase whatever for the doctors, dentists, nurses, and employees in the Department of Medicine and Surgery of the Veterans' Administration. I am therefore offering an amendment which I hope will take care of the personnel in the Department of Medicine and Surgery of the Veterans' Administration, and I hope the distinguished chairman of the committee will accept the amendment. I send forward an amendment, which I offer, and which I ask to have read.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 7, after line 19, it is proposed to add the following new subsection (f) to section 2:

> The rate of basic compensation for physicians, dentists, nurses, and other employees in the Department of Medicine and Surgery in the Veterans' Administration whose rates of basic compensation are provided by Public Law 293, Seventy-ninth Congress, approved January 3, 1946, as amended, are hereby increased 10 percent, or $800 per annum, whichever is the lesser.

Mr. HILL. Mr. President, as I said, this amendment would simply give to the doctors, dentists, and nurses and the employees in the Department of Medicine and Surgery of the Veterans' Administration the same increases exactly as those provided for the civil-service employees in the Veterans' Administration and the civil-service employees in the other departments and agencies of the Government.

Mr. JOHNSTON of South Carolina. Mr. President, I am very glad the Senator from Alabama has called this matter to our attention. Some years ago—I think, in 1946—this class of workers was taken from the Classification Act, and also from civil service.

Mr. HILL. The Senator is correct.

Mr. JOHNSTON of South Carolina. It was thought at that time, that by so doing an improvement in the service would be effected. At this time the Senator from Alabama is not proposing to put them back under civil service.

Mr. HILL. Not at all.

Mr. JOHNSTON of South Carolina. The only thing he is proposing is to treat them, so far as salary is concerned, in the same manner that other Federal employees are treated. I can find no objection to this proposal, and for that reason I do not object to the amendment.

Mr. CARLSON. Mr. President, will Senator yield?

Mr. HILL. I yield to the Senator from Kansas.

Mr. CARLSON. For information, I should like to ask as to compensation paid these employees. As I understand from the amendment, they are not presently under the classified service.

Mr. HILL. That is correct.

Mr. CARLSON. Have they received pay increases within the past year or so?

Mr. HILL. No. The last pay increase which they received was the one which was given to all employees under the Classified Act and to those under civil service. They have received no special treatment, and they have received no additional increases in anyway whatever.

Mr. CARLSON. I wish to state to the Senator that I feel that this is a justified amendment, and I sincerely hope that this situation will be taken care of.

Mr. HILL. I thank the Senator from Kansas.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Alabama [Mr. HILL].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. JOHNSTON of South Carolina. Mr. President, the Senate adopted an amendment with regard to employees of the District of Columbia, and I believe that amendment provides for an increase of 8.8 percent. I do not think the Senate wants two different figures within the bill. Therefore, I ask unanimous consent that the Senate reconsider the vote by which the Neely amendment providing for an increase of 8.8 percent for employees of the District be reconsidered, and that the amendment read "10 percent" instead of "8.8 percent."

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

Mr. JOHNSTON of South Carolina. I yield.

Mr. CASE. Is the Senator referring to employees of the District of Columbia?

Mr. JOHNSTON of South Carolina. Yes.

Mr. CASE. So that what the Senator is proposing to do is to put the increase applying to them on a parity with that accorded to Federal employees?

Mr. JOHNSTON of South Carolina. Yes; to make their increase the same as that of the Federal employees provided for by the bill.

Mr. CASE. Does it apply to teachers?

Mr. JOHNSTON of South Carolina. It applies to teachers, firemen, and policemen.

Mr. CASE. How about workers in the District Building?

Mr. JOHNSTON of South Carolina. They are already covered. There are some within the District who are not included.

Mr. CASE. So it will be safe to say that when the bill is completed the employees of the District of Columbia will all be treated alike. Is that statement correct?

Mr. JOHNSTON of South Carolina. That is correct.

Mr. BUTLER of Maryland. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. BUTLER of Maryland. I think the Senator from South Carolina offered an amendment to the amendment offered by the Senator from Connecticut [Mr. MCMAHON].

Mr. JOHNSTON of South Carolina. I did.

Mr. BUTLER of Maryland. It provided for an increase of $800, or 8.8 percent, whichever is the lesser, did it not?

Mr. JOHNSTON of South Carolina. It brought those affected under the Reclassification Act.

The PRESIDING OFFICER. The Senator from South Carolina asks unanimous consent that the Senate reconsider the vote by which the Neely amendment was adopted. Without objection, the vote is reconsidered, and the question now is on agreeing to the amendment to the Neely amendment.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the Neely amendment as amended.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The committee amendment is open to further amendment. If there be no further amendment, the question is on agreeing to the committee amendment as amended.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

Mr. MONRONEY. Mr. President, I should like to explain that the bill does not affect the so-called blue-collar workers in industry. There are approximately 700,000 of them employed, and their wages are based on locally prevailing wages for similar skills in the communities in which they are employed. Their wages have kept current with the increases in wages in the local communities. That is another reason why I feel that the increase of 10 percent for the classified workers is consistent with the treatment which the 700,000 blue-collar skilled industrial workers have received.

Mr. JOHNSTON of South Carolina. The Senator from Oklahoma is entirely correct, and I am glad he has brought up the point.

The PRESIDING OFFICER. The question is, Shall the bill pass.

The bill (S. 622) was passed.

Mr. JOHNSTON of South Carolina. Mr. President, I ask unanimous consent that the bill be printed as amended.

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

SEPARATION OF SUBSIDY FROM AIR-MAIL PAY

Mr. McFARLAND. Mr. President, I move that the Senate proceed to the consideration of Senate bill 436.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (S. 436) to provide for the separation of subsidy from air-mail pay, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Arizona.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 436) to provide for the separation of subsidy from air-mail pay, and for other purposes, which had been reported from the Committee on Interstate and Foreign Commerce, with an amendment.

PENSIONS OF CERTAIN DISABLED VETERANS—VETO MESSAGE

Mr. McFARLAND. Mr. President, a little while ago the Senator from Oregon [Mr. MORSE] suggested that the Senate consider the veto message in connection with House bill 3193, to establish a rate of pension for aid and attendance under part 3 of Veterans Regulation No. 1 (A). In order that all Senators may have notice of when it will be taken up, I ask unanimous consent that whatever business is pending before the Senate tomorrow be temporarily laid aside and that the veto message be considered, and that the debate thereon be limited to 1 hour, to be divided equally.

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

Mr. McFARLAND. I yield.

Mr. SALTONSTALL. Reserving the right to object, I respectfully invite the attention of the majority leader to the fact that he was going to have the Senate consider the Executive Calendar, and that we should have a quorum call and then proceed with the Executive Calendar. I know the Senator from Oregon is agreeable to the proposition.

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

Mr. CAIN. Mr. President, will the Senator from Arizona withhold his suggestion of the absence of a quorum for a moment?

Mr. McFARLAND. I withhold the suggestion.

DOUGLAS FLIGHT-PAY AMENDMENT

Mr. CAIN. Mr. President, on Thursday, September 13, 1951, the Senate approved by a vote of 49 to 31 an amendment offered by the Senator from Illinois [Mr. DOUGLAS] to the Department of Defense Appropriation Act of 1952. This amendment read:

> No part of any appropriation contained in this act shall be available for the payment of flight pay to personnel whose assigned duties do not involve actual combat missions or do not involve flight in excess of 20 hours per month.

Mr. President, because the Douglas amendment will soon be considered by a conference committee, I should like to provide the conference with my interpretation of the action taken last Thursday by the Senate.

Since last Thursday two questions, which I consider to be extremely important, have been raised by interested persons and Senators regarding the effect of the Douglas amendment on flight pay. The first question is, Does this amendment affect rated personnel who are members of the Air National Guard units and Air Reserve units? The second question is, What effect does this amendment have on future Air Force plans?

With reference to the first question, it can be conservatively anticipated that the requirement for increasing flying time for rated personnel will be impossible of achievement.

Rated personnel of Air National Guard units and Air Reserve units have full-time civilian occupations. Those who are most valuable to these units, such as commanders, have considerable burdens of responsibility in addition to individual flying proficiency. They must command, train, direct, and lead the members of their units. The members of the units, in turn, have varied technical duties in addition to the maintenance of their individual flying proficiency. The time allotted to this training is fully and completely consumed in the performance of these combined flying duties, technical duties, and related training activities.

It is my understanding of the problem that the requirements of this amendment would serve seriously to endanger the continued existence of this program.

It is well known to all of us that the Regular Air Force Establishment depends on the existence of trained Air National Guard units and Air Reserve units to contribute a vital part of our military air effort in time of emergency.

With regard to the second question, we should recall the very exhaustive study of this subject of flying pay by the Congress in 1949, and of the changes in flying-pay requirements which were effected at that time. The very questions that are arising now were carefully considered and appropriate action was taken to the satisfaction of a majority then in the Congress.

The flying proficiency of rated personnel of the Air Force is very carefully guarded on a continuing basis. An average of 1,000 flying officers are suspended from flying status each year as a result of the Air Force policy to eliminate unfit or unqualified flying personnel. At the present time, the United States Air Force requires all flying officers to fly a minimum of 100 hours a year. As Senators know, this is considerably in excess of the minimum requirements established by law. As a part of this yearly minimum, pilots must fly at least 20 hours of instrument flying and at least 15 hours at night.

Flying pay for general officers in the Air Force has already been substantially reduced to an amount less than that received by many of the officers junior to them and who are engaging in more extensive flying activities. We have learned through experience the vital importance of our Air Force leaders retaining an active flying status. If the senior officers are to be held responsible for making decisions in which the lives of flying personnel and the success of the missions depend, they must be active flyers. They must not lose their grasp of either the technical or the human factors involved in the operation of modern combat aircraft.

The training, direction, and leadership of our Air Forces must continue to be the responsibility of active flying general officers. The investment which the country has made in this vital element of our security must continue to have the finest and most capable leadership it is possible to obtain.

Mr. President, I think we ought to move slowly and with caution when we run the risk of jeopardizing the quality of our Air Force leadership at a time when we are placing increasing demands on the Air Force for expansion of its combat readiness to face the increasing threat to our Nation's security.

SEPARATION OF SUBSIDY FROM AIR-MAIL PAY

Mr. McFARLAND. Mr. President, I understand that my motion to take up Senate bill 436 was agreed to.

The PRESIDING OFFICER. The Senator's motion was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. McFARLAND. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded, and that further proceedings under the call be suspended.

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

PENSIONS OF CERTAIN DISABLED VETERANS—VETO MESSAGE

Mr. McFARLAND. Mr. President, I ask unanimous consent that beginning with tomorrow's session, any business that may be pending before the Senate be temporarily laid aside and that the Senate take up the President's veto message on House bill 3193, and that the debate be limited to 1 hour, to be divided equally between the proponents and the opponents of the bill; for the proponents the time to be controlled by the Senator from Georgia [Mr. GEORGE], and for the opponents by some Senator who may be hereafter designated.

Mr. McCARRAN. To what does the proposed unanimous consent apply?

Mr. GEORGE. To the veto message which has been acted upon by the House. The President vetoed House bill 3193, the veterans' bill, giving $120 a month to non-service-connected totally disabled veterans.

Mr. McCARRAN. Mr. President, reserving the right to object, and I probably will not object, I respectfully suggest that before a unanimous-consent agreement is entered into we should have a quorum call. I believe it is a mistake to enter into such an agreement without having had a quorum call.

Mr. McFARLAND. The unanimous consent provides for a limitation of debate. A motion could be made, anyway. It is a privileged matter. I am asking for unanimous consent so that all Senators may have notice of our action as it appears in the RECORD.

Mr. McCARRAN. The time when the majority leader may bring up the matter is another question.

Mr. McFARLAND. I have consulted with those interested, and it is agreeable to everyone with whom I have spoken that the time be limited.

Mr. McCARRAN. I am not going to object, but I say that with respect to all unanimous-consent requests it seems to me to be a fatal mistake not to have a quorum call.

Mr. McFARLAND. Always in case of unanimous-consent requests we consult with Senators who are interested.

Mr. McCARRAN. I understand, but the whole Senate is interested in a question involving the overriding of the President's veto.

Mr. McFARLAND. I will say to my friend from Nevada that we can have a quorum call, and by the time it is completed it will be found that there will be no more Senators present on the floor than are present now.

Mr. McCARRAN. That may be entirely true, but in my judgment it does not relieve the situation. I believe there should be a quorum call so Senators who want to be present may have the privilege of being present.

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

Mr. McFARLAND. I yield.

Mr. SALTONSTALL. In view of the fact that the Senator from Nevada feels about the matter as he has just expressed himself, I believe we had better proceed with a quorum call. I will say to the Senator from Nevada that I took the matter up with the Senator from Oregon [Mr. MORSE], who has been urging that action be taken on the message. Limitation of debate on the veto message is agreeable to him. It is also agreeable to him that the Senate consider the veto message tomorrow. So far as I know, there is no objection on either side of the aisle.

Mr. McCARRAN. I have no objection to limitation of debate, but it seems to me that in matters of this kind Senators should know what is being proposed, and should have the opportunity of knowing by means of a quorum call.

Mr. SALTONSTALL. If the Senator feels that way about the matter, I hope the majority leader will suggest the absence of a quorum so we may have a quorum call.

Mr. McFARLAND. Very well. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

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

Aiken	Green	McFarland
Bennett	Hayden	McKellar
Benton	Hendrickson	McMahon
Bricker	Hennings	Millikin
Bridges	Hill	Monroney
Butler, Md.	Hoey	Morse
Butler, Nebr.	Holland	Mundt
Cain	Humphrey	Murray
Capehart	Hunt	Neely
Carlson	Ives	O'Conor
Case	Johnson, Colo.	O'Mahoney
Chavez	Johnson, Tex.	Pastore
Clements	Johnston, S. C.	Robertson
Connally	Kem	Russell
Cordon	Kerr	Saltonstall
Douglas	Kilgore	Schoeppel
Duff	Knowland	Smathers
Dworshak	Langer	Smith, Maine
Eastland	Lehman	Smith, N. J.
Ecton	Lodge	Taft
Ellender	Long	Underwood
Ferguson	Malone	Watkins
Flanders	Martin	Welker
Frear	Maybank	Williams
Fulbright	McCarran	Young
George	McCarthy	
Gillette	McClellan	

The PRESIDING OFFICER. A quorum is present.

Mr. McFARLAND. Mr. President, I ask unanimous consent that tomorrow at 12 o'clock the business which may be pending before the Senate be temporarily laid aside, and that the Senate proceed to consider the veto message of the President on the bill (H. R. 3193) to establish a rate of pension for aid and attendance under part 3 of the Veterans Regulation No. 1 (A), as amended, and that the debate thereon be limited to 1 hour, to be divided equally between the proponents and the opponents, the time of the proponents to be controlled by the Senator from Georgia [Mr. GEORGE], and the time of the opponents by some Senator whom I may hereafter designate.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Arizona?

Mr. SALTONSTALL. Mr. President, reserving the right to object, I may say that I know of no objection on this side of the aisle to that understanding. I have talked with the Senator from Oregon [Mr. MORSE], who has brought this question up several times. He is agreeable to the suggested procedure. I know of no objection, and I shall not object.

The PRESIDING OFFICER. Without objection, the request of the Senator from Arizona is agreed to.

The unanimous-consent agreement, as reduced to writing, is as follows:

Ordered, That, upon the convening of the Senate on Tuesday, September 18, 1951, the further consideration of the bill (S. 436) to provide for the separation of subsidy from air-mail pay, and for other purposes, be temporarily laid aside; that the Senate thereupon proceed to the reconsideration of the bill (H. R. 3193) to establish a rate of pension for aid and attendance under part III of Veterans Regulation No. 1 (A), as amended, returned by the President of the United States to the House of Representatives, in which it originated, with his objections, and passed by the House upon reconsideration; that debate upon the reconsideration of the said bill shall be limited to not exceeding 1 hour, to be equally divided between the proponents and the opponents thereof, and controlled, on the part of the proponents, by Mr. GEORGE and, on the part of the opponents, by a Senator to be hereafter designated.

EXECUTIVE SESSION

Mr. McFARLAND. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. CONNALLY, from the Committee on Foreign Relations:

Loy W. Henderson, of Colorado, a Foreign Service officer of the class of career minister, now Ambassador Extraordinary and Plenipotentiary to India and Envoy Extraordinary and Minister Plenipotentiary to Nepal, to be Ambassador Extraordinary and Plenipotentiary to Iran.

Harold B. Minor, of Kansas, a Foreign Service officer of class 1, to be Envoy Extraordinary and Minister Plenipotentiary to the Republic of Lebanon.

Edward L. Roddan, of the District of Columbia, to be Ambassador Extraordinary and Plenipotentiary to Uruguay.

Charles F. Baldwin, of Maryland, and sundry other person for appointment or promotion in the Diplomatic and Foreign Service; and

Elbert G. Mathews, of California, and sundry other persons for appointment or promotion in the Diplomatic and Foreign Service.

By Mr. MURRAY, from the Committee on Labor and Public Welfare:

Samuel J. Hall, and sundry other persons for promotion in the Regular Corps of the Public Health Service.

RATIFICATION OF CERTAIN CONVENTIONS

Mr. GEORGE. Mr. President, the Committee on Foreign Relations has considered the conventions hereinafter listed and has recommended that the Senate give its advice and consent to their ratification, subject to the reservations and understandings which are indicated in the resolutions of ratification. The treaties or conventions are as follows:

First. Convention with the Union of South Africa relating to income taxes, signed at Pretoria, December 13, 1946—Executive O, Eightieth Congress, first session.

Approval recommended with an understanding relative to the collection provisions of article XV.

Second. Convention with the Union of South Africa relating to estate taxes, signed at Capetown, April 10, 1947—Executive FF, Eightieth Congress, first session.

Approval recommended with an understanding relative to the collection provisions of article VIII.

Third. Convention with New Zealand relating to income taxes, signed at Washington, March 16, 1948—Executive J, Eightieth Congress, second session.

Approval recommended subject to a reservation relative to taxes collectible from public entertainers.

Fourth. Convention with Norway relating to income taxes, signed at Washington, June 13, 1949—Executive Q, Eighty-first Congress, first session.

Approval recommended subject to an understanding relative to the collection provisions of article XVII.

Fifth. Convention with Norway relating to estate taxes, signed at Washington, June 13, 1949—Executive R, Eighty-first Congress, first session.

Approval recommended subject to a reservation respecting the collection provisions of article IX.

Sixth. Convention with Ireland relating to estate taxes, signed at Dublin, September 13, 1949—Executive E, Eighty-first Congress, second session.

Approval recommended subject to no reservations or understandings.

Seventh. Convention with Ireland relating to income taxes, signed at Dublin, September 13, 1949—Executive F, Eighty-first Congress, second session.

Approval recommended subject to reservations relative to the capital gains provisions of article XIV and the accumulated earnings provisions of article XVI.

Eighth. Convention with Greece relating to estate taxes, signed at Athens, February 20, 1950—Executive K, Eighty-first Congress, second session.

Approval recommended subject to a reservation regarding the collection provisions of article IX.

Ninth. Convention with Greece relating to income taxes, signed at Athens, February 20, 1950—Executive L, Eighty-first Congress, second session.

Approval recommended subject to an understanding with respect to the collection provisions of article XIX.

Tenth. Convention with Canada relating to income taxes, signed at Ottawa, June 12, 1950—Executive R, Eighty-first Congress, second session.

Approval recommended subject to a reservation relating to the professional earnings of public entertainers.

Eleventh. Convention with Canada relating to estate taxes, signed at Ottawa, June 12, 1950—Executive S, Eighty-first Congress, second session.

Approval recommended subject to no reservations or understandings.

Twelfth. Protocol with the Union of South Africa, relating to estate taxes, signed at Pretoria, July 14, 1950—Executive T, Eighty-first Congress, second session.

Approval recommended subject to an understanding relative to the collection provision referred to above under Executive FF.

Thirteenth. Protocol with the Union of South Africa, relating to income taxes, signed at Pretoria, July 14, 1950—Executive U, Eighty-first Congress, second session.

Approval recommended subject to a reservation relating to the profits of public entertainers and the understanding referred to under Executive O above.

Fourteenth. Convention with Switzerland, relating to income taxes signed at Washington, May 24, 1951—Executive N, Eighty-second Congress, first session.

Approval recommended subject to reservation regarding profits of public entertainers.

Mr. President, permit me to say that all these treaties, as is apparent from a reading of the titles, and from the reservations and understandings included, seek to eliminate double taxation with respect to the incomes of individuals and corporations and with respect to taxes on decedents' estates. There was some difference between the witnesses who testified before the subcommittee appointed by the distinguished chairman of the Committee on Foreign Relations, the Senator from Texas [Mr. CONNALLY] to consider these several treaties and protocols, but the subcommittee was unanimous in its conclusions, and the full committee likewise concurred in the conclusions of the subcommittee.

The subcommittee consisted of the junior Senator from Iowa [Mr. GILLETTE], the senior Senator from New Jersey [Mr. SMITH], the senior Senator from Iowa [Mr. HICKENLOOPER], and myself.

I shall invite attention only to those reservations which are common to all treaties, or at least common in degree. It will be noted that the first reservation suggested with respect to several of these treaties, especially South Africa, Norway, and Greece is for mutual assistance in the collection of taxes. I may say that no similar reservation appears in the convention with Ireland or in the existing conventions with Canada and the United Kingdom. These conventions provide, in the case of South Africa, as amended by the protocol, that the assistance and support to be given by each contracting state shall not be accorded with respect of citizens or nationals or estates of citizens or nationals of the contracting state to which application is made for assistance in collection, unless such citizen or national or estate is entitled to the allowance and credit under the applicable convention.

In the case of the existing convention with France, the restriction upon assistance to such nationals is proposed without limitation. It is the opinion of the subcommittee and of the whole committee that the provision of the pending estate and income conventions are too broad. As a general rule it is not believed wise to have one government collect the taxes which are due to another government. Therefore the committee recommends that these provisions be eliminated from the pending conventions; with the exception that the provision of the South African Convention, as amended by the protocol, be accepted, subject to the understanding that the application will be limited to those cases in which the estate of a decedent claims a credit under article 5 of the convention. The committee recommends this limited exception in the case of South Africa in view of the fact that the convention is retroactive to 1944 and the fact that since that time the estates concerned have been on notice with respect to the collection provision.

Mr. President, I may say that this was the view taken by the committee with respect to all these assistance provisions. It was simply deemed unwise to have our citizens in foreign countries subjected to the judicial procedures of those countries, and likewise it was deemed unwise to obligate our country to undertake the collection in our own courts of taxes due to the foreign countries dealt with in these conventions. It will be recalled that in many instances, or perhaps all, the courts would be called upon to enforce very harsh civil penalties, and it was not deemed wise for our courts to undertake that particular job.

It will be noted also that in two or three or more of these conventions there are reservations relating to the compensation paid American citizens by American firms or employers in the countries with whom we have negotiated these treaties. That matter relates to the compensation for personal services of American citizens in foreign countries. Exception has been taken heretofore, I may say, in regard to this question in connection with the negotiation of other treaties, but it was disregarded by those who negotiated with respect to several of the treaties now before the Senate. It was pointed out that these provisions were highly discriminatory against artists, musicians, motion-picture actors, and others who went into foreign countries, but who were at work there for American employers, and temporarily resided in those foreign countries while they were carrying on their business enterprises there. It is a rule, which has been adopted now for many years, that an American citizen who spends at least 183 days in a foreign country is to be exempted from double taxation—in other words, taxation by both countries. However, an effort was made to make a most invidious distinction as between artists and others who went into the foreign countries to make motion pictures or to give performances for American employers.

Another provision in the Canadian treaty which has called for a reservation is the capital-gains provision of the act

of 1950. It will be recalled that by section 213 of the Revenue Act of 1950, a capital-gains tax was imposed upon visitors from other countries who entered the United States and perhaps rented a room in one of the hotels in New York City and there engaged extensively in capital-gains operations upon the American exchanges. In 1950 Congress undertook to impose a capital-gains tax upon those resident aliens. The Canadian treaty provides against this provision; that is to say, in the Canadian convention there is a provision which abrogates this provision. Since it is a subsequent legislative declaration, it would have the effect, if permitted to stand, of repealing the congressional act. Therefore, the committee deemed it wise to offer a reservation on that point in the Canadian treaty.

There is one other point upon which a reservation or understanding is inserted in one of the conventions, I believe. It relates to accumulated earnings and profits. Under article 1 (h) of the new convention with Canada, article 13 of the original treaty is amended, and that amendment is made solely for the purpose of correcting a mistake in the original treaty or at least clarifying the meaning of the original treaty. Under this article, at this time, when more than 50 percent of the outstanding voting stock is owned directly or indirectly during the last half of the taxable year by individual residents of Canada, other than citizens of the United States, it shall be exempt from any taxes imposed by the United States with respect to the accumulated or undistributed earnings, profits, income, or surplus of such corporations.

Mr. President, I think the brief explanations I have made will suffice to indicate the nature of the reservations in each case and the nature of the understandings, wherever understandings are inserted in the resolutions of ratification.

If there are no questions, I request that the treaties now be laid before the Senate.

Mr. SMITH of New Jersey. Mr. President, as a member of the subcommittee which was associated with the distinguished Senator from Georgia [Mr. GEORGE] in connection with studying these treaties, I rise to support the Senator's position in requesting that the treaties be ratified.

Many days were spent on them, and many witnesses before us during their consideration. We had the benefit of the wise judgment of Mr. Stam, who is the adviser of both the House and the Senate in connection with fiscal matters. We heard from numerous Government witnesses and numerous outside witnesses.

I wish to pay the highest possible tribute to the distinguished chairman of the subcommittee, the Senator from Georgia [Mr. GEORGE], for the patience and skill with which he handled all these matters.

In the Eightieth Congress I had the privilege of handling certain matters of this sort, and I believe the French treaty was included among them.

I think that in these treaties we are providing for true uniformity, a point which I consider to be most important. Heretofore we have gained experience in these matters; and at this time, as a result of the further testimony received, I believe we now have reached a point where the committee is familiar with the possible pitfalls in connection with such proceedings, and we are zealously careful of the rights of American citizens.

Again I wish to commend the able Senator from Georgia for the fine work he has done in this connection. The committee is unanimous in taking the position that these treaties protect our citizens and at the same time are just and fair to the countries participating in the conventions.

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

Mr. GEORGE. I am very glad to yield, if the Senator wishes to address a question to me.

Mr. CASE. I am willing to address my question either to the Senator from Georgia or to the Senator from New Jersey.

Mr. GEORGE. I shall be pleased to answer if I can.

Mr. CASE. I did not know that these matters were to come up today in connection with the treaties. I have been disturbed by reading at different times press reports to the effect that certain Greek nationals have been taking advantage of the opportunity to purchase surplus American vessels, and in some way make very large profits, either by placing the vessels under Panamanian registry or by placing them under Greek registry. While the matter may not be exactly covered, I am wondering whether there is any possibility that in the convention proposed between the United States and Greece the opportunity to make unusual profits by reason of living in New York City and retaining Greek nationality is enhanced in any way.

Mr. GEORGE. No; it is not. On the contrary, we have been scrupulously careful to see that nothing in any of these treaties would have the effect of repealing of nullifying the provisions which we inserted in the 1950 Revenue Act, section 213, which subjected to capital-gains tax the profits made by temporary aliens residing in the United States, but who had no fixed place of business within the United States. We are offering in the case of the Canadian treaty a reservation which protects the revenue act of this country.

However, I would say to the distinguished Senator that, in large part, the question which he has in mind is not involved in these treaties at all, because the treaties relate primarily to a reciprocal arrangement between the two contracting countries, namely, between our country and country X, respecting income tax and collection of income tax, respecting estate taxes, and safeguarding against the double taxation of the citizens of the respective parties to the convention. It does not relate to the larger question which the Senator has asked, except in the way I have indicated.

Mr. CASE. Mr. President, I wish to thank the Senator from Georgia for this assurance. As I said, I had no knowledge that this matter was coming up, and I was not prepared to ask a specific question relative to the problem I have mentioned, but in view of the fact that there was a convention between the United States and Greece included in the conventions for approval, and the fact that it related to the question of avoidance of double taxation, the question naturally occurred to me as to whether it might impinge on the situation to which I have referred.

Mr. GEORGE. No; it does not.

Mr. CASE. I am glad to have the assurance of the Senator that it does not.

Mr. GEORGE. It does not.

Mr. President, in order that the committee's action and in order that the resolutions of ratification may be better understood, and especially that the effective dates of these conventions be clearly stated, I ask unanimous consent that there be included in the RECORD at this point the analysis of the pending conventions and committee recommendations, under title III, page 3, of the committee report, to the end thereof.

There being no objection, title III, Analysis of Pending Conventions and Committee Recommendations, was ordered to be printed in the RECORD, as follows:

III. ANALYSIS OF PENDING CONVENTIONS AND COMMITTEE RECOMMENDATIONS

In response to a request of the chairman of the subcommittee, the staff of the Joint Committee on Internal Revenue Taxation prepared an analysis of the provisions of the pending conventions for the use of the committee, giving particular attention to the effect of the provisions upon the revenue laws of the United States.

Inasmuch as the pending conventions have many substantially similar provisions, those dealing with income taxes are discussed together for the purpose of this report and those relating to estate taxation are discussed together. To the extent that a convention departs in any particular from the general pattern, that fact will be brought out. The two protocols with South Africa are discussed together with the pending South African conventions which they supplement. The two conventions with Canada are discussed separately inasmuch as they supplement or modify conventions which are already in effect.

Insofar as the United States is concerned, the various conventions relate only to the income and estate taxes of the Federal Government, and they have no effect upon the income, estate, or inheritance taxes imposed by any State, Territory, or possession of the United States or the District of Columbia.

A. CONVENTIONS RELATING TO ESTATE TAXES

The estate tax conventions are explained, first, from the standpoint of their effect upon the estate tax imposed by the United States, and then from the standpoint of their effect upon the estate duties imposed by Ireland and the Union of South Africa and the taxes on inheritances imposed by Norway and Greece.

(1) United States

In the imposition of the Federal estate tax, estates of decedents are classified in two categories: First, estates taxed on the basis of domicile or citizenship (i. e., decedents domiciled in or citizens of the United States at time of death); and second, estates taxed on the basis of situs of property (i. e., property situated in the United States in cases of noncitizens of the United States domiciled outside the United States).

Citizens of the United States

Under the Internal Revenue Code, the Federal estate tax applies to the entire estate

of a citizen of the United States regardless of where domiciled or where the property is situated, with the one exception that it does not apply to real estate located outside of the United States. The conventions do not change these basic rules, but remove double taxation by allowing a credit for South African and Irish estate duties and Norwegian and Greek taxes on inheritances which are paid with respect to property (other than real estate) situated in those countries. The conventions allow a further credit in case the United States imposes tax by reason of the decedents being domiciled in this country in accordance with the laws of the United States, and the particular foreign government concerned imposes tax by reason of the decedent being domiciled in that country in accordance with its own laws. It is not anticipated that such cases of "double domicile" will be of frequent occurrence. In such a case, in addition to the credit previously explained with respect to property deemed situated only in Ireland, the Union of South Africa, or Norway, there will be allowed by each contracting party with respect to any property (a) deemed situated in both countries, or (b) deemed situated in neither of the contracting countries, a credit against its tax of that portion of the smaller of the two taxes attributable to such property which such tax of the crediting country bears to the sum of such taxes of both countries. In the case of Greece, however, the latter credit is allowed only where the property is deemed situated in neither of the contracting countries (clause (b) above). Furthermore, in the convention with Norway the second of the above formulas is also applicable, in addition to cases where the decedent is deemed domiciled in both states, to the case where the decedent is deemed to be domiciled in one state and a national of another state, and to the case where the decedent is deemed to be a national of both contracting states.

As an example of the application of the first of the above formulas, in the case of a decedent who at time of death was a citizen of the United States domiciled in Italy owning a total of $500,000 worth of personal property of which $300,000 is situated in Ireland, a credit for the Irish death duty paid with respect to the $300,000 would be allowed against the United States estate tax. Such credit, however, cannot exceed the proportion of the entire United States estate tax (computed without the credit) which $300,000 bears to $500,000, or three-fifths of the United States tax.

As an example of the further credit allowed under the second formula, suppose the decedent is regarded by the United States Government as domiciled in the United States and by the Irish Government as domiciled in Ireland, and the total gross estate consists of personal property worth $500,000, of which $300,000 is situated in Ireland, $50,000 is situated in Spain, and $150,000 is situated in the United States. In this example both the United States and Ireland tax the entire $500,000. As in the first example, the United States will allow a credit for the Irish tax paid with respect to the $300,000 worth of property situated in Ireland. Since Ireland regards the decedent as domiciled in Ireland, it will allow a credit for the United States tax paid with respect to the $150,000 worth of property situated in the United States. Furthermore, since this is a so-called double-domicile case, the second formula will also apply, and both countries will allow credits for taxes imposed by the contracting countries with respect to the property situated in Spain. If the United States tax (before computing the credit) which is attributable to the $50,000 worth of property situated in Spain is $5,000, and the Irish tax (before computing the credit) which is attributable to the same Spanish property is $6,000, the credit allowable by the United States is

$$\frac{\$5,000}{\$11,000} \times \$5,000 = \$2,272.73,$$

and the credit allowable by Ireland is

$$\frac{\$6,000}{\$11,000} \times \$5,000 = \$2,727.27.$$

Noncitizens Domiciled in the United States

As in the case of a citizen of the United States, the Federal estate tax applies under the Internal Revenue Code to the entire estate (other than real estate located outside of the United States) of a noncitizen who at time of death was domiciled in the United States. The conventions remove double taxation by allowing a credit for the Irish and South African estate duties and the Norwegian and Greek taxes on inheritances paid with respect to property (other than real estate) situated in those respective countries. The conventions provide for a further credit in cases where the United States imposes tax by reason of the decedent's being domiciled in this country in accordance with the laws of the United States, and the other contracting governments impose tax by reason of the decedent's being domiciled in their countries in accordance with their respective laws (or ordinarily resident therein in the case of South Africa). The operation of such further credit is explained in the preceding paragraph.

Noncitizens Not Domiciled in the United States

(a) Domiciled in Ireland, the Union of South Africa, Norway, or Greece: In the case of decedent not domiciled in or a citizen of the United States who was domiciled in Ireland, Norway, or Greece, at the time of death, or ordinarily resident in South Africa at time of death, the Federal estate tax is applicable only to property situated within the United States. Article III of the respective conventions, article IV in the case of Greece, establishes certain rules for the purpose of determining the situs of property which are applicable, in the case of the conventions with Ireland and Greece, if the decedent was domiciled in the country of either contracting party, or, in the case of the convention with South Africa, was either domiciled in the United States or "ordinarily resident" in South Africa, or, in the case of the convention with Norway, was either domiciled in or a citizen of either country. Under the United States law stock in a foreign corporation is deemed to be property situated within the United States if the stock certificate is physically located in the United States. Furthermore, stock in an American corporation is deemed to be property situated in the United States regardless of where the certificate is located. Under the conventions, stock in any corporation is deemed to be situated in the country in which the corporation was created regardless of the location of the stock certificate. The Irish convention contains an exception to this rule in that it provides that, with respect to the stock of corporations organized in the United Kingdom or Northern Ireland which are registered on a branch register of Ireland kept for Irish residents, such stock shall be deemed to be situated in Ireland.

Under United States law, bonds, regardless of the residence of the obligor, are deemed to be situated in the country where the bond certificates are located. Except in the case of Norway, under the conventions bonds are deemed to be situated in the contracting country where the decedent was domiciled at the time of death ("ordinarily resident" in the case of South Africa); and this rule in effect constitutes an exemption from tax imposed upon the basis of situs of property. In the case of the convention with Norway, if the United States asserts tax on the basis of situs of property, no change is made in the present United States situs rule with respect to bonds, but, if neither country imposes tax on the basis of situs, the bonds shall be deemed situated in the country where the decedent was domiciled. The above rules are applicable with respect to debts (other than bonds) except that, in the case of the convention with Norway, such debts are deemed to be situated in the country in which the debtor was a resident, rather than a domiciliary, at the time of death.

Other rules of situs set forth in the respective conventions confirm existing rules relative to the estate tax under the Internal Revenue Code, including the situs of real property, tangible personal property, ships, patents, trade-marks, copyrights, good will, judgment debts, etc. Proceeds of a policy of insurance on the life of the decendent and bank accounts are, under the conventions, deemed to be situated in the contracting country where the decedent was domiciled ("or ordinarily resident" if in South Africa) or, in the case of Norway, where the insurance company or bank is organized at the time of death; and, except in the case of Norway, such rules constitute in effect exemptions from tax imposed on the basis of situs of property. Under the Internal Revenue Code, in the case of nonresident aliens, such insurance proceeds and practically all such bank deposits are similarly deemed situated outside the United States and in effect exempted from tax imposed upon the basis of situs of property. The general rules set forth in these conventions are, with the exemption of minor departures from the general pattern noted above which are necessitated by differences in the laws of the contracting governments, in accord with those established in the earlier conventions with the United Kingdom and France.

(b) Prorated exemptions: In the Norwegian and Greek conventions, provision is made for the liberalization of the United States rule relating to the specific exemption of $2,000 with respect to the estates of nonresident alien decedents. In application, the provisions insure that the specific exemption shall not be less than $2,000 in the case of a decedent domiciled in Norway or Greece but may exceed that amount since it will not be less than the proportion of the exemption allowable in the case of a decedent domiciled in the United States ($60,000) which the value of the property situated in the United States bears to the entire gross estate. The effect of this liberalization of the specific exemption is to exempt from all Federal estate tax those cases in which the gross estate wheresoever situated does not exceed $60,000.

In the case of the Greek convention, this prorated formula also extends to deductions for property previously taxed and deductions for charitable bequests. This extension is similiar to the provision of the existing French convention except that in the latter the prorated exemption also extends to the marital deduction. Under the Canadian convention, the prorated formula extends, as in the case of Norway, only to the specific exemption. The United Kingdom and other conventions contain no provision for prorated exemptions.

(c) Domiciled outside Ireland and Greece, or not ordinarily resident in South Africa: The conventions, of course, make no change in the Federal estate-tax law as applied to the estate of a nonresident alien not domiciled in Ireland or Greece, or not ordinarily resident in the Union of South Africa. The existing Federal estate-tax law provides that the estate of such an alien is taxable with respect to his property situated within the

United States. For example, if the certificate of stock in a foreign corporation is physically located in the United States the stock is still regarded as property situated within the United States. Similarly in the case of a nonresident alien neither domiciled in, nor a citizen of, Norway no change is made in the application of United States tax.

(2) Ireland

In the imposition of the estate duty in Ireland estates of decedents are mainly classified in two categories, as in the United Kingdom: First, estates taxed on the basis of domicile (decedents who were domiciled in Ireland at time of death), and, second, estates taxed on the basis of situs of property (property situated in Ireland in the case of decedents who at time of death were domiciled outside Ireland). To a limited extent, the Irish estate duty is also imposed with respect to property passing under a disposition governed by Irish law even though the decedent was not domiciled in Ireland and the property was not situated in Ireland. This is likewise true in the case of the United Kingdom. Unlike the United States, no distinction is made as to citizenship.

Decedents Domiciled in Ireland

In the case of a decedent (whether or not a United States citizen) domiciled in Ireland at the time of his death, the estate duty applies to all of his property wherever situated except immovable property outside Ireland. This rule is not changed by the convention. However, double taxation is avoided under the convention with respect to property situated in the United States by allowing a credit under article V (1) for the United States tax paid with respect to such property. The convention provides for a further credit under article V (2) in the case where Ireland imposes tax by reason of the decedents being domiciled in that country in accordance with the laws of Ireland, and the United States imposes tax by reason of the decedent's being domiciled in this country in accordance with the laws of the United States. In such a case, in addition to the credit previously explained with respect to property deemed situated only in the United States, there will be allowed by each contracting country with respect to any property (a) deemed situated in both countries, or (b) deemed situated in neither of the contracting countries, a credit against its tax of that portion of the smaller of the two taxes attributable to such property which said tax of the crediting country bears to the sum of such taxes of both countries. It is anticipated that such cases of "double domicile" will be unusual.

Decedents Not Domiciled in Ireland

In the case of a decedent not domiciled in Ireland at the time of his death, the estate duty applies only to property situated in Ireland except in the case of property passing under a disposition governed by Irish law. In the case of a decedent domiciled in the United States, stock in a corporation is, under the convention, deemed situated where such corporation was created regardless of the location of the stock certificates or the transfer agent. The only exception to this rule is that provided with respect to the stocks of corporations organized in the United Kingdom or Northern Ireland and registered on a branch register of Ireland kept for Irish residents, in which case the stock is deemed situated in Ireland. Thus, in the case of a decedent domiciled in the United States, the estate duty in Ireland would not be applicable to American stock even though the stock certificate and the transfer agent may be located in Dublin. The other rules of situs heretofore explained are also controlling with respect to the application of the estate duties imposed in Ireland.

It has already been noted that Ireland, as in the case of the United Kingdom, in addition to assuming tax jurisdiction on the basis of domicile and the situs of property, also assumes jurisdiction by reason of property passing under a disposition governed by its law. For example, in the case of an American citizen domiciled in the United States who, within a short period before death, transferred property (situated in the United States) by gift under an Irish trust, the trustees residing in Ireland, the disposition of the property so transferred is governed by Irish law. Article V (3) of the convention provides that in such a case Ireland will allow a credit for the United States tax paid with respect to any such property situated in the United States. The convention with the United Kingdom does not contain an express provision for such a credit, but it is understood that in practice such a credit is granted by the United Kingdom.

(3) Union of South Africa

In the imposition of the estate duty, South Africa classifies the estates of decedents into two categories: First, estates taxed on the basis of ordinary residence (decedents who were "ordinarily resident" in South Africa at the time of death), and, second, estates taxed on the basis of situs of property (property situated in South Africa in cases of decedents who at time of death were "ordinarily resident" outside South Africa). Unlike the United States, no distinction is made as to citizenship.

Decedents "Ordinarily Resident" in South Africa

In the case of a decedent (whether or not a United States citizen) "ordinarily resident" in South Africa at the time of his death, the South African estate duty applies to all property regarded as situated within the Union and, to a limited extent, to personal property situated outside of the Union. The term "ordinarily resident" means, as distinguished from "domiciled," habitually resident or resident in the ordinary course of a person's life. With this difference, the credits provided in article V to avoid double taxation operate in the same manner as those previously described with respect to the convention with Ireland, and the technical details are not repeated here. In general, the convention provides a credit with respect to property situated in the United States for the United States tax paid with respect to such property, and a further credit in the case where South Africa imposes a tax by reason of the decedent being "ordinarily resident" in that country in accordance with the laws of South Africa, and the United States imposes tax by reason of the decedent being domiciled in this country in accordance with the laws of the United States. It is anticipated that the latter credit will be of somewhat greater importance with respect to the South African convention than the similar credit provided in the other conventions inasmuch as the concept of "ordinary residence" appears to have a somewhat broader connotation than the concept of "domicile."

Decedents Not "Ordinarily Resident" in South Africa

In the case of a decedent not "ordinarily resident" in South Africa, the estate duty applies only to property situated in South Africa. For this purpose property situated in South Africa includes: (1) Immovable property situated in the Union, (2) corporeal movable (tangible personal) property situated in the Union, (3) debt secured upon immovable property by bond registered in the Union, (4) debt recoverable by right of action enforceable in the courts of the Union, (5) shares of stock of domestic companies or of foreign companies doing business in the Union, if transfer of ownership is required to be registered in the Union, and (6) bonds issued by domestic or by foreign companies doing business in the Union, and bonds of the Union Government or subdivision or municipality thereof, if transfer of ownership is required to be registered in the Union.

The rules of situs heretofore explained with respect to these conventions in general are controlling with respect to the application of the estate duties imposed in South Africa, and it may be noted that the application of the South African estate duties is in no instance extended by these rules of situs of property. It should also be noted that, under a special proviso at the end of article III, the application of the situs rules is, in general, restricted to property includible for tax by the other contracting country. Thus in the case of a decedent who was not domiciled in or a citizen of the United States but who was ordinarily resident in South Africa, the situs rules will not operate to restrict the application of the Federal estate tax to particular property if such property is not subjected to the South African estate duty.

(4) Norway

The application of the tax on inheritances imposed by Norway is based upon the domicile or the nationality of the decedent (decedents who were either domiciled in Norway or were nationals of Norway at the time of death). The tax is not based upon the situs of property except in the case of real property or interests in real property.

Decedents Domiciled in Norway or of Norwegian Nationality

In the case of a decedent (whether or not a United States citizen) domiciled in Norway at the time of death or who was a national of Norway (regardless of where domiciled) at such time, the Norwegian tax on inheritances applies to the entire property regardless of its situs (including real property situated outside Norway, unless taxed by the State where such real property is located).

For the purpose of avoiding double taxation, the convention provides credits as heretofore described.

Decedents Neither Domiciled in Norway Nor of Norwegian Nationality

In the case of a decedent who is not domiciled in Norway and who is not a national of Norway, the tax on inheritances applies only to real property and interests in real property situated in Norway. It does not apply to personal property irrespective of where located. Therefore, the opportunities for double taxation are considerably limited. Nevertheless, the convention contains rules of situs of property substantially similar to those already described with respect to the other conventions. There has been some indication that Norway may revise its inheritance-tax statute to provide for the imposition of tax on the basis of situs of property. The rules of situs differ in one major respect from those set forth in the other conventions in that debts constituting assets of the estate (including proceeds of insurance but exclusive of other forms of indebtedness for which specific provision is made) are regarded as situated in the country where the debtor resides, rather than where the decedent was domiciled. Any property not specifically covered by situs rules is deemed to be situated in the country where the decedent was domiciled at the time of death.

The conventions discussed earlier provide that the rules of situs included therein should be applicable only where the decedent was domiciled in either contracting state ("ordinarily resident" in the case of South Africa). Unlike those conventions, the treaty with Norway provides that the rules of situs shall be applicable to the estates of decedents who are either domiciled in or who are citizens of either contracting state.

(5) Greece

In the imposition of the inheritance tax in Greece, estates of decedents are classified in two categories: First, estates taxed on the basis of domicile or nationality (decedents who were either domiciled in or subjects of Greece at the time of death), and second, estates taxed on the basis of the situs of property (property situated in Greece in the case of decedents who at time of death were neither domiciled in nor subjects of Greece).

Decedents Domiciled in or Nationals of Greece

In the case of a decedent who was a national of Greece, regardless of domicile, at the time of death, or a decedent domiciled in Greece at the time of death, the Greek inheritance tax applies to all of his property wherever situated except immovable property situated outside of Greece. This rule is not changed by the convention.

For the purpose of avoiding double taxation, the convention provides credits as heretofore described. However, as pointed out earlier in this report, unlike the other conventions being considered, the convention with Greece does not provide for the allowance of credt by either country for the tax imposed by the other country on property deemed to be situated in both countries. For example, under article IV, bonds, bank deposits, and certain other categories of property are deemed to be situated in the state in which the deceased person was domiciled at death. Under such rule, if the decedent is held to be domiciled both in Greece and the United States at death, both states will tax bonds and bank accounts and neither state will allow any credit with respect to the tax imposed by the other state on such property.

Decedents Not Domiciled in or Nationals of Greece

In the case of a decedent who is neither domiciled in nor a national of Greece at the time of death, the Greek tax on inheritances applies only to property deemed situated in Greece.

The rules of situs are substantially identical to the general rules heretofore described with respect to the other pending conventions.

(6) Exchange of information

The four pending conventions discussed above contain provisions for the exchange of information between the United States and the contracting governments with respect to death taxes in a manner similar to that contained in the death-duty conventions already in effect.

(7) Collection of taxes

Provision is made in the conventions with South Africa, Norway, and Greece for mutual assistance in the collection of taxes. No similar provision appears in the convention with Ireland (or the existing conventions with Canada and the United Kingdom).

The conventions provide (in the case of South Africa as amended by the protocol) that the assistance and support to be given by each contracting state shall not be accorded in respect of citizens or nationals, or estates of citizens or nationals, of the contracting state to which application is made for assistance in collection unless such citizen or national or estate is entitled to the allowance of a credit under the applicable convention. In the case of the existing convention with France, the restriction upon according support and assistance with respect to such nationals is imposed without limitation.

The committee believes that these collection provisions of the pending estate-tax conventions are too broad. As a general rule, it is not believed wise to have one government collect the taxes which are due to another government. Therefore, the committee recommends that these provisions be eliminated entirely from the pending conventions, with the exception that the provision of the South African convention, as amended by the protocol, be accepted subject to the understanding that its application will be limited to those cases in which the estate of a decedent claims a credit under article V of the convention. The committee recommends this limited exception in the case of the South African convention in view of the fact that the convention is retroactive to 1944 and the fact that the estates concerned have been on notice with respect to the collection provision since that time.

(8) Effective dates of the conventions

The conventions will become effective on the date of exchange of instruments of ratification as to estates of persons dying on or after that date, or, in the case of the conventions with Ireland and South Africa, at the option of the personal representative, as to the estate of any person dying before that date and after June 30, 1944 (in the case of South Africa), or after the last day of the calendar year immediately preceding the date of the exchange of ratification (in the case of Ireland).

B. CONVENTIONS RELATING TO INCOME TAXES

This section of the reports deals with the income tax conventions with the Union of South Africa (including the supplementary protocol), New Zealand, Norway, Ireland, Greece, and Switzerland. (The supplementary convention with Canada is treated separately.) Substantially similar provisions appear in these treaties. For that reason the following discussion is divided into consideration of the major items dealt with in the conventions, and the various treaties are discussed together under each of those headings.

Double taxation arises, in the absence of reciprocal agreements such as are represented by the conventions and protocols under consideration, from the fact that the various governments assume and exercise broad, and frequently overlapping, taxing jurisdictions. In general, the United States assumes the right to tax its nationals and domestic corporations on their entire income without regard to source. It likewise assumes the right to tax its residents, regardless of nationality, on the same broad basis. Alien nonresidents, on the other hand, are taxed only on income from sources within the United States, and foreign corporations are taxed only on income from sources within the United States. The Union of South Africa imposes its taxes primarily upon income derived from sources within the Union. New Zealand does not use citizenship as a basis of tax but taxes New Zealand residents on their entire income, regardless of the source from which derived. With respect to nonresidents, it taxes only the income derived from sources within New Zealand. Norway imposes tax on the same basis as New Zealand, except that with regard to nonresidents it only taxes the income from certain specified sources and property located in Norway. Ireland generally applies the same taxing rule as the United Kingdom—residents on their entire income and nonresidents on their income from sources within Ireland. Greece has two income taxes, each of which it imposes on a somewhat different basis. Its schedular tax (applied both to individual and corporations) is generally imposed only on income from sources within Greece, although income from abroad (i. e., dividends) is subject to tax if "enjoyed" in Greece. The general tax (applied only to natural persons) is imposed on the entire income of a Greek national, regardless of residence, and on the entire income of a resident of Greece. Thus, the latter tax is similar to the United States income tax with respect to the broad scope of its application. Switzerland imposes both federal and local income taxes, of which the latter are the most important. The Swiss taxes on income are based primarily on the domicile of the taxpayer and the source of the income.

In general, the conventions avoid double taxation by a system of reciprocal exemptions and by reciprocal adoption of the principle of the United States tax-credit system. The provisions reserving to each State the right to tax its own citizens, residents, and corporations without regard to the conventions are analogous in principle to similar provisions found in all income tax conventions to which the United States is a party.

(1) Business income

All six of the conventions under consideration adopt the principle that an enterprise of one of the contracting States shall not be subject to tax in the other contracting state unless it is engaged in a trade or business in that state through a "permanent establishment" situated therein. A "permanent establishment" is generally defined to mean a branch, factory, workshop, warehouse, and other similar fixed places of business and does not include a mere agent or broker. To the extent that such an enterprise is carrying on a trade or business through a permanent establishment, it is to be taxable only on the profits derived from sources within the taxing country. This provision does not extend to mere investment income or income derived from the furnishing of personal services. Moreover, each of the conventions provide that no profit shall be deemed to arise from the mere purchase of goods or merchandise.

The conventions provide in appropriate instances for the adjustment of the accounts of a branch or other related business entity of one contracting state within another contracting state in order that the branch accounts will reflect its profits as accurately as possible.

(2) Dividends and interest

The South African convention originally provided (art. XII) that dividends and interest paid by a South African corporation to South African residents other than United States citizens and to South African corporations would be exempt from United States tax to the extent taxed by South Africa. This provision represented a unilateral concession by the United States. Subsequent efforts to have South Africa agree to a similar provision respecting the Union's undistributed profits tax and its nonresident shareholder's tax having failed, the two Governments have agreed (art. V of the pending protocol) to delete article XII of the convention entirely.

On a reciprocal basis, the New Zealand convention provides (art. XII) that dividends (without reference to interest) paid by a New Zealand corporation shall be exempt from tax except where the recipient is a citizen or a resident of the United States or is a United States corporation.

The Norwegian convention makes no reference to the payment of dividends but provides (art. VI) that interest on any form of indebtedness derived from sources within one country by a resident of the other (including a corporation or other business entity not having a permanent establishment in the former country) shall be exempt in the country from which derived. The Irish convention has a similar provision (art. VII), but it does not apply to interest paid by a corporation resident in one of the contracting countries to a corporation of the other country which controls, directly or indirectly, more than 50 percent of the entire voting power in the payor corporation. This provision is practically identical with article VI of the convention with Greece. Moreover, with respect to both interest and dividends, article XV of the convention with Ireland provides that such payments made by a corporation of one of the contracting states after a date specified shall be exempt from

tax by the other state unless the recipient is a citizen or resident (in the case of the United States) or a resident (in the case of Ireland) of that other state.

The treaty with Greece contains a unilateral provision (art. IX) to the effect that dividends and interest paid by a Greek corporation shall be exempt from United States tax except where the recipient is a citizen, resident, or corporation of the United States. Under the Internal Revenue Code, interest and dividends paid by a foreign corporation may, under certain conditions, constitute income from sources within the United States and consequently subject to United States tax in the hands of the nonresident alien recipient of such items. In practice, it is only in rare instances that it is practicable to ascertain whether a foreign corporation derives more than the requisite percentage of its gross income from United States sources so as to constitute its interest and dividends income from sources within the United States.

Article VI of both the Irish and New Zealand conventions provides, unlike the other pending conventions, that the rate of United States tax on dividends derived from sources within the United States by a resident of those two countries not engaged in a trade or business within the United States through a permanent establishment therein shall not exceed 15 percent. In the case of a dividend moving from a subsidiary to a parent, the rate, subject to certain limitations, is not to exceed 5 percent. The effect of these provisions is to reduce the present United States withholding rate from 30 percent to 15 or 5 percent, as the case may be. This reduction is likewise provided in the existing conventions with the United Kingdom, Canada, Denmark, and the Netherlands.

Neither Irish nor New Zealand law at the present time subjects to tax the dividends of Irish or New Zealand (respectively) corporations. The corporation alone is taxed, and the tax paid by the corporation is regarded as being paid on behalf of the shareholders therein.

Of course, the reduction of the United States withholding rate does not affect United States citizens resident in Ireland or New Zealand as such persons are not subject in any event to such withholding tax.

The conventions with Greece, Ireland, and Norway exempt on a reciprocal basis interest derived from sources within one country by residents of the other. Neither the South African or the New Zealand conventions contain such an exemption. However, the existing conventions with the United Kingdom, Denmark, and the Netherlands do provide for such a reciprocal exemption.

Under article VI of the convention with Switzerland there would be a reciprocal reduction in each country from 30 percent to 15 percent in the tax rate on dividends derived from sources within such country by a resident, corporation, or other entity of the other country not having a permanent establishment in the country from which the dividends are derived. There would be a reduction, subject to certain qualifications, to 5 percent in the tax rates with respect to such dividends if the shareholder is a corporation which controls, directly or indirectly, at least 95 percent of the voting power in the corporation paying the dividends and if not more than 25 percent of the gross income of such paying corporation is derived from interest and dividends other than interest and dividends received from its own subsidiary corporations.

The reduced rate of 15 percent would not apply to Swiss tax on dividends derived from Swiss sources by a Swiss citizen who is resident in the United States and who is not also a citizen of the United States. Switzerland wishes to place no limitation on the imposition of its dividend taxes with respect to its own citizens, except as to those having dual nationality. No corresponding provision is found in any other treaty to which the United States is a party, but it has no effect upon United States taxation.

The Swiss tax of 30 percent would be withheld at the source and a refund to reduce it in accordance with the provisions of article VI would be made upon a claim duly filed therefor by the recipient in the United States. Such claims for refund are necessitated by the difficulty in identifying the owner of shares which arises from the fact that the standard form of stock certificate in Switzerland is the bearer share.

The Swiss convention provides that, with respect to interest on any form of indebtedness, the rate of tax shall be reduced to 5 percent on interest derived from sources within one country by a resident, corporation, or other entity of the other country not having a permanent establishment in the country from which the interest is derived. In the case of the convention with Switzerland a tax of 5 percent is retained because of the fact that in Switzerland there is imposed on interest, in addition to the income tax, a 5-percent coupon or stamp tax. The special features explained above with respect to the reduction of tax on dividends apply also in regard to the reduction of tax on interest.

Article XIV of the Swiss convention provides that dividends and interest paid by any foreign corporation to a nonresident alien resident in Switzerland or to a Swiss corporation, not having a permanent establishment in the United States, shall be exempt from United States tax. Reciprocally, dividends and interest paid by a corporation other than a Swiss corporation to a resident or corporation of the United States not having a permanent establishment in Switzerland shall be exempt from Swiss tax.

As thus drawn, the article is narrower than the corresponding articles of other conventions in that the exemption granted is confined to nonresident aliens residing in Switzerland and to Swiss corporations, whereas other conventions extend the exemption to nonresident aliens and foreign corporations generally (for example, art. XV, United Kingdom; art. XII, Netherlands and New Zealand; art. IX, Greece; art. XII, Canada). It is broader in that the exemption thus restricted extends to dividends and interest paid by any foreign corporation, whereas other conventions have confined the principle to dividends and interest paid by a corporation of the particular country with which the convention was entered into.

(3) Compensation for personal services

(A discussion of the treatment of pensions and annuities will be found below under that heading.)

The six conventions (South Africa—art. II of the protocol; New Zealand—art. IX; Norway—art. X; Ireland—art. XI; Greece; Switzerland—art. X) all adopt the principle of reciprocal exemption for compensation for personal services performed by residents of one contracting state who are temporarily within the taxing state for a period or periods not to exceed 183 days if the services are performed for a resident or corporation of the State of which the person is a resident. In the case of Norway, Greece, and Switzerland there is also granted a limited exemption where the services are rendered for an employer domestic as to the taxing state.

However, the conventions with New Zealand, South Africa, and Switzerland contain an exception to the rule. Specifically excepted from the scope of the exemption are the profits or remuneration of public entertainers such as stage, motion picture or radio artists, musicians, and athletes. A modification of such exception is found in the Swiss convention, where the income received is less than $10,000 ($5,000 in the case of the Canadian convention discussed separately).

The committee believes that these exceptions constitute a discrimination against this particular occupational group. Therefore, the committee recommends that the Senate not accept paragraph (4) of article IX of the New Zealand convention, paragraph (3) of article II of the South African protocol, and paragraph (4) of article X of the Swiss convention.

(4) Government salaries

Each of the conventions adopts the general principle of the reciprocal exemption by each state of salaries and wages paid by the other state, or by political subdivisions or territories or possessions thereof. This, of course, still permits the United States to tax its own citizens. This is true of all tax conventions to which the United States is a party.

In the case of Norway, Ireland, Greece, and Switzerland this agreement specifically embraces the payment of pensions by the governments concerned. The agreement with New Zealand, on the other hand, does not apply to such pensions. The provision of the South African convention makes no specific reference to government pensions. However, the uniform rule of the South African convention will apply with respect to both government and private pensions to the effect that they will be exempt from tax in the state where received.

The conventions with New Zealand and Ireland contain a further limitation upon the scope of the exemption to the effect that it shall not apply to services performed in connection with a profit-making activity of one of the contracting states. (This is likewise true of the Canadian convention discussed separately.)

(5) Private pensions and annuities

The convention with New Zealand makes no provision with respect to the treatment of private pensions and annuities.

The general rule is stated in the conventions with Norway, Greece, and Switzerland (art. XI in each case) and in that with Ireland (art. XII) which provide that such pensions and annuities shall be exempt in the country of source.

(6) Professors, teachers, students, and business apprentices

Each convention contains a substantially identical article which provides that the income of professors or teachers from one of the contracting states who visit the other state for the purpose of teaching, for a period not to exceed 2 years, shall be exempt from tax by the latter state. (South Africa—art. IX; New Zealand—art. XIV; Norway—art. XII; Ireland—art. XVIII; Greece; Switzerland—art. XII.) This provision is standard in all later tax conventions to which the United States is a party.

A similar exemption is provided, without time limitation, for students and business apprentices in the taxing state who receive remittances from the other State. (South Africa—art. X; New Zealand—art. XV; Norway—art. XIII; Ireland—art. XIX; Greece; Switzerland—art. XIII.)

(7) Religious, charitable, and similar organizations

The convention with South Africa (art. XI) provides for the reciprocal exemption of income derived from sources within one of the contracting states by a religious, scientific, literary, educational, or charitable organization of the other contracting state, under certain conditions, from tax by the state from which the income is derived. A similar provision is found in the existing convention with Canada. The other conventions contain no similar provision.

(8) Ships and aircraft

Each treaty provides for the reciprocal exemption by each state of the income derived by an enterprise of the other state from the operation of ships or aircraft. This principle has been enunciated in the Internal Revenue Code for many years. A special limitation has been written into the South African provision to the effect that the exemption from South African tax does not apply to "residents" of South Africa. Thus, the exemption will not apply to a United States corporation, if any, the management and control of which is in the Union. The term "management and control" as applied to a corporation is intended to mean the direction of the policies of such corporation as determined through the meetings of its board of directors or other management group.

(9) Rentals and royalties

South Africa

The South African convention contains no provision with respect to industrial and like royalties. However, article III of the protocol is designed to apply principles, found in several other conventions, whereby a resident of one contracting state deriving rentals from real property or royalties from natural resources located in the other country may elect for any taxable year to be subject to tax in that other country on a net basis.

New Zealand

The convention with New Zealand provides (art. VII) that a resident of one contracting state receiving rentals from real property or royalties from natural resources or royalties from the use or right to use copyrights, patents, etc., derived from sources within the other state may elect to be subject to tax on a net basis in the country from which derived as if he were engaged in a trade or business in that country through a permanent establishment.

Article VIII provides, on a reciprocal basis, that motion-picture rentals derived from one country by a resident of the other country not engaged in trade or business through a permanent establishment in the first country shall be exempt from tax by the first country. (The exemption does not apply to the New Zealand "film hire" tax.)

Norway

Article VII of the convention with Norway provides that royalties and other amounts received for the right to use copyrights, patents, etc. (including motion-picture rentals) shall be exempt from tax by the state of source. Thus, the recipient is not afforded an election as in the New Zealand convention. There is a special provision, moreover, to the effect that the accounts of the payor may be adjusted (by disallowing a deduction of the amounts paid) if the royalty or other amount paid is not considered to be a "reasonable consideration" for the use of the property. It has been mutually agreed by the revenue authorities of the respective countries (a) that such proviso will be construed in the administration of the convention as not conferring power on such authorities to finally determine whether all or portion of the payment referred to above should be denied as a deduction to the payor thereof and (b) that such payor has the right to appeal the issue to the appropriate judicial tribunal of the country the revenue authorities of which undertake to deny as a deduction such payment or portion thereof. The committee recommends acceptance of the provision in reliance upon this mutual agreement.

Article VIII provides, as to income from real property (not including interest from bonds or mortgages secured by real property) and royalties from the operation of mines, quarries or natural resources, derived by a resident or corporation of one country from sources in the other country, that such a person may elect to be subject to the tax of the country of source, on a net basis as though such person were engaged in a trade or business through a permanent establishment therein. The effect of this provision (as in the case of the New Zealand and South African conventions) is to allow, for example, the Norwegian taxpayer to elect either the United States withholding rate of 30 percent on the gross amount of such royalties or rentals, or to have the tax determined on a net basis, after deductions and credits, respecting his entire gross income from sources within the United States, including gross rentals or royalties.

Ireland

Under the convention with Ireland (art. VIII), royalties and rentals from copyrights, patents, etc. (including rentals of motion pictures), are to be exempt at source.

Royalties from natural resources and rentals from real property which are located in the United States are to be subject either to a withholding tax limited to 15 percent or treated as if the recipient were engaged in a trade or business in the United States. The effect of this option is discussed above with respect to a similar provision in the Norwegian and South African conventions. If the property from which the rentals or royalties are received is located in Ireland and (1) the recipient is a resident of the United States, (2) the income is subject to United States tax, and (3) the recipient is not engaged in a trade or business in Ireland, the income shall be exempt from Irish surtax.

Greece

The provisions of the convention with Greece (art. VII) with respect to the taxation of royalties provide as does the Norwegian convention that such income shall be exempt at source. Rentals from motion-picture films are specifically excluded from the operation of these provisions. Under article VIII rentals from real property and natural resource royalties may be taken at source on a net basis.

Switzerland

Article VIII of the Swiss convention provides for exemption from tax in either country of various royalties, including film rentals, derived from sources within that country by a resident, corporation, or other entity of the other country not having a permanent establishment in the country from which the royalties are derived.

Article IX provides that income from real property (including gains from the sale or exchange of such property but not including interest from mortgages or bonds secured by such property) and royalties from the operation of mines, quarries, or other natural resources shall be taxable only in the country where such property or such mines, quarries, or other natural resources are situated. Like corresponding provisions in other tax conventions described above, article IX would permit the tax liability to be determined upon a net basis.

(10) Capital gains

The conventions with South Africa, New Zealand, Norway, Greece, and Switzerland contain no provision for exemption from tax of capital gains.

Article XIV of the Irish convention provides that a resident of Ireland not engaged in a trade or business in the United States shall be exempt from the United States tax on gains from the sale or exchange of capital assets.

It will be recalled that section 213 of the Revenue Act of 1950 imposed a tax upon the net amount of capital gains derived from sources within the United States by a nonresident alien individual not engaged in trade or business in the United States but temporarily present therein. Article XIV of the pending convention would, of course, override the latter amendment with respect to residents of Ireland.

A provision similar to that of the Irish convention was originally contained in the conventions with the Netherlands and Denmark, but on the recommendation of the Committee on Foreign Relations, was stricken out of each convention by the Senate. Those conventions, in each case subject to the reservation here noted, were accepted by the Senate on June 17, 1948. The convention with Ireland was signed on September 13, 1949.

The insistence of Ireland upon the exemption of its residents from the United States tax on capital gains is based on the fact that such an exemption is contained in the convention between the United States and the United Kingdom. However, it should be noted that the convention with the United Kingdom was ratified prior to the enactment of the Revenue Act of 1950 and prior to the ratification of the conventions with Denmark and the Netherlands.

Because of the strong objections which have been raised previously in the Congress to the exemption of nonresident aliens from tax on their capital gains from transactions entered into in the United States, the committee recommends that article XIV of the convention with Ireland relating to income taxes be eliminated and proposes a reservation to that effect.

(11) Accumulated earnings and profits

Article XVI of the convention with Ireland provides that an Irish corporation shall be exempt from United States tax on its accumulated or undistributed earnings, profits, income, or surplus, if individuals who are residents of Ireland control, directly or indirectly, throughout the latter half of the taxable year, more than 50 percent of the entire voting power in the corporation.

A similar article in the Netherlands convention was stricken out by the Senate. Similar articles are found only in the United Kingdom and Canadian conventions. In view of the fact that this article would give Irish corporations doing business in the United States a competitive advantage over domestic corporations, the committee recommends that the article be eliminated from the convention and proposes a reservation to that effect.

(12) Credit for foreign taxes

Under the credit provisions of the various conventions, the United States, while continuing to tax its citizen and corporations and residents as though the conventions had not come into effect, will during the lives of the respective conventions continue to credit against its income taxes for income taxes paid the other contracting states. This credit will be applied in accordance with section 131 of the Internal Revenue Code.

The credit system is reciprocal. South Africa agrees (art. IV) to exclude from its income and excess-profits tax base income from sources within the United States. This satisfies the similar credit requirement of section 131 (a) (3) of the code. New Zealand, on its part, in effect adopts (art. XIII) the principle of the Internal Revenue Code. Norway and Ireland likewise adopt this principle. The Irish convention contains a special provision to the effect that income derived from sources in the United Kingdom by an individual who is resident in Ireland shall be deemed to be income from sources in Ireland if such income is not subject to United Kingdom income tax. This provision is necessitated by the existence of a tax arrangement between the United Kingdom and Ireland, dated April 14, 1926. Under that arrangement, a resident of one of the countries not resident in the other country but deriving income from such other country is exempt from tax imposed by such other country. Thus, no credit for Irish tax

would be provided were it not for the special provision included in the pending convention with Ireland.

Greece and Switzerland (art. XIV) have agreed to credit provisions substantially similar to those found in section 131 of the Internal Revenue Code.

(13) Extension to other territories

Article XX of the convention with New Zealand provides that either contracting state may, upon giving notice to the other, extend the application of the convention to all overseas territories or other territories over which it has international responsibility.

(14) Exchange of information

Each of the six conventions provides for the exchange of information between the taxation authorities of the respective countries for the purposes of carrying on the provisions of the conventions, the prevention of fraud, and for other related purposes.

(15) Mutual assistance in collection

With the exception of the convention with Ireland, each of the conventions provides for mutual assistance and support in the collection of the taxes which are the subject of the convention concerned, together with interest, costs, and additions to taxes and fines not being of a penal character. Like provisions are found in the French, Netherlands, Danish, and Swedish conventions but not in the treaties with the United Kingdom and Canada.

As in the case of the estate-tax conventions discussed earlier in this report, the committee believes that the collection provisions of the South African, Greek, and Norwegian income-tax conventions are too broad, and it repeats that, as a general rule, it is not believed wise to have one government collect the taxes which are due to another government. The New Zealand and Swiss conventions contain a more limited provision, and the committee recommends that the other conventions be similarly limited. Thus, the committee recommends the acceptance of the collection provisions of the South African, Greek, and Norwegian income-tax conventions subject to the understanding that each of the governments may collect the other's tax solely in order to insure that the exemptions or reduced rates of tax provided under the respective conventions will not be enjoyed by persons not entitled to such benefits.

(16) Effective dates

The conventions with Norway and Greece shall be effective for taxable years beginning on or after the 1st day of January of the year in which the exchange of instruments of ratification occurs.

The convention with South Africa is made effective on the 1st day of July 1946, and is applicable to income arising on or after that date.

The convention with New Zealand shall be effective, with respect to United States taxes, for taxable years beginning on or after January 1 of the calendar year in which the exchange of instruments of ratification occurs, and, with respect to New Zealand taxes, for the year of assessment beginning on the 1st day of April next following the calendar year in which such exchange occurs.

The effective date of the convention with Ireland is substantially the same as that of the New Zealand convention. However, inasmuch as there are small differences with respect to the Irish income tax, the Irish surtax, and the Irish corporation-profits tax, attention is invited to the convention proper for the details of their respective effective dates.

The Swiss convention provides that the convention shall have effect for taxable years beginning on or after January 1 of the year in which the exchange of instruments of ratification takes place, except that, if such exchange takes place on or after October 1, paragraphs (1) and (3) of article VI and article VII shall have effect only for taxable years beginning on or after January 1 of the year next following the year in which such exchange takes place. It is provided also that the convention shall continue effective for 5 years beginning with the calendar year in which the exchange of instruments of ratification takes place and indefinitely thereafter, but may be terminated by either country at the end of that 5-year period or at any time thereafter by giving at least 6 months' prior notice of termination, in which event the convention shall cease to be effective for taxable years beginning on or after January 1 next following the expiration of the 6-month period.

C. SUPPLEMENTAL CONVENTIONS WITH CANADA

(1) Supplemental death duty convention

The original death duty convention with Canada was signed in 1944. The pending convention supplements and modifies that instrument. The most significant changes relate to the situs of property, the reciprocal credit, and the period of limitations.

The situs rules apply to substantially the same forms of property as do those discussed earlier in this report. However, the rules are made applicable not only in the case of a person who dies domiciled in one of the contracting states but also in the case of a deceased citizen of the United States, regardless of his place of domicile at time of death.

Under article II debts are deemed to be situated at the place where the debtor was resident at the time of death, or, in the case of where the debtor is a company, at the place of incorporation. Bank accounts are deemed situated at the location of the bank or branch bank at which the account is kept. Government securities, if in bearer form, are regarded as situated where located at time of death, and, if inscribed or registered, at the place where inscribed or registered as provided by the issuing authority. Unlike the rule of some earlier conventions to the effect that the proceeds of insurance policies are situated where the decedent was domiciled, it is provided that such amounts shall be deemed to be situated where the policy or annuity contract provides they shall be paid, or in the absence of such provision, at the place of residence of the issuer, or if a corporation at the place of incorporation. United States death duty conventions have not generally included any provision relating to the situs of shares in a partnership. The pending convention provides that such shares shall be deemed to be situated at the place where the business is principally carried on.

The credit provisions (art. V) are substantially similar to the provisions of the other pending death duty conventions which are explained in detail earlier in this report. The second formula there described will apply in cases where the United States taxes on the basis of citizenship and Canada on the basis of domicile. This is likewise true of the Norwegian convention but unlike the United Kingdom convention where that formula applies only in cases of double domicile.

Article VI provides that, in general, any claim for credit or refund based upon the provisions of either the original or the supplemental convention must be filed within 6 years from the date of the decedent's death and that, in no case, shall interest be allowed on the amount refunded.

The supplementary convention shall be effective as to estates of decedents dying on or after the date of the exchange of instruments of ratification. The new period of limitation, however, which is described above, is made applicable to the original convention.

(2) Supplemental income-tax convention

The pending convention with Canada relating to income taxes modifies and supplements the convention (and accompanying protocol) signed at Washington, March 4, 1942. The following discussion is subdivided into the most important of the subjects with which the supplemental treaty deals.

(a) Allocation of Business Expenses

Article I (a) of the pending convention provides in effect that in determining the net income of a permanent establishment in the taxing country which is a branch or a subsidiary of a corporation of the other contracting state there shall be allowed as deductions so much of the administrative expenses of the head office as are reasonably allocable to such permanent establishment. This agreement is in reality declaratory of the existing practice of both countries.

(b) Government Salaries

Article VI of the existing convention provides, on a reciprocal basis, for the exemption by one state of the wages, salaries, and similar compensation paid by the other contracting state or any agency or instrumentality thereof or by its political subdivisions or territories to its citizens residing in the taxing state. Thus, under the existing convention, the provision is limited to an exemption from the tax of one state of the citizens of the other residing in the former state. It is reported that the citizenship and residence tests have made this provision largely inoperative, and article I (b) of the pending convention is designed to liberalize the exemption. Under the new provision, Canada will afford the exemption to an individual who either (a) is a United States citizen regardless of whether or not he resides in Canada, or (b) is not ordinarily resident in Canada or is ordinarily resident in Canada solely for the purpose of rendering the services involved. The United States agrees on its part to exempt salaries paid by Canada to an individual who is not a United States citizen regardless of where he is a resident. Thus, Canada has agreed to a somewhat broader exemption than the United States because Canada will extend the exemption to an individual who is alien to both contracting states.

A limitation to the exemption has been included which is similar to that noted earlier in this report with respect to several of the pending conventions relating to income taxes. This limitation is to the effect that the exemption shall not apply with respect to services rendered in connection with a trade or business carried on for profit by one of the contracting states.

(c) Compensation of Members of Armed Forces or Employees of Defense Establishments

Article I (b) of the new convention amends article VI of the original convention to provide on a reciprocal basis that the United States will exempt income derived from sources outside the United States by (a) a member of the Canadian armed forces, and (b) a citizen of Canada serving or employed at defense establishments (whether Canadian or United States) in the United States or employed by the Canadian Government at such establishments, and (c) the wife and minor children of such member or citizen. Of course, the United States will not extend this exemption to individuals who are citizens of the United States.

It is not anticipated that this provision will have any material effect upon the United States revenues.

(d) Pensions and Annuities

Article I (c) of the new convention adds a new article VI–A to the existing treaty to provide that pensions and annuities derived from within one of the contracting states by a resident of the other state shall be exempt from tax by the state from which derived. With respect to a United States citizen resident in Canada who receives a pension from the United States, the United

States will continue to tax such income because of the operation of article XVII of the original convention which provides that the United States may include in the base upon which it imposes its income tax on its citizens, residents, or corporations, all items of income taxable under the revenue laws of the United States as though the convention had not come into effect. On the other hand, a resident of the United States receiving a pension from Canada will likewise be subject to United States tax.

It should be noted that this provision extends to both private and government pensions.

(e) Compensation for Personal Services

Article VII of the 1942 convention is replaced by a new provision for the reciprocal exemption from tax, under certain conditions, of compensation for personal services, including professional services. This is the so-called commercial travelers provision. It provides on a reciprocal basis that a resident of Canada shall be exempt from United States tax upon compensation for personal services performed during the taxable year within the United States if he is present therein for a period or periods totaling not more than 183 days and either of the following conditions is met: (a) His compensation is received for such personal services performed for or on behalf of a resident or corporation or other entity of Canada, or (b) his compensation received for such personal services does not exceed $5,000. This provision is more liberal than the existing convention which has a 90-day rule and a $1,500 limitation.

The existing convention contains a restriction to the effect that a somewhat similar exemption does not apply to the professional earnings of such individuals as actors, artists, musicians, and professional athletes. It was pointed out earlier in this report that a similar restriction has been included in the conventions with New Zealand, South Africa, and Switzerland. The pending convention with Canada somewhat relaxes this restriction to permit the exemption of such earnings provided they do not exceed $5,000. As pointed out with respect to the New Zealand, South African, and Swiss conventions, this restriction embodies a discriminatory principle which the committee does not consider acceptable. Therefore, the committee recommends that the Senate not accept paragraph (2) of the rewritten article VII of the existing Canadian convention as found in article I (d) of the pending supplementary protocol.

(f) Professors and Teachers

A new article VIII–A is added to the existing treaty by article I (e) of the new convention to provide, as do practically all of the other income tax conventions entered into by the United States, that a professor or teacher who is a resident of one country and who temporarily visits the other country for a period not exceeding 2 years for the purpose of teaching shall be exempt from tax in the country in which he is visiting with respect to his remuneration for such services for such period.

(g) Dividends and Interest

Article I (g) of the supplementary convention, amending article XII of the convention of 1942, would exempt from United States income taxes dividends and interest paid by Canadian corporations except where paid to citizens or residents of the United States or to United States corporations. Dividends and interest paid by United States corporations, except those "managed and controlled" in Canada, would be exempt from Canadian taxes except where paid to Canadian residents or to corporations "managed and controlled" in Canada.

Heretofore, article XII has applied only to exemption from United States tax with respect to dividends and interest paid by Canadian corporations. One purpose of article I (g) as explained by the Secretary of State in his report to the President on June 29, 1950, is to make article XII of the convention reciprocal instead of unilateral. Question, however, arose because of the use of the words "managed and controlled" as to the extent to which article XII, as amended, would be reciprocal in its effect. In order to assure substantial reciprocity, this question was taken up with the Government of Canada. As a result, there was delivered to the United States Embassy at Ottawa a letter from the Canadian Ministry for External Affairs, copy of which has been laid before the committee, reading as follows:

OTTAWA, *February 20, 1951.*

The Honorable STANLEY WOODWARD,
Ambassador of the United States of America, Ottawa.

DEAR MR. AMBASSADOR: The question has arisen as to the meaning of the words "managed and controlled" as used in paragraph 2 of article XII of the convention of March 4, 1942, between Canada and the United States of America, as amended by article I (g) of the supplementary convention of June 12, 1950.

I have consulted with our taxation authorities. It is our view, having regard to presently existing judicial decisions, that, so long as the stock control of the corporation is not in Canada, its directors' meetings and shareholders' meetings are not held in Canada and its "management-control" is not in Canada, the corporation is not managed and controlled in Canada. For this purpose the "management-control" of the corporation is not in Canada if the policies governing the operations and supervision of the corporation are not settled in Canada even though its entire operations are carried on, and such supervision is exercised, in Canada.

It is also our view that the term "resident" as used in article XII as amended does not include a corporation.

Yours sincerely,

A. D. P. HEANEY,
Under Secretary of State for External Affairs.

With this agreed definition of the words "managed and controlled," it is believed that substantial reciprocity will be accomplished. It will be noticed that the letter also removes any doubt as to the meaning of the word "resident" in article I (g) of the supplementary convention.

In recommending the acceptance of this article, the committee does so in reliance upon the agreed definition described in the above letter.

(h) Accumulated Earnings and Profits

Article I (h) of the new convention amends article XIII of the original treaty in order to make reciprocal the present unilateral provision that corporations organized under the laws of Canada, more than 50 percent of the outstanding voting stock of which is owned directly or indirectly throughout the last half of the taxable year by individual residents of Canada, other than citizens of the United States, shall be exempt from any taxes imposed by the United States with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations.

(i) Copyright Royalties

The present convention with Canada contains no provision for the reciprocal exemption of rentals or royalties from copyrights, patents, trade-marks, etc. Canada has consistently refused in the past to agree to the reciprocal exemption of such income on the ground that the balance of payments is heavily in favor of the United States. Article I (k) of the new convention adds article XIII–C to the existing treaty to provide for the reciprocal exemption at the source of royalties in the nature of copyright royalties. This is the most restrictive of such agreements which the United States has entered into with other countries. The provision does not extend to royalties such as patent, industrial, or trade-mark royalties, nor does it include rents and royalties from motion-picture films.

(j) Rentals From Real Property

Article I (i) adds a new article XIII–A which adopts a principle similar to that included in most other income tax conventions and discussed earlier in this report. It provides (in effect on a reciprocal basis) that a resident or corporation of Canada deriving rentals from real property from United States sources may elect for the taxable year to be subject to United States tax on a net basis. As to income from sources in Canada, the option is applicable only to rentals from real property. As to income from sources in the United States, the option gives the taxpayer the privilege of filing a return and computing income from United States sources on a net basis as if he were engaged in trade or business therein with respect to all of his income from United States sources. However, in order to avail himself of this privilege, the taxpayer must derive some rentals from real property in the United States.

(k) Withholding

Article I (n) of the new convention adds article XVIII–A to the basic convention to grant authority to both countries to prescribe regulations, if practicable, intended to avoid withholding of both United States tax and Canadian tax with respect to compensation for personal services performed by a resident of one of the contracting states while temporarily present in the other state. It should be noted that the exemption here provided would not be an exemption from tax but simply an exemption from withholding of tax at the source. The purpose is to avoid the temporary out-of-pocket expense to the taxpayer which overwithholding produces.

(l) Miscellaneous

While the pending convention makes several changes which are not referred to above, they will not be described in this report as being either of minor importance or in the nature of clarifying amendments.

(m) Effective Date

With one exception of a technical nature, the pending convention is to become effective with respect to taxable years beginning on or after the 1st day of January of the calendar year in which occurs the exchange of the instruments of ratification.

UNION OF SOUTH AFRICA—CONVENTION AND PROTOCOL RELATING TO DOUBLE TAXATION AND TAXES ON INCOME

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive O, 80th Cong., 1st sess.), a convention between the United States of America and the Union of South Africa, for the avoidance of double taxation and for establishing rules of reciprocal administrative assistance with respect to taxes on income, signed at Pretoria on December 13, 1946, and a protocol (Executive U, 81st Cong., 2d sess.) a protocol supplementing the said convention, signed at Pretoria on December 13, 1946, which were read the second time, as follows:

The Government of the United States of America and the Government of the Union of South Africa, being desirous of avoiding double taxation and of establishing rules of reciprocal administrative assistance in the case of income taxes, have decided to con-

clude a Convention and for that purpose have appointed as their respective Plenipotentiaries:

The Government of the United States of America: General Thomas Holcomb, Envoy Extraordinary and Minister Plenipotentiary of the United States of America, and

The Government of the Union of South Africa: The Right Honourable Jan Hendrik Hofmeyr, Acting Prime Minister and Acting Minister of External Affairs of the Union of South Africa,

who, having communicated to one another their full powers found in good and due form, have agreed upon the following Articles:

ARTICLE I

(1) The taxes referred to in this Convention are:

(a) In the case of the United States of America: The Federal income taxes, including surtaxes and excess-profits taxes.

(b) In the case of the Union of South Africa the following taxes imposed under the income tax laws of the Union: Normal and Super Taxes, Undistributed Profits Tax, Nonresident Shareholders' Tax, Excess Profits Duty and Trade Profits Special Levy.

(2) It is mutually agreed that the present Convention shall also apply to any other or additional income taxes imposed by either contracting State, subsequent to the date of signature of this Convention, upon substantially the same bases as the taxes enumerated therein.

ARTICLE II

As used in this Convention:

(a) The terms "person", "individual" and "corporation" shall have the same meanings, respectively, as they have under the revenue laws of the taxing State or the State furnishing the information, as the case may be, provided that the term "corporation" when used in relation to the Union of South Africa shall be regarded as the equivalent of the term "company" as used in the revenue laws of that State.

(b) The term "enterprise" includes every form of undertaking, whether carried on by an individual, partnership, corporation or any other entity.

(c) The term "enterprise of one of the contracting States" means, in respect of each contracting State, an individual resident therein or a corporation, partnership or other entity created or organized in or under the laws of that State, or the laws of any of its States, Territories or provinces, as the case may be, engaged in the carrying on of an enterprise in the territory of that State.

(d) The term "permanent establishment" includes branches, mines and oil wells, farms, timber lands, plantations, factories, workshops, warehouses, offices, agencies and other fixed places of business of an enterprise, but does not include a subsidiary corporation. When an enterprise of one of the contracting States carries on business in the other contracting State whether personally, directly or through a nominee or through an employee or agent there who has authority to contract for his employer or principal or has a stock of merchandise from which he regularly fills orders which he receives, such enterprise shall be deemed to have a permanent establishment in the latter State. The fact that an enterprise of one of the contracting States has business dealings in the other contracting State through a commission agent, broker or other independent agent, shall not be held to mean that such enterprise has a permanent establishment in the latter State.

(e) The term "Commissioner for Inland Revenue" means the Commissioner for Inland Revenue of the Union of South Africa or his duly authorized representative.

(f) The term "Commissioner of Internal Revenue" means the Commissioner of Internal Revenue of the United States of America or his duly authorized representative.

(g) The term "competent authority" means the Commissioner for Inland Revenue or the Commissioner of Internal Revenue and their duly authorized representatives.

(h) The term "United States of America", when used in the geographical sense, includes only the States the Territories of Alaska and Hawaii, and the District of Columbia.

(i) The term "industrial and commercial profits" means industrial and commercial income but shall not include income from or in the form of rentals, royalties, interest, dividends, management charges, compensation for labour or personal services, or income from the operation of ships or aircraft, or gains derived from the sale or exchange of capital assets, and the terms "profit" and "profits" mean income.

(j) The terms "rentals" and "royalties" shall include rentals or royalties arising from leasing real or immovable or personal or movable property or from any interest in such property, including rentals or royalties for the use of, or for the privilege of using, patents, copyrights, secret processes and formulae, good will, trade-marks, trade brands, franchises and other like property.

(k) The term "interest" shall include income arising from interest-bearing securities, public obligations, government or municipal securities, mortgages, corporate or debenture bonds, loans, deposits and current accounts.

(l) The term "dividends" shall include all distributions of the earnings or profits of corporations.

ARTICLE III

(1) The citizens of one of the contracting States residing within the other contracting State shall not be subjected to the payment of more burdensome taxes than the citizens of such other State.

(2) The provisions of this Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance now or hereafter accorded by the laws of either of the contracting States in the determination of the tax imposed by such State.

(3) Following any appreciable changes made in the fiscal laws of either of the contracting States, the competent authorities of the two contracting States may consult together.

ARTICLE IV

(1) Nowithstanding any other provision of this Convention, the United States of America in determining the taxes of its citizens, or residents, or corporations, may include in the basis upon which such taxes are imposed, all items of income taxable under the revenue laws of the United States of America, as though this Convention had not come into effect. The United States of America shall, however, deduct from the taxes thus computed the amount of Union income tax paid. This deduction shall be made in accordance with the benefits and limitations of Section 131 of the United States Internal Revenue Code as in effect on the day of the entry into force of this Convention. It is agreed that by virtue of the provisions of paragraph (2) of this Article the Union of South Africa satisfies the "similar credit" requirement set forth in sub-section (a) (3) of that section.

(2) The Union of South Africa in imposing its taxes shall exempt from such taxes and shall not take into account in the determination of such taxes income derived from sources within the United States of America in accordance with the income tax laws of the Union in effect on the day of entry into force of this Convention.

ARTICLE V

(1) An enterprise of one of the contracting States is not subject to taxation by the other contracting State in respect of its industrial and commercial profits except in respect of such profits allocable to its permanent establishment in the latter State.

(2) No account shall be taken in determining the tax in one of the contracting States, of the mere purchase of merchandise effected therein by an enterprise of the other State.

(3) For the purposes of this Convention, the term "industrial and commercial profits" shall not include the items of income excluded from the definition of that term in paragraph (i) of Article II. Subject to the provisions of this Convention such items of income shall be taxed separately or together with industrial and commercial profits in accordance with the laws of the contracting States.

ARTICLE VI

(1) If an enterprise of one of the contracting States has a permanent establishment in the other State, there shall be attributed to such permanent establishment the net industrial and commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions. Such net profits will, in principle, be determined on the basis of the separate accounts pertaining to such establishment.

(2) The competent authority of the taxing State may, when necessary, in execution of paragraph (1) of this Article, rectify the accounts produced, notably to correct errors and omissions or to reestablish the prices or remunerations entered in the books at the value which would prevail between independent persons dealing at arm's length.

(3) If (a) an establishment does not produce an accounting showing its own operations, or (b) the accounting produced does not correspond to the normal usages of the trade in the country where the establishment is situated, or (c) the rectifications provided for in paragraph (2) of this Article cannot be effected the competent authority of the taxing State may determine the net industrial and commercial profits by applying such methods or formulae to the operations of the establishment as may be fair and reasonable.

(4) To facilitate the determination of industrial and commercial profits allocable to the permanent establishment, the competent authorities of the contracting States may consult together with a view to the adoption of uniform rules of allocation of such profits.

ARTICLE VII

When an enterprise of either of the contracting States, by reason of its participation in the management or capital of an enterprise of the other contracting State, makes with or imposes on the latter in their commercial or financial relations conditions different from those which would be made with or imposed on an independent enterprise, any profits which should normally have appeared in the accounts of the latter enterprise, but which have been in this manner diverted to the former enterprise may, subject to applicable measures of appeal, be incorporated in the taxable profits of the latter enterprise. To facilitate such rectifications as may appear fair and reasonable the competent authorities of the two contracting States may consult together.

ARTICLE VIII

(1) Compensation, other than pensions, for labour or personal services performed in one of the contracting States, paid by the other contracting State or by the political subdivisions or territories or possessions thereof to individuals who are not ordinarily resident in the former State, shall be exempt from taxation by such former State.

(2) Pensions and life annuities derived from sources within one of the contracting States and paid to individuals in the other

State shall be exempt from taxation by the latter State.

ARTICLE IX

A professor or teacher from one of the contracting States who visits the other contracting State for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in such other contracting State shall be exempted by such other contracting State from tax on his remuneration for such teaching for such period.

ARTICLE X

Students or business apprentices from one of the contracting States residing in the other contracting State for purposes of study or for acquiring business experience shall not be taxable by the latter State in respect of remittances received by them from within the former State for the purposes of their maintenance or studies.

ARTICLE XI

Income derived from sources within one of the contracting States by a religious, scientific, literary, educational, or charitable organization of the other contracting State shall be exempt from taxation by the State from which the income is derived if, within the meaning of the laws of that State such organization would, if established in that State be exempt in respect of such income, and if within the meaning of the laws of the other State it would be exempt in respect of income derived from sources within such other State.

ARTICLE XII

Dividends and interest paid on or after the effective date of this Convention by a corporation created or organized under the laws of the Union of South Africa to individual residents of the Union of South Africa other than citizens of the United States of America, or to corporations created or arganized under laws of the Union of South Africa shall, to the extent that such dividends and interest are taxed by the Union of South Africa, be exempt from the taxes imposed by the United States of America.

ARTICLE XIII

Where a taxpayer shows proof that the action of the revenue authorities of the contracting States has resulted in double taxation in his case in respect of any of the taxes to which this Convention relates, he shall be entitled to lodge a claim with the State of which he is a citizen or resident or, if the taxpayer is a corporation or other entity, with the State in which it was created or organized. If the claim should be deemed worthy of consideration, the competent authority of such State may consult with the competent authority of the other State to determine whether the double taxation in question may be avoided in accordance with the terms of this Convention.

ARTICLE XIV

With a view to the more effective imposition of the taxes to which this Convention relates, each of the contracting States undertakes to furnish to the other contracting State such information in the matter of taxation, which the competent authority of the former contracting State have at their disposal or are in a position to obtain under their own law, as may be of use to the competent authority of such other State in the assessment of the taxes to which this Convention relates and to lend assistance in the service of documents in connection therewith. Such information and correspondence relating to the subject matter of this Article shall be exchanged between the competent authorities of the contracting States in the ordinary course or on request.

ARTICLE XV

(1) Each contracting State undertakes to lend assistance and support in the collection of the taxes to which this Convention relates, together with interest, costs and additions to the taxes and fines not being of a penal character. The contracting State making such collections shall be responsible to the other contracting State for the sums thus collected.

(2) In the case of applications for enforcement of taxes, revenue claims of each of the contracting States which have been finally determined shall be accepted for enforcement by the other contracting State and collected in that State in accordance with the laws applicable to the enforcement and collection of its own taxes.

(3) The applications shall be accompanied by such documents as are required by the laws of the State making the application to establish that the taxes have been finally determined.

(4) If the revenue claim has not been finally determined the State to which application is made may, at the request of the other contracting State, take such measures of conservancy as are authorized by the revenue laws of the former State in relation to its own taxes.

ARTICLE XVI

(1) In the administration of the provisions of this Convention relating to exchange of information, service of documents and mutual assistance in collection of taxes, fees and costs incurred in the ordinary course shall be borne by the State to which application is made but extraordinary costs incident to special forms of procedure shall be borne by the applying State.

(2) Documents and other communications or information contained therein, transmitted under the provisions of this Convention by one of the competent authorities to the competent authority of the other contracting State shall not be used by the latter authority except in the performance of their duties in the determination, assessment and collection of the taxes.

ARTICLE XVII

(1) Such regulations as may be necessary to interpret and carry out the provisions of this Convention may be prescribed in each of the contracting States. With respect to the provisions of this Convention relating to exchange of information, service of documents and mutual assistance in the collection of taxes, the competent authorities may, by common agreement, prescribe rules concerning matters of procedure, forms of application and replies thereto, conversion of currency, disposition of amounts collected, minimum amounts subject to collection and related matters.

(2) The competent authorities of the two contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

ARTICLE XVIII

(1) This Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

(2) This Convention shall become effective on the first day of July, 1946, and except in matters of administrative assistance shall first be applied in respect of income arising on or after that date. It shall continue effective for a period of three years from that date and indefinitely after that period, but may be terminated by either of the contracting States at the end of the three-year period or at any time thereafter provided that at least six months prior notice of termination has been given, the termination to become effective the first day of July following the expiration of the six-month period.

IN WITNESS WHEREOF, the respective Plenipotentiaries have signed this Convention and have affixed thereto their seals.

Done in duplicate in English and Afrikaans texts at Pretoria this thirteenth day of December, 1946.

For the Government of the United States of America:

THOMAS HOLCOMB [SEAL]

For the Government of the Union of South Africa:

JAN H. HOFMEYR [SEAL]

The Government of the United States of America and the Government of the Union of South Africa.

Desiring to conclude a protocol supplementing in certain respects the Convention for the avoidance of double taxation and for establishing rules of reciprocal administrative assistance with respect to taxes on income which was signed at Pretoria on December 13, 1946,

Have agreed as follows:

ARTICLE I

(1) Profits derived by a United States enterprise from the operation of aircraft registered in the United States of America or ships whose port of registry is in the United States of America, shall be exempt from Union of South Africa tax as specified in Article I (1) (b) of the Convention of December 13, 1946: Provided that such exemption shall not be applicable to any such enterprise whose business is managed and controlled in the Union nor to an individual who is ordinarily resident in the Union.

(2) Profits derived by a Union enterprise from the operation of aircraft registered in the Union of South Africa or ships whose port of registry is in the Union of South Africa shall be exempt from United States of America tax.

ARTICLE II

(1) An individual who is a resident of the United States of America shall be exempt from Union of South Africa tax on profits or remuneration in respect of personal (including professional) services performed within the Union of South Africa in any year of assessment if:

(a) He is present within the Union of South Africa for a period or periods not exceeding in the aggregate 183 days during that year, and

(b) The services are performed for or on behalf of a person resident in the United States of America, and

(c) The profits or remuneration are subject to United States of America tax.

(2) An individual who is a resident of the Union of South Africa shall be exempt from United States of America tax on profits or remuneration in respect of personal (including professional) services performed within the United States of America in any taxable year if:

(a) He is present within the United States of America for a period or periods not exceeding in the aggregate 183 days during that year, and

(b) The services are performed for or on behalf of a person resident in the Union of South Africa, and

(c) The profits or remuneration are subject to Union of South Africa tax.

(3) The provisions of this Article shall not apply to the profits or remuneration of public entertainers, such as stage, motion picture or radio artists, musicians or athletes.

ARTICLE III

A resident or corporation of one of the contracting States, deriving from sources within the other contracting State royalties in respect of the operation of mines, quarries, or natural resources, or rentals from real property, for any taxable year or year of assessment shall be, or may elect to be, subject to the tax of such other contracting State, on the basis which would be applicable if such resident or corporation were engaged in trade or business within such other contracting State through a permanent es-

tablishment therein during such taxable year or year of assessment.

ARTICLE IV

Article V of the Convention of December 13, 1946, is amended by changing the period at the end of paragraph (1) to a comma and the addition thereafter of the words "Provided that if such enterprise is a private company having a permanent establishment within the Union of South Africa nothing in this paragraph shall affect any provisions of the law of the Union of South Africa regarding the imposition upon the shareholders of that private company of the taxes payable in respect of its income."

ARTICLE V

The Convention of December 13, 1946, is amended by the deletion of Article XII.

ARTICLE VI

Article XIV of the Convention of December 13, 1946, is amended by inserting at the end thereof the following sentence: "No information shall be exchanged which would disclose any trade secret or trade process."

ARTICLE VII

Article XV of the Convention of December 13, 1946, is amended by deleting paragraph (4) and subsituting the following:

"(4) The assistance provided for in this Article shall not be accorded in respect of a citizen or national or corporation of the State to which application is made."

ARTICLE VIII

(1) This protocol shall be ratified and the instruments of ratification thereof shall be exchanged at Washington as soon as possible.

(2) This protocol shall be regarded as an integral part of the Convention of December 13, 1946, and shall, except as provided in paragraph 3 of this Article, become effective and continue effective in accordance with Article XVIII (2) of that Convention and, in the event of termination of such Convention, shall terminate simultaneously with such Convention.

(3) Notwithstanding the provisions of Article XVIII of the Convention signed at Pretoria on December 13, 1946, the provisions of Articles I, II and III of this protocol shall become effective and first be applied in respect of income arising on or after the first day of July, 1948.

IN WITNESS WHEREOF the undersigned plenipotentiaries, being authorized thereto by their respective Governments, have signed this protocol and have affixed thereto their seals.

DONE in duplicate, in the English and Afrikaans languages, at Pretoria this fourteenth day of July, 1950.

For the Government of the United States of America:

[SEAL] BERNARD C. CONNELLY
Chargé d'Affaires ad interim of the United States of America.

For the Government of the Union of South Africa:

[SEAL] P. O. SAUER
Minister of Transport of the Union of South Africa.

The PRESIDING OFFICER (Mr. HUNT in the chair). The convention and protocol are before the Senate and open to amendment. If there be no amendment to be proposed, the convention and protocol will be reported to the Senate.

The convention and protocol were reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification, with the reservation and understanding, will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive O, Eightieth Congress, first session, the convention between the United States and the Union of South Africa, for the avoidance of double taxation and for establishing rules of reciprocal administrative assistance with respect to taxes on income, and Executive U, Eighty-first Congress, second session, the protocol supplementing the said convention, subject to the following reservation and understanding:

The Government of the United States of America does not accept paragraph (3) of article II of the protocol, relating to the profits or remuneration of public entertainers.

It is understood that the application of article XV of the convention, as amended by article VII of the protocol, shall be confined and limited as granting authority to each contracting state to collect only such taxes imposed by the other contracting state as will insure that the exemption or reduced rate of tax granted under the present convention by such other state shall not be enjoyed by persons not entitled to such benefits.

The PRESIDING OFFICER. The question is on agreeing to the reservation and understanding to the resolution of ratification.

The reservation and understanding were agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the reservation and understanding. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the reservation and understanding, is agreed to, and the convention and protocol are ratified.

UNION OF SOUTH AFRICA—CONVENTION AND PROTOCOL RELATING TO DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON ESTATES OF DECEASED PERSONS

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive FF, 80th Cong., 1st sess.), a convention between the United States of America and the Union of South Africa, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, signed at Capetown on April 10, 1947, and a protocol (Executive T, 81st Cong., 2d sess.), and a protocol supplementing the said convention, signed at Capetown on July 14, 1950, which were read the second time, as follows:

The Government of the United States of America and the Government of the Union of South Africa, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, have appointed as their respective Plenipotentiaries:

The Government of the United States of America: General Thomas Holcomb, Envoy Extraordinary and Minister Plenipotentiary of the United States of America, and

The Government of the Union of South Africa: Field Marshal the Right Honourable Jan Christiaan Smuts, Prime Minister and Minister of External Affairs of the Union of South Africa.

Who, having exhibited their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

(1) The taxes which are the subject of the present Convention are:

(a) In the United States of America, the Federal estate tax, and

(b) In the Union of South Africa, the estate duty imposed by the Union.

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed by either Contracting Party subsequently to the date of signature of the present Convention.

ARTICLE II

(1) In the present Convention, unless the context otherwise requires:

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and of Hawaii, and the District of Columbia.

(b) The term "Union" means the Union of South Africa.

(c) The term "territory," when used in relation to one or the other Contracting Party, means the United States or the Union, as the context requires.

(d) The term "tax" means the United States Federal estate tax or the estate duty imposed by the Union, as the context requires.

(e) The term "Commissioner for Inland Revenue" means the Commissioner for Inland Revenue of the Union or his duly authorised representatives.

(f) The term "Commissioner of Internal Revenue" means the Commissioner of Internal Revenue of the United States, or his duly authorised representative.

(g) The term "competent authority" means the Commissioner for Inland Revenue or the Commissioner of Internal Revenue and their duly authorised representatives.

(h) The term "corporation" when used in relation to the Union shall be regarded as the equivalent of the term "company" as used in the revenue laws of that State.

(2) In the application of the provisions of the present Convention by one of the Contracting Parties, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting Party relating to the taxes which are the subject of the present Convention.

ARTICLE III

(1) For the purposes of the present Convention, the question whether a decedent was at the time of his death domiciled in any part of the United States or ordinarily resident in any part of the Union shall be determined in accordance with the laws in force in the United States and the Union respectively.

(2) Where a person was at the time of his death domiciled in any part of the United States or ordinarily resident in any part of the Union, then as regards the United States the situs of any of the following rights and interests, legal or equitable, which for the purposes of tax form part of the estate of such person or pass on his death, shall, for the purposes of the imposition of tax, be determined exclusively in accordance with the following rules, and as regards the Union, tax may be imposed on any of the following rights or interests which are deemed under those rules to be situated in its territory, but shall not be imposed on any of the said rights or interests which are deemed to be situated outside its territory unless such person was at the time of his death ordinarily resident in some part of its territory:

(a) Rights or interests (otherwise than by way of security) in or over immovable property shall be deemed to be situated at the place where such property is located;

(b) Rights or interests (otherwise than by way of security) in or over tangible movable property, other than such property for which specific provision is hereinafter made, and in or over bank or currency notes, other forms of currency recognised as legal tender in the place of issue, negotiable bills of exchange and negotiable promissory notes, shall be deemed to be situated at the place where such property, notes, currency or documents are located at the time of death, or, if in transitu, at the place of destination;

(c) Debts, secured or unsecured, including securities issued by any government, municipality or public authority and debentures and debenture stock issued by any corporation, but excluding the forms of indebtedness for which specific provision is made herein, shall be deemed to be situated in the United States if the decedent was at the time of his death domiciled in some part of the United States, and in the Union if the decedent was at the time of his death ordinarily resident in some part of the Union;

(d) Shares or stock in a corporation (including shares or stock held by a nominee where the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place in or under the laws of which such corporation was created or organised;

(e) Monies payable under a policy of assurance or insurance on the life of the decedent shall be deemed to be situated in the United States if the decedent was at the time of his death domiciled in some part of the United States, and in the Union if the decedent was at the time of his death ordinarily resident in some part of the Union;

(f) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration or documentation of the ship or aircraft;

(g) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;

(h) Patents, trade marks and designs shall be deemed to be situated at the place where they are registered;

(i) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trade mark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;

(j) Rights or causes of action ex delicto surviving for the benefit of an estate of a decedent shall be deemed to be situated at the place where such rights or causes of action arose;

(k) Judgment debts shall be deemed to be situated at the place where the judgment is recorded;

Provided that if, apart from this paragraph, tax would be imposed by one Contracting Party on any property, this paragraph shall not apply to such property unless, by reason of its application or otherwise, tax is imposed or would but for some specific exemption be imposed thereon by the other Contracting Party.

ARTICLE IV

(1) In determining the amount on which tax is to be computed permitted deductions shall be allowed in accordance with the law in force in the territory in which the tax is imposed.

(2) Where tax is imposed in the United States on the death of a person who was not domiciled in any part of the United States but was ordinarily resident in some part of the Union, or where tax is imposed in the Union on the death of a person who was not ordinarily resident in any part of the Union but was domiciled in some part of the United States, no account shall be taken, in determining the amount or rate of the tax so imposed, of property which is deemed under paragraph (2) of Article III to be situated outside the territory of the Contracting Party imposing such tax: provided that this paragraph shall not apply as respects tax imposed in the United States in the case of a United States citizen who at the time of his death was ordinarily resident in the Union.

ARTICLE V

(1) Where the United States imposes tax by reason of a decedent's being its national, the United States shall allow against so much of its tax (as otherwise computed) as is attributable to property situated in the Union, a credit (not exceeding the amount of the tax so attributable) equal to so much of the tax imposed in the Union as is attributable to that property; but this paragraph shall not apply in a case to which paragraph (2) (a) or paragraph (3) is applicable.

(2) Where each Contracting Party imposes tax on any property on the death of a person who at the time of his death was—

(a) domiciled in some part of the United States but not ordinarily resident in any part of the Union, or

(b) ordinarily resident in some part of the Union but not domiciled in any part of the United States,

the Contracting Party in some part of whose territory such person was so domiciled or ordinarily resident shall allow against so much of its tax (as otherwise computed) as is attributable to that property a credit (not exceeding the amount of the tax so attributable) equal to so much of the tax imposed in the territory of the other Contracting Party as is attributable to such property; provided that this paragraph shall not apply as respects tax imposed by the United States solely by reason of a decedent's being its national which is attributable to property situated outside the United States.

(3) Where each Contracting Party imposes tax on property on the death of a person who at the time of his death was domiciled in some part of the United States and ordinarily resident in some part of the Union—

(a) in the case of any property which is deemed under paragraph (2) of Article III to be situated in the territory of one only of the Contracting Parties, the other Contracting Party shall allow against so much of its tax (as otherwise computed) as is attributable to that property a credit (not exceeding the amount of the tax so attributable) equal to so much of the tax imposed in the territory of the first mentioned Contracting Party as is attributable to such property;

(b) in the case of any other property each Contracting Party shall allow against so much of its tax (as otherwise computed) as is attributable to the property a credit which bears the same proportion to the amount of its tax so attributable or to the amount of the other Party's tax attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

(4) For the purposes of this Article, the amount of the tax of a Contracting Party attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of tax, otherwise than in respect of tax payable in the territory of the other Contracting Party.

(5) The allowance by the Union under this Article of a credit for tax imposed in the United States in respect of any property shall be subject to the condition that no deduction in respect of the tax so imposed shall be made for the purpose of determining the amount of the estate on which tax is chargeable in the Union.

ARTICLE VI

(1) Any claim for a credit or for a refund of tax founded on the provisions of the present Convention shall be made within six years from the date of the death of the decedent in respect of whose estate the claim is made, or, in the case of a reversionary interest where payment of tax is deferred until on or after the date on which the interest falls into possession, within six years from that date.

(2) Any such refund shall be made without payment of interest on the amount so refunded.

ARTICLE VII

With a view to the more effective imposition of the taxes to which the present Convention relates, each of the Contracting Parties undertakes to furnish to the other Contracting Party such information in the matter of taxation, which the competent authority of the former Contracting Party has at his disposal or is in a position to obtain under the laws of that Party, as may be of use to the competent authority of such other Party in the assessment of the taxes to which the present Convention relates and to lend assistance in the service of documents in connection therewith. Such information and correspondence relating to the subject matter of this Article shall be exchanged between the competent authorities of the Contracting Parties in the ordinary course or on request.

ARTICLE VIII

(1) Each Contracting Party undertakes to lend assistance and support in the collection of the taxes to which the present Convention relates, together with interest, costs, and additions to the taxes and fines not being of a penal character. The Contracting Party making such collections shall be responsible to the other Contracting Party for the sums thus collected.

(2) In the case of applications for enforcement of taxes, revenue claims of each of the Contracting Parties which have been finally determined shall be accepted for enforcement by the other Contracting Party and collected in the territory of that Party in accordance with the laws applicable to the enforcement and collection of its own taxes.

(3) The application shall be accompanied by such documents as are required by the laws of the Contracting Party making the application to establish that the taxes have been finally determined.

(4) If the revenue claim has not been finally determined the Contracting Party to which application is made may, at the request of the other Contracting Party, take such measures of conservancy as are authorised by the revenue laws of the former Party in relation to its own taxes.

ARTICLE IX

(1) In the administration of the provisions of the present Convention relating to exchange of information, service of documents, and mutual assistance in collection of taxes, fees and costs incurred in the ordinary course shall be borne by the Contracting Party to which application is made but extraordinary costs incident to special forms of procedure shall be borne by the applying Party.

(2) Documents and other communications or information contained therein, transmitted under the provisions of the present Convention by one of the competent authorities to the other shall not be used by the latter except in the performance of his duty in the determination, assessment and collection of the taxes.

ARTICLE X

(1) Such regulations as may be necessary to interpret and carry out the provisions of the present Convention may be prescribed by each of the Contracting Parties. With respect to the provisions of the present Convention relating to exchange of information, service of documents and mutual assistance in the collection of taxes, the competent authorities may, by common agreement, prescribe rules concerning matters of procedure, forms of application and replies thereto, conversion of currency, disposition of amounts

collected, minimum amounts subject to collection, and related matters.

(2) The competent authorities of the two Contracting Parties may communicate with each other directly for the purpose of giving effect to the provisions of the present Convention.

ARTICLE XI

If any person liable for any of the taxes to which the present Convention relates can show that double taxation has resulted or may result in respect of such taxes he shall be entitled to lodge a claim or protest with the Contracting Party of which he is a citizen or resident, or, if a corporation or other entity, with the Contracting Party in which created or organized. If the claim or protest should be deemed worthy of consideration, the competent authority of such Party may consult with the competent authority of the other Party to determine whether the alleged double taxation exists or may occur and if so whether it may be avoided in accordance with the terms of the present Convention.

ARTICLE XII

The provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance now or hereafter accorded by the laws of one of the Contracting Parties in the determination of the tax imposed by such Contracting Party.

ARTICLE XIII

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible. (2) The present Convention shall come into force on the date of exchange of instruments of ratification and shall be effective only as to—

(a) the estates of persons dying on or after such date; and

(b) the estate of any person dying before such date and after the 30th day of June, 1944, whose personal representative elects, in such manner as may be prescribed, that the provisions of the present Convention shall be applied to such estate.

ARTICLE XIV

(1) The present Convention shall remain in force for not less than three years after the date of its coming into force.

(2) If, not less than six months before the expiration of such period of three years, neither of the Contracting Parties shall have given to the other Contracting Party, through diplomatic channels, written notice of its intention to terminate the present Convention, the Convention shall remain in force after such period of three years until either of the Contracting Parties shall have given written notice of such intention, in which event the present Convention shall not be effective as to the estates of persons dying on or after the date (not being earlier than the sixtieth day after the date of such notice) specified in such notice, or, if no date is specified, on or after the sixtieth day after the date of such notice.

IN WITNESS WHEREOF the above-mentioned Plenipotentiaries have signed the present Convention and have affixed thereto their seals.

DONE at Cape Town, in duplicate, in the English and Afrikaans languages, the tenth day of April, 1947.

For the Government of the United States of America:

[SEAL] T HOLCOMB

For the Government of the Union of South Africa:

[SEAL] J C SMUTS

The Government of the United States of America and the Government of the Union of South Africa,

Desiring to conclude a protocol supplementing the Convention for the avoidance of double taxation and for establishing rules of reciprocal administrative assistance with respect to taxes on the estates of deceased persons which was signed at Cape Town on April 10, 1947,

Have agreed as follows:—

ARTICLE I

Article VIII of the Convention signed April 10, 1947, relating to taxes on the estates of deceased persons, is amended by deleting paragraph (4) and substituting the following:—

"(4) The assistance provided for in this Article shall not be accorded in respect of any citizen or national, or the estate of any citizen or national, of the Contracting Party to which application is made except where such citizen or national or estate is entitled to the allowance of a credit under Article V of the present Convention."

ARTICLE II

1. This protocol shall be ratified and the instruments of ratification thereof shall be exchanged at Washington as soon as possible.

2. This protocol shall become effective and continue effective in accordance with Article XIII of the Convention of April 10, 1947, and, in the event of termination of such Convention, shall terminate simultaneously with such Convention.

IN WITNESS WHEREOF the undersigned plenipotentiaries, being authorised thereto by their respective Governments, have signed this protocol and have affixed thereto their seals.

DONE in duplicate, in the English and Afrikaans languages, at Pretoria this the fourteenth day of July, 1950.

For the Government of the United States of America:

[SEAL] BERNARD C. CONNELLY
Chargé d'Affaires ad interim of the United States of America.

For the Government of the Union of South Africa:

[SEAL] P. O. SAUER
Minister of Transport of the Union of South Africa.

The PRESIDING OFFICER. The convention and protocol are before the Senate and open to amendment. If there be no amendment to be proposed, the convention and protocol will be reported to the Senate.

The convention and protocol were reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the understanding will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive FF, Eightieth Congress, first session, the convention between the United States and the Union of South Africa, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, and Executive T, Eighty-first Congress, second session, the protocol supplementing the said convention, subject to the following understanding:

It is understood that the application of article VIII of the convention, as amended by article I of the protocol, shall be confined and limited as granting authority to each contracting party to collect taxes imposed by the other party only in the case of the estate of a decedent claiming a credit under article V of the convention.

The PRESIDING OFFICER. The question is on agreeing to the understanding to the resolution of ratification.

The understanding was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the understanding. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the understanding, is agreed to, and the convention and protocol are ratified.

NEW ZEALAND—CONVENTION RELATING TO TAXES ON INCOME

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive J, 80th Cong., 2d sess.), a convention between the United States of America and New Zealand, relating to taxes on income, signed at Washington on March 16, 1948, which was read the second time, as follows:

The Government of the United States of America and the Government of New Zealand,

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

Have appointed for that purpose as their Plenipotentiaries:

The Government of the United States of America:

Mr. George C. Marshall, Secretary of State of the United States of America, and

The Government of New Zealand:

The Right Honorable Walter Nash, P. C. Minister of Finance and Minister of Customs for New Zealand,

Who, having communicated to each other their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

(1) The taxes which are the subject of the present Convention are—

(a) In New Zealand:

The income-tax and social security charge (hereinafter referred to as New Zealand Tax).

(b) In the United States of America:

The Federal income taxes, including surtaxes (hereinafter referred to as United States tax).

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed by either Contracting Government subsequently to the date of signature of the present Convention or by the Government of any territory to which the preset Convention is extended under Article XX.

ARTICLE II

(1) In the present Convention, unless the context otherwise requires—

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and of Hawaii, and the District of Columbia.

(b) For the purposes of this Convention New Zealand includes all islands and territories within the limits thereof for the time being including the Cook Islands.

(c) The terms "territory of one of the Contracting Governments" and "territory of the other Contracting Government" mean the United States or New Zealand, as the context requires.

(d) The term "tax" means United States tax or New Zealand tax, as the context requires.

(e) The term "person" includes any body of persons, corporate or not corporate.

(f) The term "company" means any body corporate.

(g) The term "United States corporation" means a corporation, association or other like entity created or organized in, or under the laws of, the United States.

(h) The term "New Zealand corporation" means any kind of juridical person created under the laws of New Zealand.

(i) The terms "corporation of one Contracting Government" and "corporation of the other Contracting Government" mean a United States corporation or a New Zealand corporation, as the context requires.

(j) The term "resident of New Zealand" means any person (other than a citizen of the United States or a United States corporation) who is resident in New Zealand for the purposes of New Zealand tax and not resident in the United States for the purposes of United States tax. A corporation is to be regarded as resident in New Zealand if it is incorporated under the laws of, or if its business is managed and controlled in, New Zealand.

(k) The term "resident of the United States" means any individual who is resident in the United States for the purposes of United States tax and not resident in New Zealand for the purposes of New Zealand tax, and any United States corporation and any partnership created or organized in, or under the laws of, the United States, being a corporation or partnership which is not resident in New Zealand for the purposes of New Zealand tax.

(l) The terms "resident of the territory of one of the Contracting Governments" and "resident of the territory of the other Contracting Government" mean a resident of the United States or a resident of New Zealand, as the context requires.

(m) The terms "United States enterprise" and "New Zealand enterprise" mean, respectively, an industrial or commercial enterprise or undertaking carried on by a resident of the United States and an industrial or commercial enterprise or undertaking carried on by a resident of New Zealand; and the terms "enterprise of one of the Contracting Governments" and "enterprise of the other Contracting Government" mean a United States enterprise or a New Zealand enterprise, as the context requires.

(n) The term "industrial or commercial profits" includes manufacturing, mercantile, mining, financial and farming profits, but does not include income in the form of dividends, interest, rents or royalties, insurance premiums, management charges, or remuneration for personal services.

(o) The term "permanent establishment", when used with respect to an enterprise of one of the Contracting Governments, means a branch, management, factory, mine, farm, or other fixed place of business, but does not include an agency unless the agent has, and habitually exercises, a general authority to negotiate and conclude contracts on behalf of such enterprise or regularly fills orders on its behalf from a stock of goods or merchandise.

An enterprise of one of the Contracting Governments shall not be deemed to have a permanent establishment in the territory of the other Contracting Government merely because it carries on business dealings in that territory through a bona fide broker or general commission agent acting in the ordinary course of his business as such.

The fact that an enterprise of one of the Contracting Governments maintains a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute that fixed place of business a permanent establishment of the enterprise.

The fact that a corporation of one Contracting Government has a subsidiary corporation which is a corporation of the other Contracting Government or which is engaged in trade or business in the territory of such other Contracting Government (whether through a permanent establishment or otherwise) shall not of itself constitute that subsidiary corporation a permanent establishment of its parent corporation. The maintenance within the territory of one of the Contracting Governments by an enterprise of the other Contracting Government of a warehouse for convenience of delivery and not for purposes of display shall not of itself constitute a permanent establishment within that territory even though offers of purchase have been obtained by an agent of the enterprise in that territory and transmitted by him to the enterprise for acceptance.

(2) In the application of the provisions of the present Convention by one of the Contracting Governments any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting Government relating to the taxes which are the subject of the present Convention.

ARTICLE III

(1) The industrial or commercial profits of a United States enterprise shall not be subject to New Zealand tax unless the enterprise is engaged in trade or business in New Zealand through a permanent establishment situated therein. If it is so engaged, New Zealand tax may be imposed on the entire income of such enterprise from sources within New Zealand. Nothing in this paragraph shall affect any provisions of the law of New Zealand regarding the taxation of income from the business of insurance.

(2) The industrial or commercial profits of a New Zealand enterprise shall not be subject to United States tax unless the enterprise is engaged in trade or business in the United States through a permanent establishment situated therein. If it is so engaged, United States tax may be imposed on the entire income of such enterprise from sources within the United States.

(3) Where an enterprise of one of the Contracting Governments is engaged in trade or business in the territory of the other Contracting Government through a permanent establishment situated therein, there shall be attributed to that permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities and dealing at arm's length with the enterprise of which it is a permanent establishment, and the profits so attributed shall be deemed to be income derived from sources within the territory of such other Contracting Government.

(4) In determining the industrial or commercial profits from sources within the territory of one of the Contracting Governments of an enterprise of the other Contracting Government no profits shall be deemed to arise from the mere purchase of goods or merchandise within the territory of the former Contracting Government by such enterprise.

(5) In the determination of the industrial or commercial profits of the permanent establishment there shall be allowed as deductions all expenses of a type allowed as a deduction by the Contracting Government in whose territory the permanent establishment is situated and which are reasonably applicable to the permanent establishment, including executive and general administrative expenses so applicable.

(6) If the information available to the taxation authority concerned is inadequate to determine the profits to be attributed to the permanent establishment, nothing in this paragraph shall affect the application of the law of either territory in relation to the liability of the permanent establishment to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the taxation authority of that territory: Provided that such discretion shall be exercised or such estimate shall be made, so far as the information available to the taxation authority permits, in accordance with the principle stated in this paragraph.

ARTICLE IV

(1) Where

(a) an enterprise of one of the Contracting Governments participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting Government, or

(b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the Contracting Governments and an enterprise of the other Contracting Government, and

(c) in either case conditions are made or imposed between the two enterprises, in their commercial or financial relations which differ from those which would be made between independent enterprises,

then any profits which would but for those conditions have accrued to one of the enterprises but by reason of these conditions have not so accrued may be included in the profits of that enterprise and taxed accordingly.

(2) If the information available to the taxation authority concerned is inadequate to determine, for the purposes of paragraph (1) of this Article, the profits which might be expected to accrue to an enterprise, nothing in that paragraph shall affect the application of the law of either territory in relation to the liability of that enterprise to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the taxation authority of that territory: Provided that such discretion shall be exercised or such estimate shall be made, so far as the information available to the taxation authority permits, in accordance with the principle stated in this paragraph.

(3) For the purpose of this Article an industrial or commercial enterprise or undertaking carried on by a United States citizen resident in New Zealand or by a United States corporation managed and controlled in New Zealand shall be deemed to be a New Zealand enterprise.

ARTICLE V

(1) Notwithstanding the provisions of Articles III and IV of the present Convention, profits which an individual resident of New Zealand or a New Zealand corporation derives from operating ships or aircraft shall be exempt from United States tax.

(2) Notwithstanding the provisions of Articles III and IV of the present Convention, profits which a citizen of the United States not resident in New Zealand, or a United States corporation not resident in New Zealand, derives from operating ships or aircraft shall be exempt from New Zealand tax.

ARTICLE VI

(1) The rate of United States tax on dividends derived from sources within the United States by a resident of New Zealand not engaged in trade or business within the United States through a permanent establishment therein shall not exceed 15 percent: Provided that such rate of tax shall not exceed 5 percent if such resident is a corporation controlling, directly or indirectly, at least 95 percent of the entire voting power in the corporation paying the dividend, and not more than 25 percent of the gross income of such paying corporation is derived from interest and dividends, other than interest and dividends received from its own subsidiary corporations. Such reduction of the rate to 5 percent shall not apply if the relationship of the two corporations has been arranged or is maintained primarily with the intention of securing such reduced rate.

(2) In the event that New Zealand should impose at any time tax on dividends derived from sources within New Zealand by a nonresident thereof, including a resident of the United States, not engaged in trade or business within New Zealand through a permanent establishment therein at a rate in excess of 15 percent (or 5 percent in cases corresponding to those within the scope of the

proviso in paragraph (1) of this Article), either of the Contracting Governments may terminate this Article provided that notice of termination is given in writing, and, in such event, this Article shall cease to be effective as respects United States tax for the taxable years beginning on or after the first day of January next following the date on which such notice is given.

ARTICLE VII

(1) A resident of the territory of one of the Contracting Governments deriving from sources within the territory of the other Contracting Government—

(a) royalties in respect of the operation of mines, quarries or natural resources, or

(b) rentals from real property, or

(c) royalties or other amounts paid as consideration for the use of, or for the privilege of using, any copyright, patent, design, secret process or formula, trademark or other like property, may elect for any taxable year to be subject to the tax of such other Contracting Government, on a net basis, as if such resident were engaged in trade or business within the territory of such other Contracting Government through a permanent establishment therein during such taxable year.

(2) The provisions of this Article shall not apply to income falling within the scope of Article VIII of the present Convention.

ARTICLE VIII

(1) Rentals in respect of motion picture films derived from sources within the territory of one of the Contracting Governments by a resident of the territory of the other Contracting Government who is not engaged in trade or business through a permanent establishment in the former territory shall be exempt from tax by the former Government.

(2) The provisions of this Article shall not be construed to affect the New Zealand film-hire tax or the income-tax imposed by New Zealand on income which is taxable under New Zealand law and which is derived by any person from the business of renting motion picture films.

ARTICLE IX

(1) An individual who is a resident of the United States shall be exempt from New Zealand tax on profits or remuneration in respect of personal (including professional) services performed within New Zealand in any income year if—

(a) he is present within New Zealand for a period or periods not exceeding in the aggregate 183 days during that year, and

(b) the services are performed for or on behalf of a person resident in the United States.

(2) An individual who is a resident of New Zealand shall be exempt from United States tax on profits or remuneration in respect of personal (including professional) services performed within the United States in any taxable year if—

(a) he is present within the United States for a period or periods not exceeding in the aggregate 183 days during that year, and

(b) the services are performed for or on behalf of a person resident in New Zealand.

(3) For the purposes of this Article a corporation of one Contracting Government shall not be deemed to be a resident of the territory of the other Contracting Government even though it has a permanent establishment in that territory.

(4) The provisions of this Article shall not apply to the profits or remuneration of public entertainers such as stage, motion picture or radio artists, musicians and athletes.

ARTICLE X

(1) Remuneration, wages or salary (other than pensions) paid by the Government of the United States for services rendered to the United States in the discharge of governmental functions to an individual who is a citizen of the United States or who is ordinarily resident in New Zealand solely for the purpose of rendering such services shall be exempt from New Zealand tax.

(2) Remuneration, salary and wages (other than pensions) paid by the Government of New Zealand to an individual (other than a citizen of the United States) for services rendered to New Zealand in the discharge of governmental functions shall be exempt from United States tax.

(3) The provisions of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the Contracting Governments for purposes of profit.

ARTICLE XI

Income (other than dividends paid by a company resident in New Zealand) of a person who is a resident of the United States which is exempt from New Zealand tax under any provision of the present Convention shall not be included in that person's total income for the purpose of determining the amount of any New Zealand tax payable in respect of income of that person which is assessable to New Zealand tax.

ARTICLE XII

(1) Dividends paid by a New Zealand corporation shall be exempt from United States tax except where the recipient is a citizen of, or resident in, the United States or a United States corporation.

(2) Dividends paid by a United States corporation shall be exempt from New Zealand tax except where the recipient is resident in New Zealand.

ARTICLE XIII

(1) Subject to section 131 of the United States Internal Revenue Code as in effect on the date of signature of this Convention, New Zealand tax shall be allowed as a credit against United States tax.

(2) If, under the law in force in New Zealand at any time while the present Convention is in effect, New Zealand tax is payable in respect of income from sources within the United States in respect of which United States tax is payable, the United States tax payable (whether directly or by deduction) in respect of any such income shall, subject to such provisions (which shall not affect the general principle hereof) as may be enacted in New Zealand, be allowed as a credit against any New Zealand tax payable in respect of that income. For the purposes of this paragraph the terms "United States tax" and "New Zealand tax" do not include any penalty imposed under the laws of the United States or New Zealand relating to the taxes which are the subject of the present Convention and the term "New Zealand tax" does not include social security charge.

(3) For the purposes of this Article, profits or remuneration for personal (including professional) services performed in the territory of one of the Contracting Governments shall be deemed to be income from sources within that territory.

ARTICLE XIV

A professor or teacher who is normally a resident of the territory of one of the Contracting Governments and who receives remuneration for teaching, during a period of temporary residence not exceeding two years, at a university, college, school or other educational institution in the territory of the other Contracting Government, shall be exempt from tax by such other Government in respect of such remuneration.

ARTICLE XV

A student or business or trade apprentice who is normally resident in the territory of one of the Contracting Governments and who is receiving full-time education or training in the territory of the other Contracting Government shall be exempt from tax by such other Government on payments made to him by persons in the territory of the former Government for the purpose of his maintenance, education or training.

ARTICLE XVI

(1) The taxation authorities of the Contracting Governments shall exchange such information (being information available under the respective taxation laws of the Contracting Governments) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or for the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than persons (including a court) concerned with the assessment or collection of the taxes which are the subject of the present Convention or the determination of appeals in relation thereto. No information shall be exchanged which would disclose any trade secret or trade process.

(2) The term "taxation authorities" means, in the case of New Zealand, the Commissioner of Taxes or his authorized representative; in the case of the United States, the Commissioner of Internal Revenue or his authorized representative.

ARTICLE XVII

Each of the Contracting Governments may collect such tax imposed by the other Contracting Government as will ensure that the exemption or reduced rate of tax granted under the present Convention by such other Government shall not be enjoyed by persons not entiled to such benefits.

ARTICLE XVIII

(1) Where a person shows proof that the action of the revenue authorities of the Contracting Governments has resulted or may result in double taxation in his case (including for this purpose adjustments as between taxpayers affected by Article IV) in respect of any of the taxes to which the present Convention relates, he shall be entitled to lodge a claim with the Government of which he is a citizen or in whose territory he is resident. If the claim should be deemed worthy of consideration, the taxation authorities of such Government may consult with the taxation authorities of the other Government to determine whether the double taxation in question may be avoided.

(2) The taxation authorities of the two Contracting Governments may prescribe regulations to carry into effect the present Convention within the respective States and rules with respect to the exchange of information.

(3) the taxation authorities of the two Contracting Governments may communicate with each other directly for the purpose of giving effect to the provisions of the present Convention.

ARTICLE XIX

The Provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance accorded by the laws of one of the Contracting Governments in the determination of the tax imposed by such Government.

ARTICLE XX

(1) Either of the Contracting Governments may, on the coming into force of the present Convention or at any time while it continues in force, by a written notification of extension given to the other Contracting Government declare its desire that the operation of the present Convention shall extend to all or any of its overseas territories or other territories for which it has international responsibility which impose taxes substantially similar in character to those which are the subject of the present Convention. The present Convention shall apply to the territory or territories named in such notification on the date or dates specified in the

notification (not being less than sixty days from the date of the notification) or, if no date is specified in respect of any such territory, on the sixtieth day after the date of the notification, unless prior to the date on which the present Convention would otherwise become applicable to a particular territory, the Contracting Government to whom notification is given shall have informed the other Contracting Government in writing that it does not accept the notification as to that territory. In the absence of such an extension, the present Convention shall not apply to any such territory.

(2) At any time after the expiration of one year from the entry into force of an extension under paragraph (1) of this Article, either of the Contracting Governments may, by written notice of termination given to the other Contracting Government, terminate the application of the present Convention to any territory to which it has been extended under paragraph (1), and in that event the present Convention shall cease to apply, as from the date or dates specified in the notice, which shall not be less than sixty days after the date on which such notice is given, or, if no date is specified, at the expiration of six months after the date of the notice, to the territory or territories named therein, but without affecting its continued application to New Zealand, the United States or to any other territory to which it has been extended under paragraph (1) hereof.

(3) In the application of the present Convention in relation to any territory to which it is extended by notification by the United States or New Zealand, references to the "United States" or, as the case may be, "New Zealand" shall be construed as references to that territory.

(4) The termination in respect of the United States or New Zealand of the present Convention under Article XXII shall, unless otherwise expressly agreed by both Contracting Governments, terminate the application of the present Convention to any territory to which the present Convention has been extended by New Zealand or the United States.

ARTICLE XXI

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

(2) Upon exchange of instruments of ratification, the present Convention shall have effect—

(a) as respects United States tax, for the taxable years beginning on or after the first day of January in the calendar year in which occurs the exchange of the instruments of ratification.

(b) as respects New Zealand tax, for the year of assessment beginning on the first day of April next following the calendar year in which occurs the exchange of the instruments of ratification.

ARTICLE XXII

The present Convention shall continue effective for a period of two years and indefinitely after that period, but may be terminated by either Contracting Government at the end of such period or at any time thereafter, provided that at least six months' prior notice of termination has been given in writing and, in such event, the present Convention shall cease to be effective—

(a) as respects United States tax, for the taxable years beginning on or after the first day of January next following the expiration of the six-month period,

(b) as respects New Zealand tax, for the years of assessment beginning on or after the first day of April in the second year following the expiration of the six-month period.

DONE at Washington, in duplicate, this 16th day of March, 1948.

For the Government of the United States of America:

G C MARSHALL [SEAL]

Secretary of State of the United States of America

For the Government of New Zealand:

W. NASH [SEAL]

Minister of Finance and Minister of Customs for New Zealand

The PRESIDING OFFICER. The convention is before the Senate and open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the reservation will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive J, Eightieth Congress, second session, the convention between the United States and New Zealand, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, subject to the following reservation:

The Government of the United States of America does not accept paragraph (4) of article IX of the convention, relating to the profits or remuneration of public entertainers.

The PRESIDING OFFICER. The question is on agreeing to the reservation to the resolution of ratification.

The reservation was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the reservation. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the reservation, is agreed to, and the convention is ratified.

NORWAY—CONVENTION RELATING TO DOUBLE TAXATION ON INCOME

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive Q, 81st Cong., 1st sess.), a convention between the United States of America and Norway for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, signed at Washington, June 13, 1949, which was read the second time, as follows:

The President of the United States of America and His Majesty the King of Norway, desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, have appointed for that purpose as their respective Plenipotentiaries:

The President of the United States of America:

James E. Webb, Acting Secretary of State of the United States of America, and

His Majesty the King of Norway:

Wilhelm Munthe Morgenstierne, Ambassador Extraordinary and Plenipotentiary of Norway at Washington,

who, having communicated to one another their full powers, found in good and due form, have agreed upon the following Articles:

ARTICLE I

(1) The taxes referred to in this Convention are:

(a) In the case of the United States of America:

The Federal income tax, including surtaxes.

(b) In the case of Norway:

The national and the communal income taxes, including the old age pension tax, the war pension tax, the tax on bank deposits and the seamen's tax.

(2) The present Convention shall also apply to any other income taxes of a substantially similar character imposed by either contracting State subsequently to the date of signature of the present Convention.

ARTICLE II

(1) As used in this Convention:

(a) The term "United States" means the United States of America, and when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(b) The term "Norway" means the Kingdom of Norway; the provisions of the Convention shall not, however, extend to Svalbard and Jan Mayen, nor do they apply to the Norwegian dependencies outside Europe.

(c) The term "permanent establishment" means a branch office, factory, workshop, warehouse or other fixed place of business, but does not include the casual and temporary use of merely storage facilities, nor does it include an agency unless the agent has and exercises a general authority to negotiate and conclude contracts on behalf of an enterprise or has a stock of merchandise from which he regularly fills orders on its behalf. An enterprise of one of the contracting States shall not be deemed to have a permanent establishment in the other State merely because it carries on business dealings in such other State through a bona fide commission agent, broker or custodian acting in the ordinary course of his business as such. The fact that an enterprise of one of the contracting States maintains in the other State a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute such fixed place of business a permanent establishment of such enterprise. The fact that a corporation of one contracting State has a subsidiary corporation which is a corporation of the other State or which is engaged in trade or business in the other State shall not of itself constitute that subsidiary corporation a permanent establishment of its parent corporation.

(d) The term "enterprise of one of the contracting States" means, as the case may be, "United States enterprise" or "Norwegian enterprise".

(e) The term "enterprise" includes every form of undertaking whether carried on by an individual, partnership, corporation, or any other entity.

(f) The term "United States enterprise" means an enterprise carried on in the United States by a resident of the United States or by a United States corporation or other entity; the term "United States corporation or other entity" means a partnership, corporation or other entity created or organized in the United States or under the law of the United States or of any State or Territory of the United States.

(g) The term "Norwegian enterprise" means an enterprise carried on in Norway by a resident of Norway or by a Norwegian corporation or other entity; the term "Norwegian corporation or other entity" means a partnership, corporation or other entity created or organized in Norway or under Norwegian laws.

(h) The term "competent authorities" means, in the case of the United States, the

Commissioner of Internal Revenue or his authorized representative; and in the case of Norway, the Ministry of Finance and Customs.

(2) In the application of the provisions of the present Convention by one of the contracting States any term not otherwise defined shall, unless the context otherwise requires, have the meaning which such term has under its own tax laws.

ARTICLE III

(1) An enterprise of one of the contracting States shall not be subject to taxation in the other contracting State in respect of its industrial and commercial profits unless it is engaged in trade or business in such other State through a permanent establishment situated therein. If it is so engaged such other State may impose its tax upon such profits of the enterprise from sources within such other State.

(2) In determining the industrial or commercial profits from sources within the territory of one of the contracting States of an enterprise of the other contracting State, no profits shall be deemed to arise from the mere purchase of goods or merchandise within the territory of the former contracting State by such enterprise.

(3) Where an enterprise of one of the contracting States is engaged in trade or business in the territory of the other contracting State through a permament establishment situated therein, there shall be attributed to such permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment and the profits so attributed shall, subject to the law of such other contracting State, be deemed to be income from sources within the territory of such other contracting State.

(4) The competent authorities of the two contracting States may lay down rules by agreement for the apportionment of industrial and commercial profits.

ARTICLE IV

Where an enterprise of one of the contracting States, by reason of its participation in the management or the financial structure of an enterprise of the other contracting State, makes with or imposes on the latter, in their commercial or financial relations, conditions different from those which would be made with an independent enterprise, any profits which would normally have accrued to one of the enterprises, but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

ARTICLE V

(1) Income which an enterprise of one of the contracting States derives from the operation of ships or aircraft shall be exempt from taxation in the other contracting State.

(2) The provisions of this Article shall be deemed to suspend the arrangement between the United States and Norway providing for relief from double income taxation on shipping profits, effected by exchanges of notes dated November 26, 1924, January 23, 1925, and March 24, 1925.

ARTICLE VI

Interest on bonds, securities, notes, debentures, or on any other form of indebtedness derived from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not having a permanent establishment in the former State shall be exempt from taxation in such former State.

ARTICLE VII

Royalties and other amounts derived, as consideration for the right to use copyrights, artistic and scientific works, patents, designs, secret processes and formulas, trade-marks and other like property (including rentals and like payments in respect of motion picture films), from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not having a permanent establishment in the former State shall be exempt from taxation in such former State: Provided, That each of the contracting States reserves the right according to the principles of Article IV to deny a deduction to the payor thereof for such royalty or any portion thereof as is not considered by the revenue authorities of such State to be reasonable consideration for the right to use the property referred to in this article.

ARTICLE VIII

(1) Income from real property (not including interest derived from mortgages and bonds secured by real property) and royalties in respect of the operation of mines, quarries, or other natural resources, shall be taxable only in the contracting State in which such property, mines, quarries, or other natural resources are situated.

(2) A resident or corporation of one of the contracting States deriving any such income from sources within the other contracting State may, for any taxable year, elect to be subject to the tax of such other contracting State, on a net basis, as if such resident or corporation were engaged in trade or business within such other contracting State through a permanent establishment therein during such taxable year.

ARTICLE IX

Gains derived from the sale or exchange of real property shall be taxable only in the contracting State in which such property is situated.

ARTICLE X

(1) A resident of Norway shall be exempt from United States tax upon compensation for labor or personal services (including the practice of the liberal and artistic professions) if he is temporarily present in the United States for a period or periods not exceeding a total of 183 days during the taxable year and either of the following conditions is met:

(a) his compensation is received for labor or personal services performed as an employee, or under contract with, a resident, or corporation or other entity of Norway, or

(b) his compensation received for labor or personal services does not exceed $10,000.

(2) The provisions of paragraph (1) of this Article shall apply mutatis mutandis, to a resident of the United States with respect to compensation for such labor or personal services performed in Norway.

(3) The provisions of paragraphs (1) and (2) of this Article shall have application to directors' fees representing reasonable compensation for services rendered whether or not the recipient of such fees has been present at any time during the taxable year in the contracting State from which payment of such fees has been made.

(4) The provisions of this Article shall have no application to the income to which Article XI (1) relates.

ARTICLE XI

(1) (a) Wages, salaries and similar compensation, and pensions paid by the United States or by the political subdivisions or territories thereof to an individual (other than a Norwegian citizen who is not also a citizen of the United States) shall be exempt from Norwegian tax.

(b) Wages, salaries and similar compensation, and pensions paid either directly by, or from funds or institutions created by, Norway or Norwegian communities or counties (fylker) to an individual (other than a United States citizen who is not also a citizen of Norway) shall be exempt from United States tax.

(2) Private pensions and life annuities derived from within one of the contracting States and paid to individuals residing in the other contracting State shall be exempt from taxation in the former State.

(3) The term "pensions," as used in this Article, means periodic payments made in consideration for services rendered or by way of compensation for injuries received.

(4) The term "life annuities" as used in this Article means a stated sum payable periodically at stated times during life, or during a specified number of years, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

ARTICLE XII

A professor or teacher, a resident of one of the contracting States, who temporarily visits the other contracting State for the purpose of teaching for a period not exceeding two years at a university, college, school or other educational institution in the other contracting State, shall be exempted in such other contracting State from tax on his remuneration for such teaching for such period.

ARTICLE XIII

A student or apprentice, a resident of one of the contracting States, who temporarily visits the other contracting State exclusively for the purposes of study or for acquiring business or technical experience shall not be taxable in the latter State in respect of remittances received by him from abroad for the purposes of his maintenance or studies.

ARTICLE XIV

(1) It is agreed that double taxation shall be avoided in the following manner:

(a) The United States in determining its taxes specified in Article I of this Convention in the case of its citizens, residents or corporations may, regardless of any other provision of this Convention, include in the basis upon which such taxes are imposed all items of income taxable under the revenue laws of the United States as if this Convention had not come into effect. The United States shall, however, subject to the provisions of section 131, Internal Revenue Code, as in effect on the date of the entry into force of this Convention, deduct from its taxes the amount of Norwegian taxes specified in Article I of this Convention.

(b) Norway in determining its taxes specified in Article I of this Convention in the case of its residents or corporations may, regardless of any other provision of this Convention, include in the basis upon which such taxes are imposed all items of income taxable under the revenue laws of Norway as if the Convention had not come into effect. Norway shall, however, deduct from the taxes so calculated that portion of such tax liability which the taxpayer's income from sources in the United States (not exempt from United States tax under this Convention) bears to his entire income. The competent authority of Norway may, however, decide that the deduction shall not exceed the United States tax on income taxable in the United States.

(2) The provisions of this Article shall not be construed to deny the exemptions from United States tax or Norwegian tax, as the case may be, granted by Article XI (1) of this Convention.

ARTICLE XV

With a view to the more effective imposition of the taxes to which the present Convention relates, each of the contracting

States undertakes, subject to reciprocity, to furnish such information in the matter of taxation, which the authorities of the State concerned have at their disposal or are in a position to obtain under their own law, as may be of use to the authorities of the other State in the assessment of the taxes in question and to lend assistance in the service of documents in connection therewith. Any information so exchanged shall be treated as secret and shall only be disclosed to persons (including a court) concerned with the assessment, determination and collection of the taxes which are the subject of the present Convention, or the determination of appeals in relation thereto. No information shall be exchanged which would disclose a trade, business, industrial or professional secret. Information and correspondence relating to the subject matter of this Article shall be exchanged between the competent authorities of the contracting States in the ordinary course or on request.

ARTICLE XVI

In accordance with the preceding Article and insofar as may be found to be practicable, the competent authorities of each contracting State shall forward to the competent authorities of the other contracting State as soon as practicable after the close of each calendar year the following information relating to such calendar year:

The names and addresses of all addressees within such other State deriving from sources within the former State dividends, interest, royalties, pensions, annuities, wages, salaries, rents, or other fixed or determinable annual or periodical income, showing the amount of such income with respect to each addressee.

ARTICLE XVII

(1) The contracting States undertake to lend assistance and support to each other in the collection of the taxes which are the subject of the present Convention, together with interest, costs, and additions to the taxes.

(2) In the case of applications for enforcement of taxes, revenue claims of each of the contracting States which have been finally determined may be accepted for enforcement by the other contracting State and may be collected in that State in accordance with the laws applicable to the enforcement and collection of its own taxes.

(3) Any application shall include a certification that under the laws of the State making the application the taxes have been finally determined.

(4) The assistance provided for in this Article shall not be accorded with respect to the citizens, corporations, or other entities of the States to which application is made.

ARTICLE XVIII

The State to which application is made for information or assistance shall comply as soon as possible with the request addressed to it except that such State may refuse to comply with the request for reasons of public policy or if compliance would involve violation of a trade, business, industrial or professional secret.

ARTICLE XIX

Where a taxpayer shows proof that the action of the revenue authorities of the contracting States has resulted, or will result, in double taxation contrary to the provisions of the present Convention, he shall be entitled to lodge a claim with the State of which he is a citizen or, if he is not a citizen of either of the contracting States, with the State of which he is a resident, or, if the taxpayer is a corporation or other entity, with the State in which it is created or organized. Should the claim be upheld, the competent authority of such State shall undertake to come to an agreement with the competent authority of the other State with a view to equitable avoidance of the double taxation in question.

ARTICLE XX

(1) The provisions of this Convention shall not be construed to deny or affect in any manner the right of diplomatic and consular officers to other or additional exemptions now enjoyed or which may hereafter be granted to such officers.

(2) The provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance now or hereafter accorded by the laws of one of the contracting States in the determination of the tax imposed by such State.

(3) Should any difficulty or doubt arise as to the interpretation or application of the present Convention, or its relationship to Conventions between one of the contracting States and any other State, the competent authorities of the contracting States may settle the question by mutual agreement.

ARTICLE XXI

(1) The competent authorities of the two contracting States may prescribe regulations necessary to carry into effect the present Convention within the respective States. With respect to the provisions of this Convention relating to exchange of information, service of documents, and mutual assistance in the collection of taxes, such authorities may, by common agreement, prescribe rules concerning matters of procedure, forms of application and replies thereto, conversion of currency, disposition of amounts collected, costs of collection, minimum amounts subject to collection and related matters.

(2) The competent authorities of the two contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

ARTICLE XXII

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible. It shall have effect for the taxable years beginning on or after the first day of January of the year in which such exchange takes place.

(2) The present Convention shall continue effective for a period of five years and indefinitely after that period, but may be terminated by either of the contracting States at the end of the five-year period or at any time thereafter, provided that at least six months' prior notice of termination has been given and, in such event, the present Convention shall cease to be effective for the taxable years beginning on or after the first day of January next following the expiration of the six-month period.

DONE at Washington, in duplicate, in the English and Norwegian languages, the two texts having equal authenticity, this thirteenth day of June, 1949.

For the President of the United States of America:

[SEAL] JAMES E. WEBB

For His Majesty the King of Norway:

[SEAL] WILHELM MUNTHE MORGENSTIERNE

The PRESIDING OFFICER. The convention is before the Senate and open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the understanding will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive Q, Eighty-first Congress, first session, the convention between the United States and Norway, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, subject to the following understanding:

It is understood that the application of article XVII of the convention shall be confined and limited as granting authority to each contracting State to collect only such taxes imposed by the other contracting State as will insure that the exemption or reduced rate of tax granted under the present convention by such other State shall not be enjoyed by persons not entitled to such benefits.

The PRESIDING OFFICER. The question is on agreeing to the understanding to the resolution of ratification.

The understanding was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the understanding. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the understanding, is agreed to, and the convention is ratified.

NORWAY—CONVENTION RELATING TO DOUBLE TAXATION ON ESTATES AND INHERITANCES

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive R, 81st Cong., 1st sess.), a convention between the United States of America and Norway for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates and inheritances, signed at Washington on June 13, 1949, which was read the second time, as follows:

The President of the United States of America and His Majesty the King of Norway, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates and inheritances, have appointed for that purposes as their respective Plenipotentiaries:

The President of the United States of America:

James E. Webb, Acting Secretary of State of the United States of America, and

His Majesty the King of Norway:

Wilhelm Munthe Morgenstierne, Ambassador Extraordinary and Plenipotentiary of Norway at Washington,

who, having communicated to one another their full powers, found in good and due form, have agreed upon the following Articles:

ARTICLE I

(1) The taxes referred to in this Convention are the following taxes asserted upon death:

(a) In the case of the United States of America: the Federal estate tax, and

(b) In the case of Norway: the tax on inheritances, including death gifts.

(2) The present Convention shall also apply to any other estate or inheritance taxes of a substantially similar character imposed by either contracting State subsequently to the date of the present Convention.

ARTICLE II

(1) As used in this Convention:

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and of Hawaii, and the District of Columbia.

(b) The term "Norway" means the Kingdom of Norway; the provisions of the Convention shall not, however, extend to Svalbard and Jan Mayen, nor do they apply to the Norwegian dependencies outside Europe.

(c) The term "competent authorities" means, in the case of the United States, the Commissioner of Internal Revenue or his authorized representatives; and in the case of Norway, the Ministry of Finance and Customs.

(2) In the application of the provisions of the present Convention by one of the contracting States, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which such term has under its own laws.

ARTICLE III

(1) For the purposes of the present Convention, the question whether a decedent was domiciled in one of the contracting States at the time of his death, shall be determined in accordance with the law in force in that State.

(2) In the case of the death of a person who was a citizen of or domiciled in one of the contracting States, the situs of any of the following property or property rights shall, for the purposes of the imposition of the tax and for the purposes of the credit, be determined exclusively in accordance with the following rules:

(a) Real property shall be deemed to be situated at the place where the land involved is located. The question whether any property or right in property constitutes real property shall be determined in accordance with the law of the place where the land involved is located.

(b) Tangible movable property (other than such property for which specific provision is hereinafter made) and bank or currency notes and other forms of currency recognized as legal tender in the place of issue, shall be deemed to be situated at the place where such property or currency are located at the time of death, or, if in transitu, at the place of destination.

(c) Debts (including insurance but not including the forms of indebtedness for which specific provision is herein made) shall be deemed to be situated at the place where the debtor resides, or if the debtor is a corporation, at the place in or under the laws of which such corporation was created or organized.

(d) Bonds, promissory notes, and bills of exchange shall be deemed to be situated in accordance with the laws of the contracting State imposing the tax on the basis of situs of property, and if neither contracting State imposes the tax on the basis of situs they shall be deemed to be situated at the place of the decedent's domicile.

(e) Shares or stock in a corporation (including shares or stock held by a nominee where the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place in or under the laws of which such corporation was created or organized.

(f) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration or documentation of the ship or aircraft.

(g) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on.

(h) Patents, trademarks and designs shall be deemed to be situated at the place where they are registered or used.

(i) Copyrights, franchises, rights to artistic, and scientific works and rights or licenses to use any copyrighted material, artistic, and scientific works, patents, trade-marks or designs shall be deemed to be situated at the place where the rights arising therefrom are exercisable.

(j) All property other than hereinbefore mentioned shall be deemed to be situated in the State in which the deceased person was domiciled at the time of his death.

ARTICLE IV

The contracting State which imposes tax in the case of a decedent who at the time of his death was not a citizen of such State and was not domiciled in that State but was a citizen of or domiciled in the other State—

(a) shall allow a specific exemption which would be allowable under its law if the decedent had been domiciled in that State in an amount not less than the proportion thereof which the value of the property subjected to its tax bears to the value of the property which would have been subjected to its tax if the decedent had been domiciled in that State; and

(b) shall (except for the purposes of subparagraph (a) of this Article and for the purpose of any other proportionate allowance otherwise provided) take no account of property situated according to Article III outside that State in determining the amount or rate of tax.

ARTICLE V

(1) The contracting State imposing tax in the case of a deceased person, who, at the time of his death, was domiciled in such State or was a citizen thereof, shall allow against its tax (as otherwise computed) a credit for the amount of the tax imposed by the other contracting State with respect to property situated in such other contracting State and included for tax purposes by both States, but the amount of the credit shall not exceed the portion of the tax imposed by the former State which is attributable to such property. The provisions of this paragraph shall not apply with respect to any property referred to in paragraph (2) of this Article.

(2) If the decedent is regarded by each of the contracting States as being domiciled therein or a citizen thereof or one State imposes tax by reason of the decedent's being domiciled therein and the other State imposes tax by reason of the decedent being its citizen, each State shall, in addition to the credit authorized by paragraph (1) of this Article, allow against its tax (as otherwise computed) a credit for the part of the tax imposed by the other State with respect to property included for tax purposes by both States and situated or deemed to be situated

(a) in both contracting States, or

(b) outside of both States.

The total of the credits authorized by this paragraph shall be equal to the amount of tax imposed with respect to such property by the State imposing the smaller tax, and shall be divided between the two States in proportion to the amount of tax imposed by each of the two contracting States with respect to such property.

(3) For the purpose of this Article, the amount of the tax of each contracting State attributable to any designated property shall be ascertained after taking into account any applicable abatement, remittance, diminution or credit, as provided by its law other than any credit authorized by this Article.

ARTICLE VI

(1) Any claim for credit or for a refund of tax founded on the provisions of the present Convention shall be made within six years from the date of death of the decedent.

(2) Any refund shall be made without payment of interest on the amount so refunded.

ARTICLE VII

With a view to the more effective imposition of the taxes to which the present Convention relates, each of the contracting States undertakes, subject to reciprocity, to furnish such information in the matter of taxation, which the authorities of the State concerned have at their disposal or are in a position to obtain under their own law, as may be of use to the authorities of the other State in the assessment of the taxes in question and to lend assistance in the service of documents in connection therewith. Any information so exchanged shall be treated as secret and shall only be disclosed to persons (including a court) concerned with the assessment, determination and collection of the taxes which are the subject of the present Convention, or the determination of appeals in relation thereto. No information shall be exchanged which would disclose a trade, business, industrial or professional secret. Information and correspondence relating to the subject matter of this Article shall be exchanged between the competent authorities of the contracting States in the ordinary course or on request.

ARTICLE VIII

(1) In accordance with the preceding Article, the competent authorities of the contracting States shall furnish information to each other without special request as follows:

(a) In the case of the United States: information disclosed by the United States estate tax records relative to estates of deceased persons who were domiciled in, or citizens of, Norway, and such information as is available, in the estates of deceased persons who were domiciled in, or citizens of, the United States, with respect to property situated in Norway.

(b) In the case of Norway: information disclosed by the Norwegian inheritance tax records relative to estates of deceased persons who were domiciled in or citizens of the United States and such information as is available in the estates of deceased persons who were domiciled in or citizens of Norway with respect to property situated in the United States.

(2) The information referred to in this Article shall be transmitted as soon as practicable in the course of audit of the estate and inheritance tax records.

ARTICLE IX

(1) The contracting States undertake to lend assistance and support to each other in the collection of the taxes which are the subject of the present Convention, together with interest, costs, and additions to the taxes.

(2) In the case of applications for enforcement of taxes, revenue claims of each of the contracting States which have been finally determined may be accepted for enforcement by the other contracting State and may be collected in that State in accordance with the laws applicable to the enforcement and collection of its own taxes.

(3) Any application shall include a certification that under the laws of the State making the application the taxes have been finally determined.

(4) The assistance provided for in this Article shall not be accorded with respect to the citizens or corporations or other entities or estates of citizens of the State to which application is made except where they are entitled under Article V of the present Convention to a credit for the avoidance of double taxation.

ARTICLE X

The State to which application is made for information or assistance shall comply as soon as possible with the request addressed to it except that such State may refuse to comply with a request for reasons of public policy or if compliance with the request would involve violation of a trade, business, industrial or professional secret.

ARTICLE XI

Where an estate of a decedent or a beneficiary thereof shows proof that the action of the revenue authorities of one of the contracting States has resulted or will result in double taxation contrary to the provisions of the present Convention, such estate or beneficiary shall be entitled to lodge a claim with either contracting State, but if the decedent was, or the beneficiary is,

a citizen of or a corporation or other entity created or organized in one of the contracting States the claim must be filed with the latter State. Should the claim be upheld, the competent authority of such State shall undertake to come to an agreement with the competent authority of the other State with a view to equitable avoidance of the double taxation in question.

ARTICLE XII

(1) The competent authorities of the two contracting States may prescribe regulations necessary to carry into effect the present Convention within the respective States. With respect to the provisions of this Convention relating to exchange of information, service of documents, and mutual assistance in the collection of taxes, such authorities may, by common agreement, prescribe rules concerning matters of procedure, forms of application and replies thereto, conversion of currency, disposition of amounts collected, costs of collection, minimum amounts subject to collection and related matters.

(2) The competent authorities of the two contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

ARTICLE XIII

(1) The provisions of this Convention shall not be construed to deny or affect in any manner the right of diplomatic and consular officers to other or additional exemptions now enjoyed or which may hereafter be granted to such officers.

(2) The provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance now or hereafter accorded by the laws of one of the Contracting States in the determination of the tax imposed by such State.

(3) Should any difficulty or doubt arise as to the interpretation or application of the present Convention, or its relationship to Conventions between one of the contracting States and any other State, the competent authorities of the contracting States may settle the question by mutual agreement.

ARTICLE XIV

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

(2) The present Convention shall become effective on the day of the exchange of instruments of ratification and shall be applicable to estates or inheritances in the case of persons who die on or after that date. It shall continue effective for a period of five years beginning with that date and indefinitely after that period, but may be terminated by either of the contracting States at the end of that five-year period or at any time thereafter, provided that at least six months' prior notice of termination has been given, the termination to become effective on the first day of January following the expiration of the six-month period.

DONE at Washington, in duplicate, in the English and Norwegian languages, the two texts having equal authenticity, this thirteenth day of June, 1949.

For the President of the United States of America:

[SEAL] JAMES E. WEBB

For his Majesty the King of Norway:

[SEAL] WILHELM MUNTHE MORGENSTIERNE

The PRESIDING OFFICER. The convention is before the Senate and open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the reservation will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive R, Eighty-first Congress, first Session, the convention between the United States and Norway, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates and inheritances, subject to the following reservation:

The Government of the United States of America does not accept Article IX of the convention, relating to reciprocal assistance in the collection of taxes.

The PRESIDING OFFICER. The question is on agreeing to the reservation to the resolution of ratification.

The reservation was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the reservation. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the reservation, is agreed to, and the convention is ratified.

IRELAND—CONVENTION FOR AVOIDANCE OF DOUBLE TAXATION AND PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON ESTATES OF DECEASED PERSONS

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive E, 81st Cong., 2d sess.), a convention between the United States of America and Ireland for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, signed at Dublin on September 13, 1949, which was read the second time, as follows:

The Government of the United States of America and the Government of Ireland,

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates of deceased persons,

Have appointed for that purpose as their Plenipotentiaries:

The Government of the United States of America:

George A. Garrett,

Envoy Extraordinary and Minister Plenipotentiary of the United States of America at Dublin;

and

The Government of Ireland:

Patrick McGilligan,

Minister for Finance;

Seán MacBride,

Minister for External Affairs;

Who, having exhibited their respective full powers, found in good and due form, have agreed as follows:—

ARTICLE I

(1) The taxes which are the subject of the present Convention are:

(a) In the United States of America, the Federal estate tax, and

(b) In Ireland, the estate duty imposed in that territory.

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed by either Contracting Party subsequently to the date of signature of the present Convention.

ARTICLE II

(1) In the present Convention, unless the context otherwise requires:

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and of Hawaii, and the District of Columbia.

(b) The term "Ireland" means the Republic of Ireland.

(c) The term "territory" when used in relation to one or the other Contracting Party means the United States or Ireland, as the context requires.

(d) The term "tax" means the estate duty imposed in Ireland or the United States Federal estate tax, as the context requires.

(2) In the application of the provisions of the present Convention by one of the Contracting Parties, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting Party relating to the taxes which are the subject of the present Convention.

ARTICLE III

(1) For the purposes of the present Convention, the question whether a decedent was domiciled in any part of the territory of one of the Contracting Parties at the time of his death shall be determined in accordance with the law in force in that territory.

(2) Where a person dies domiciled in any part of the territory of one Contracting Party, the situs of any rights or interests, legal or equitable, in or over any of the following classes of property which for the purposes of tax form part of the estate of such person or pass on his death, shall, for the purposes of the imposition of tax and for the purposes of the credit to be allowed under Article V, be determined exclusively in accordance with the following rules, but in cases not within such rules the situs of any such rights or interests shall be determined for those purposes in accordance with the law relating to tax in force in the territory of the other Contracting Party:

(a) Immoveble property shall be deemed to be situated at the place where such property is located;

(b) Tangible movable property (other than such property for which specific provision is hereinafter made) and bank or currency notes, other forms of currency recognised as legal tender in the place of issue, negotiable bills of exchange and negotiable promissory notes, shall be deemed to be situated at the place where such property, notes, currency or documents are located at the time of death, or, if in transitu, at the place of destination;

(c) Debts, secured or unsecured, other than the forms of indebtedness for which specific provision is made herein, shall be deemed to be situated at the place where the decedent was domiciled at the time of death;

(d) Shares or stock in a corporation other than a municipal or governmental corporation (including shares or stock held by a nominee where the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place in or under the laws of which such corporation was created or organized; but, if such corporation was created or organized under the laws of the United Kingdom of Great Britain and Northern Ireland or under the laws of Northern Ireland, and if the shares or stock of such corporation when registered on a branch register of such corporation kept in Ireland are deemed under the laws of the United Kingdom or of Northern Ireland and of Ireland to be assets situated in Ireland, such shares or stock shall be deemed to be assets situated in Ireland;

(e) Moneys payable under a policy of assurance or insurance on the life of the decedent shall be deemed to be situated at the place where the decedent was domiciled at the time of death;

(f) Ships and aircraft and shares thereof shall be deemed to be situated at the place

of registration or documentation of the ship or aircraft;

(g) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;

(h) Patents, trademarks and designs shall be deemed to be situated at the place where they are registered;

(i) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trademark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;

(j) Rights or causes of action ex delicto surviving for the benefit of an estate of a decedent shall be deemed to be situated at the place where such rights or causes of action arose;

(k) Judgment debts shall be deemed to be situated at the place where the judgment is recorded:

provided that if, apart from this paragraph, tax would be imposed by one Contracting Party on any property which is situated in its territory, this paragraph shall not apply to such property unless, by reason of its application or otherwise, tax is imposed or would but for some specific exemption be imposed thereon by the other Contracting Party.

ARTICLE IV

(1) In determining the amount on which tax is to be computed, permitted deductions shall be allowed in accordance with the law in force in the territory in which the tax is imposed.

(2) Where tax is imposed by one Contracting Party on the death of a person who at the time of his death was not domiciled in any part of the territory of that Contracting Party but was domiciled in some part of the territory of the other Contracting Party, no account shall be taken in determining the amount or rate of such tax of property situated outside the former territory: provided that this paragraph shall not apply as respects tax imposed—

(a) In the United States in the case of a United States citizen dying domiciled in any part of Ireland; or

(b) In Ireland in the case of property passing under a disposition governed by the law of Ireland.

ARTICLE V

(1) Where one Contracting Party imposes tax by reason of a decedent's being domiciled in some part of its territory or being its national, that Party shall allow against so much of its tax (as otherwise computed) as is attributable to property situated in the territory of the other Contracting Party, a credit (not exceeding the amount of the tax so attributable) equal to so much of the tax imposed in the territory of such other Party as is attributable to such property; but this paragraph shall not apply as respects any such property as is mentioned in paragraph (2) of this Article.

(2) Where each Contracting Party imposes tax by reason of a decedent's being domiciled in some part of its territory, each Party shall allow against so much of its tax (as otherwise computed) as is attributable to property which is situated, or is deemed under paragraph (2) of Article III to be situated,

(a) in the territory of both Parties, or

(b) outside both territories,

a credit which bears the same proportion to the amount of its tax so attributable or to the amount of the other Party's tax attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

(3) Where Ireland imposes duty on property passing under a disposition governed by its law, that Party shall allow a credit similar to that provided by paragraph (1) of this Article.

(4) For the purposes of this Article, the amount of the tax of a Contracting Party attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of tax, otherwise than in respect of tax payable in the territory of the other Contracting Party; and if, in respect of property situated outside the territories of both Parties, a Contracting Party allows against its tax a credit for tax payable in the country where the property is situated, that credit shall be taken into account in ascertaining, for the purposes of paragraph (2) of this Article, the amount of the tax of that Party attributable to the property.

ARTICLE VI

(1) Any claim for a credit or for a refund of tax founded on the provisions of the present Convention shall be made within six years from the date of the death of the decedent in respect of whose estate the claim is made, or, in the case of a reversionary interest where payment of tax is deferred until on or after the date on which the interest falls into possession, within six years from that date.

(2) Any such refund shall be made without payment of interest on the amount so refunded, save to the extent to which interest was paid on the amount so refunded when the tax was paid.

ARTICLE VII

(1) The taxation authorities of the Contracting Parties shall exchange such information (being information available under the respective taxation laws of the Contracting Parties) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose any trade secret or trade process.

(2) As used in this Article, the term "taxation authorities" means, in the case of the United States, the Commissioner of Internal Revenue or his authorized representative; in the case of Ireland, the Revenue Commissioners or their authorized representative.

ARTICLE VIII

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington, District of Columbia, as soon as possible.

(2) The present Convention shall come into force on the date of exchange of ratifications and shall be effective only as to

(a) the estates of persons dying on or after such date; and

(b) the estate of any person dying before such date and after the last day of the calendar year immediately preceding such date whose personal representative elects, in such manner as may be prescribed, that the provisions of the present Convention shall be applied to such estate.

ARTICLE IX

(1) The present Convention shall remain in force for not less than three years after the date of its coming into force.

(2) If not less than six months before the expiration of such period of three years, neither of the Contracting Parties shall have given to the other Contracting Party, through diplomatic channels, written notice of its intention to terminate the present Convention, the Convention shall remain in force after such period of three years until either of the Contracting Parties shall have given written notice of such intention, in which event the present Convention shall not be effective as to the estates of persons dying on or after the date (not being earlier than the sixtieth day after the date of such notice) specified in such notice, or, if no date is specified, on or after the sixtieth day after the date of such notice.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their seals.

Done at Dublin, in duplicate, this 13th day of September, 1949.

For the Government of the United States of America:

GEORGE A. GARRETT [SEAL]

For the Government of Ireland:

P. MCGILLIGAN

SEÁN MACBRIDE [SEAL]

The PRESIDING OFFICER. The convention is open to amendment. If there is no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive E, Eighty-first Congress, second session, the convention between the United States and Ireland, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification was agreed to, and the convention is ratified.

IRELAND—CONVENTION FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive F, 81st Cong., 2d sess.), a convention between the United States of America and Ireland for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, signed at Dublin, Ireland, on September 13, 1949, which was read the second time, as follows:

The Government of the United States of America and the Government of Ireland,

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,

Have appointed for that purpose as their Plenipotentiaries:

The Government of the United States of America:

George A. Garrett, Envoy Extraordinary and Minister Plenipotentiary of the United States of America at Dublin;

The Government of Ireland:

Patrick McGilligan, Minister for Finance;

Seán MacBride, Minister for External Affairs;

Who, having exhibited their respective full powers, found in good and due form, have agreed as follows:—

ARTICLE I

(1) The taxes which are the subject of the present Convention are:—

(a) In the United States of America: The Federal income taxes, including surtaxes

(hereinafter referred to as United States tax).

(b) In Ireland: The income tax (including surtax) and the corporation profits tax (hereinafter referred to as Irish tax).

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed by either Contracting Party subsequently to the date of signature of the present Convention.

ARTICLE II

(1) In the present Convention, unless the context otherwise requires—

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and of Hawaii, and the District of Columbia.

(b) The term "Ireland" means the Republic of Ireland and the term "Irish" has a corresponding meaning.

(c) The terms "territory of one of the Contracting Parties" and "territory of the other Contracting Party" mean the United States or Ireland as the context requires.

(d) The term "United States corporation" means a corporation, association or other like entity created or organised in or under the laws of the United States.

(e) The term "Irish corporation" means any kind of juridical person created under the laws of Ireland.

(f) The terms "corporation of one Contracting Party" and "corporation of the other Contracting Party" mean a United States corporation or an Irish corporation as the context requires.

(g) The term "resident of Ireland" means any person (other than a citizen of the United States or a United States corporation) who is resident in Ireland for the purposes of Irish tax and not resident in the United States for the purposes of United States tax. A corporation is to be regarded as resident in Ireland if its business is managed and controlled in Ireland.

(h) The term "resident of the United States" means any individual who is resident in the United States for the purposes of United States tax and not resident in Ireland for the purposes of Irish tax, and any United States corporation and any partnership created or organised in or under the laws of the United States, being a corporation or partnership which is not resident in Ireland for the purposes of Irish tax.

(i) The term "Irish enterprise" means an industrial or commercial enterprise or undertaking carried on by a resident of Ireland.

(j) The term "United States enterprise" means an industrial or commercial enterprise or undertaking carried on by a resident of the United States.

(k) The terms "enterprise of one of the Contracting Parties" and "enterprise of the other Contracting Party" mean a United States enterprise or an Irish enterprise, as the context requires.

(l) The term "permanent establishment" when used with respect to an enterprise of one of the Contracting Parties means a branch, management, factory or other fixed place of business, but does not include an agency unless the agent has, and habitually exercises, a general authority to negotiate and conclude contracts on behalf of such enterprise or has a stock of merchandise from which he regularly fills orders on its behalf. An enterprise of one of the Contracting Parties shall not be deemed to have a permanent establishment in the territory of the other Contracting Party merely because it carries on business dealings in the territory of such other Contracting Party through a bona fide commission agent or broker acting in the ordinary course of his business as such. The fact that an enterprise of one of the Contracting Parties maintains in the territory of the other Contracting Party a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute such fixed place of business a permanent establishment of such enterprise. The fact that a corporation of one Contracting Party has a subsidiary corporation which is a corporation of the other Contracting Party or which is engaged in trade or business in the territory of such other Contracting Party (whether through a permanent establishment or otherwise) shall not of itself constitute that subsidiary corporation a permanent establishment of its parent corporation.

(2) For the purposes of Article VI, VII, VIII, IX and XIV a resident of Ireland shall not be deemed to be engaged in trade or business in the United States in any taxable year unless such resident has a permanent establishment situated therein in such taxable year. The same principle shall be applied, mutatis mutandis, by Ireland in the case of a resident of the United States.

(3) In the application of the provisions of the present Convention by one of the Contracting Parties any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting Party relating to the taxes which are the subject of the present Convention.

ARTICLE III

(1) An Irish enterprise shall not be subject to United States tax in respect of its industrial or commercial profits unless it is engaged in trade or business in the United States through a permanent establishment situated therein. If it is so engaged, United States tax may be imposed upon the entire income of such enterprise from all sources within the United States.

(2) A United States enterprise shall not be subject to Irish tax in respect of its industrial or commercial profits unless it is engaged in trade or business in Ireland through a permanent establishment situated therein. If it is so engaged, Irish tax may be imposed upon the entire income of such enterprise from all sources within Ireland.

(3) Where an enterprise of one of the Contracting Parties is engaged in trade or business in the territory of the other Contracting Party through a permanent establishment situated therein, there shall be attributed to such permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment, and the profits so attributed shall, subject to the law of such other Contracting Party, be deemed to be income from sources within the territory of such other Contracting Party.

(4) In determining the industrial or commercial profits from sources within the territory of one of the Contracting Parties of an enterprise of the other Contracting Party, no profits shall be deemed to arise from the mere purchase of goods or merchandise within the territory of the former Contracting Party by such enterprise.

ARTICLE IV

Where an enterprise of one of the Contracting Parties, by reason of its participation in the management, control or capital of an enterprise of the other Contracting Party, makes with or imposes on the latter, in their commercial or financial relations, conditions different from those which would be made with an independent enterprise, any profits which would normally have accrued to one of the enterprises but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

ARTICLE V

(1) Notwithstanding the provisions of Articles III and IV of the present Convention, profits which an individual resident of Ireland or an Irish corporation derives from operating ships documented or aircraft registered under the laws of Ireland, shall be exempt from United States tax.

(2) Notwithstanding the provisions of Articles III and IV of the present Convention, profits which a citizen of the United States not resident in Ireland or a United States corporation derive from operating ships documented or aircraft registered under the laws of the United States, shall be exempt from Irish tax.

(3) This Article shall not be deemed to affect the arrangement between Ireland and the United States, providing for reciprocal exemption of shipping profits from income tax, effected between the Government of the United States and the Government of Ireland by exchange of Notes dated August 24, 1933, and January 8, 1934.

ARTICLE VI

(1) The rate of United States tax on dividends derived from a United States corporation by a resident of Ireland who is subject to Irish tax on such dividends and not engaged in trade or business in the United States shall not exceed 15 per cent: provided that such rate of tax shall not exceed five per cent if such resident is a corporation controlling, directly or indirectly, at least 95 per cent of the entire voting power in the corporation paying the dividend, and not more than 25 per cent of the gross income of such paying corporation is derived from interest and dividends, other than interest and dividends received from its own subsidiary corporations. Such reduction of the rate to five per cent shall not apply if the relationship of the two corporations has been arranged or is maintained primarily with the intention of securing such reduced rate.

(2) Dividends derived from sources within Ireland by an individual who is (a) a resident of the United States, (b) subject to United States tax with respect to such dividends, and (c) not engaged in trade or business in Ireland, shall be exempt from Irish surtax.

(3) Either of the Contracting Parties may terminate this Article by giving written notice of termination to the other Contracting Party, through diplomatic channels, on or before the thirtieth day of June in any calendar year after the calendar year in which the exchange of the instruments of ratification takes place and in such event paragraph (1) hereof shall cease to be effective as to United States tax on and after the first day of January, and paragraph (2) hereof shall cease to be effective as to Irish tax on and after the 6th day of April, in the calendar year next following that in which such notice is given.

ARTICLE VII

(1) Interest (on bonds, securities, notes, debentures, or on any other form of indebtedness) derived from sources within the United States by a resident of Ireland who is subject to Irish tax on such interest and not engaged in trade or business in the United States, shall be exempt from United States tax; but such exemption shall not apply to such interest paid by a United States corporation to a corporation resident in Ireland controlling, directly or indirectly, more than 50 per cent of the entire voting power in the paying corporation.

(2) Interest (on bonds, securities, notes, debentures, or on any other form of indebtedness) derived from sources within Ireland by a resident of the United States who is subject to United States tax on such interest and not engaged in trade or business in Ireland, shall be exempt from Irish tax; but such exemption shall not apply to such interest paid by a corporation resident in Ireland to a United States corporation controlling, directly or indirectly, more than 50

per cent of the entire voting power in the paying corporation.

ARTICLE VIII

(1) Royalties and other amounts paid as consideration for the use of, or for the privilege of using, copyrights, patents, designs, secret processes and formulae, trademarks, and other like property, and derived from sources within the United States by a resident of Ireland who is subject to Irish tax on such royalties or other amounts and not engaged in trade or business in the United States, shall be exempt from United States tax.

(2) Royalties and other amounts paid as consideration for the use of, or for the privilege of using, copyrights, patents, designs, secret processes and formulae, trademarks, and other like property, and derived from sources within Ireland by a resident of the United States who is subject to United States tax on such royalties or other amounts and not engaged in trade or business in Ireland shall be exempt from Irish tax.

(3) For the purposes of this Article, the term "royalties" shall be deemed to include rentals in respect of motion picture films.

ARTICLE IX

(1) The rate of United States tax on royalties in respect of the operation of mines or quarries or of other extraction of natural resources, and on rentals from real property or from an interest in such property, derived from sources within the United States by a resident of Ireland who is subject to Irish tax with respect to such royalties or rentals and not engaged in trade or business in the United States, shall not exceed 15 per cent: provided that any such resident may elect for any taxable year to be subject to United States tax as if such resident were engaged in trade or business in the United States.

(2) Royalties in respect of the operation of mines or quarries or of other extraction of natural resources, and rentals from real property or from an interest in such property, derived from sources within Ireland by an individual who is (a) a resident of the United States, (b) subject to United States tax with respect to such royalties and rentals, and (c) not engaged in trade or business in Ireland, shall be exempt from Irish surtax.

ARTICLE X

(1) Any salary, wage, similar remuneration, or pension, paid by the Government of the United States to an individual (other than a citizen of Ireland who is not also a citizen of the United States) in respect of services rendered to the United States in the discharge of governmental functions, shall be exempt from Irish tax.

(2) Any salary, wage, similar remuneration, or pension, paid by the Government of Ireland to an individual (other than a citizen of the United States who is not also a citizen of Ireland) in respect of services rendered to Ireland in the discharge of governmental functions, shall be exempt from United States tax.

(3) The provisions of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the Contracting Parties for purposes of profit.

ARTICLE XI

(1) An individual who is a resident of Ireland shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States if (a) he is present within the United States for a period or periods not exceeding in the aggregate 183 days during such taxable year, and (b) such services are performed for or on behalf of a person resident in Ireland.

(2) An individual who is a resident of the United States shall be exempt from Irish tax upon profits, emoluments or other remuneration in respect of personal (including professional) services performed within Ireland in any year of assessment if (a) he is present within Ireland for a period or periods not exceeding in the aggregate 183 days during that year, and (b) such services are performed for or on behalf of a person resident in the United States.

ARTICLE XII

(1) Any pension (other than a pension to which Article X applies), and any life annuity, derived from sources within the United States by an individual who is a resident of Ireland shall be exempt from United States tax.

(2) Any pension (other than a pension to which Article X applies), and any life annuity, derived from sources within Ireland by an individual who is a resident of the United States shall be exempt from Irish tax.

(3) The term "life annuity" means a stated sum payable periodically at stated times, during life or during a specified or ascertainable period of time, under an obligation to make the payments in consideration of money paid.

ARTICLE XIII

(1) Subject to section 131 of the United States Internal Revenue Code as in effect on the day on which this Convention shall have come into effect, Irish tax shall be allowed as a credit against United States tax. For this purpose, the recipient of a dividend paid by a corporation which is a resident of Ireland shall be deemed to have paid the Irish income tax appropriate to such dividend if such recipient elects to include in his gross income for the purposes of United States tax the amount of such Irish income tax. For the purposes only of this Article, income derived from sources in the United Kingdom by an individual who is resident in Ireland shall be deemed to be income from sources in Ireland if such income is not subject to United Kingdom income tax.

(2) Subject to such provisions (which shall not affect the general principle hereof) as may be enacted in Ireland, United States tax payable in respect of income from sources within the United States shall be allowed as a credit against any Irish tax payable in respect of that income. Where such income is an ordinary dividend paid by a United States corporation, such credit shall take into account (in addition to any United States income tax deducted from or imposed on such dividend) the United States income tax imposed on such corporation in respect of its profits, and where it is a dividend paid on participating preference shares and representing both a dividend at the fixed rate to which the shares are entitled and an additional participation in profits, such tax on profits shall likewise be taken into account insofar as the dividend exceeds such fixed rate.

(3) For the purposes of this Article, compensation, profits, emoluments and other remuneration for personal (including professional) services shall be deemed to be income from sources within the territory of the Contracting Party where such services are performed.

ARTICLE XIV

A resident of Ireland not engaged in trade or business in the United States shall be exempt from United States tax on gains from the sale or exchange of capital assets.

ARTICLE XV

(1) Dividends and interest paid, on or after the first day of January in the calendar year in which the exchange of instruments of ratification takes place, by an Irish corporation shall be exempt from United States tax except where the recipient is a citizen of or a resident in the United States or a United States corporation.

(2) Dividends and interest paid, on or after the 6th day of April of the first year of assessment specified in Article XXII (2) (b) (i) of this Convention, by a United States corporation shall be exempt from Irish tax except where the recipient is a resident of Ireland.

ARTICLE XVI

An Irish corporation shall be exempt from United States tax on its accumulated or undistributed earnings, profits, income, or surplus, if individuals who are residents of Ireland control, directly or indirectly, throughout the latter half of the taxable year, more then 50 percent of the entire voting power in such corporation.

ARTICLE XVII

(1) The United States income tax liability for any taxable year beginning prior to January 1, 1936, of any individual (other than a citizen of the United States) resident in Ireland, or of any Irish corporation, remaining unpaid on the date of signature of the present Convention, may be adjusted on a basis satisfactory to the United States Commissioner of Internal Revenue: provided that the amount to be paid in settlement of such liability shall not exceed the amount of the liability which would have been determined if—

(a) the United States Revenue Act of 1936 (except in the case of an Irish corporation in which more than 50 per cent of the entire voting power was controlled, directly or indirectly, throughout the latter half of the taxable year, by citizens or residents of the United States), and

(b) Articles XV and XVI of the present Convention,

had been in effect for such year. If the taxpayer was not, within the meaning of such Revenue Act, engaged in trade or business in the United States and had no office or place of business therein during the taxable year, the amount of interest and penalties shall not exceed 50 per cent of the amount of the tax with respect to which such interest and penalties have been computed.

(2) The United States income tax unpaid on the date of signature of the present Convention for any taxable year beginning after the thirty-first day of December, 1935, and prior to the first day of January in the calendar year in which the exchange of instruments of ratification takes place in the case of an individual resident of Ireland, or in the case of any Irish corporation shall be determined as if the provisions of Article XV and XVI of the present Convention had been in effect for such taxable year.

(3) The provisions of paragraph (1) of this Article shall not apply—

(a) unless the taxpayer files with the Commissioner of Internal Revenue on or before the thirty-first day of December of the second calendar year following the calendar year in which the exchange of the instruments of ratification takes place a request that such tax liability be so adjusted and furnishes such information as the Commissioner may require; or

(b) in any case in which the Commissioner is satisfied that any deficiency in tax is due to fraud with intent to evade the tax.

ARTICLE XVIII

A professor or teacher from the territory of one of the Contracting Parties who visits the territory of the other Contracting Party for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in the territory of such other Contracting Party shall be exempted by such other Contracting Party from tax on his remuneration for such teaching for such period.

ARTICLE XIX

A student or business apprentice from the territory of one of the Contracting Parties

who is receiving full-time education or training in the territory of the other Contracting Party shall be exempted by such other Contracting Party from tax on payments made to him by persons within the territory of the former Contracting Party for the purposes of his maintenance, education or training.

ARTICLE XX

(1) The taxation authorities of the Contracting Parties shall exchange such information (being information available under the respective taxation laws of the Contracting Parties) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose any trade secret or trade process.

(2) As used in this Article, the term "taxation authorities" means, in the case of the United States, the Commissioner of Internal Revenue or his authorised representative and, in the case of Ireland, the Revenue Commissioners or their authorised representative.

ARTICLE XXI

(1) The nationals of one of the Contracting Parties shall not, while resident in the territory of the other Contracting Party, be subjected therein to other or more burdensome taxes than are the nationals of such other Contracting Party resident in its territory.

(2) The term "nationals" as used in this Article means—

(a) in relation to Ireland, all citizens of Ireland; and

(b) in relation to the United States, United States citizens;

and includes all legal persons, partnerships and associations deriving their status as such from, or created or organized under, the laws in force in any territory of the Contracting Parties to which the present Convention applies.

ARTICLE XXII

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington, District of Columbia, as soon as possible.

(2) Upon exchange of ratifications, the present Convention shall have effect—

(a) as respects United States tax, for the taxable years beginning on or after the first day of January in the calendar year in which the exchange of instruments of ratification takes place;

(b) (i) as respects Irish income tax, for the year of assessment beginning on the 6th day of April in the calendar year in which the exchange of instruments of ratification takes place and subsequent years; (ii) as respects Irish surtax, for the year of assessment beginning on the 6th day of April immediately preceding the calendar year in which the exchange of instruments of ratification takes place, and subsequent years; and (iii) as respects Irish corporation profits tax, for any chargeable accounting period beginning on or after the first day of April in the calendar year in which the exchange of instruments of ratification takes place, and for the unexpired portion of any chargeable accounting period current at that date.

ARTICLE XXIII

(1) The present Convention shall continue in effect indefinitely but either of the Contracting Parties may, on or before the 30th day of June in any calendar year following the calendar year in which the exchange of instruments of ratification takes place, give to the other Contracting Party, through diplomatic channels, notice of termination and, in such event, the present Convention shall cease to be effective—

(a) as respects United States tax, for the taxable years beginning on or after the first day of January in the calendar year next following that in which such notice is given;

(b) (i) as respects Irish income tax, for any year of assessment beginning on or after the 6th day of April in the calendar year next following that in which such notice is given; (ii) as respects Irish surtax, for any year of assessment beginning on or after the 6th day of April in the calendar year in which such notice is given; and (iii) as respects Irish corporation profits tax, for any chargeable accounting period beginning on or after the first day of April in the calendar year next following that in which such notice is given and for the unexpired portion of any chargeable accounting period current at that date.

(2) The termination of the present Convention or of any Article thereof shall not have the effect of reviving any treaty or arrangement abrogated by the present Convention or by treaties previously concluded between the Contracting Parties.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed therto their seals.

Done in Dublin, in duplicate, this 13th day of September, 1949.

For the Government of the United States of America:

GEORGE A. GARRETT [SEAL]

For the Government of Ireland:

P. MCGILLIGAN

SEÁN MACBRIDE [SEAL]

The PRESIDING OFFICER. The convention is before the Senate and open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the reservations will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of executive F, Eighty-first Congress, second session, the convention between the United States and Ireland, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, subject to the following reservations:

The Government of the United States of America does not accept article XIV of the convention, relating to the exemption of residents of Ireland from United States tax on capital gains.

The Government of the United States of America does not accept article XVI of the convention, relating to the exemption of Irish corporations from United States tax on accumulated or undistributed earnings, profits, income, or surplus.

The PRESIDING OFFICER. The question is on agreeing to the reservations to the resolution of ratification.

The reservations were agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the reservations. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the reservations, is agreed to, and the convention is ratified.

GREECE—CONVENTION WITH RESPECT TO TAXES ON THE ESTATES OF DECEASED PERSONS

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive K, 81st Cong., 2d sess.) a convention between the United States of America and the Kingdom of Greece for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, signed at Athens on February 20, 1950, which was read the second time, as follows:

The Government of the United States of America and the Government of the Kingdom of Greece, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, have appointed for that purpose as their respective Plenipotentiaries:

The Government of the United States of America: The Honorable HENRY F. GRADY, Ambassador Extraordinary and Plenipotentiary of the United States of America to Greece, and

The Government of the Kingdom of Greece: His Excellency PANAYOTIS PIPINELIS, Minister of Foreign Affairs, who having exhibited their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

(1) The taxes which are the subject of the present Convention are:

(a) In the case of the United States of America: the Federal estate tax, and

(b) In the case of Greece: the tax on inheritances.

(2) The present Convention is concluded with reference to United States and Greek law in force on the day of its signature. Accordingly, if these laws are appreciably modified, the competent authorities of the two States will consult together for the purpose of adapting the provisions of the present Convention to such changes.

ARTICLE II

(1) In the present Convention:

(a) The term "United States" means the United States of America, and, for the application of this Convention, includes the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(b) The term "Greece" means the territories of the Kingdom of Greece.

(c) The term "tax" means the Greek tax on inheritances or the Federal estate tax of the United States, as the context requires.

(d) The term "competent authorities" means, in the case of the United States, the Commissioner of Internal Revenue or his duly authorized representative, and, in the case of Greece, the General Director of Direct Taxes or his duly authorized representative.

(2) In the application of the provisions of the present Convention by either of the Contracting States, any term which is not defined in the present Convention shall, unless the context otherwise requires, have the meaning which that term has under the laws of such Contracting State relating to the taxes which are the subject of the present Convention.

ARTICLE III

(1) Immovable property situated in Greece shall be exempt from the application of the taxes imposed by the United States.

(2) Immovable property situated in the United States shall be exempt from the application of the taxes imposed by Greece.

(3) The question whether rights relating to or secured by immovable property are to be considered as immovable property for the purposes of the present Convention shall be

determined in accordance with the laws of the Contracting State imposing the tax.

ARTICLE IV

(1) For the purposes of the present Convention, the question whether a decendent was domiciled in the territory of one of the Contracting States at the time of his death shall be determined in conformity with the laws in force in that territory.

(2) In the case of a person domiciled in the territory of one of the Contracting States, the situs of any of the following property or property rights shall, for the purpose of the imposition of the tax and for the purpose of the credit provided for in Article VI, be determined exclusively in accordance with the following rules:

(a) Corporeal movable property, except as hereinafter prescribed, as well as bank notes, any other kind of money which is legal tender at the place of issuance, and bearer checks, shall be deemed to be situated where it is physically located at the time of the decedent's death.

(b) Ships and aircraft shall be deemed to be situated at the place of documentation or registration of the ship or aircraft.

(c) The good will of a business firm or the good will attached to the practice of one of the liberal professions shall be deemed to be situated where the business is carried on or the profession is practiced.

(d) Patents, trade-marks and designs shall be deemed to be situated at the place where they are registered.

(e) Copyrights and rights or licenses to use any copyrighted material, patent, trademark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable.

(f) Shares in a corporation (including shares held by a nominee for the benefit of the decedent) shall be deemed to be situated at the place under the laws of which such corporation was created or organized.

(g) Bills of exchange shall be deemed to be situated at the place of the drawee's residence, negotiable promissory notes at the place of residence of the maker, and checks payable to a designated payee at the place of such payee's residence.

(h) Claims secured by a mortgage on immovable property or on ships shall be deemed to be situated at the place where, in accordance with the provisions of the present Convention, the immovable property or the ship is deemed to be situated.

(i) Bonds, bank deposits, and claims of any other nature, secured or unsecured, and other property not otherwise mentioned hereinbefore, shall be deemed to be situated in the State in which the deceased person was domiciled at the time of his death.

ARTICLE V

The Contracting State which imposes tax in the case of a decedent who, at the time of his death, was not a citizen or subject of such Contracting State and was not domiciled in its territory, but was a citizen or subject of the other Contracting State or was domiciled in the territory of such other Contracting State:

(a) shall allow every abatement, exemption, deduction, or credit (except the marital deduction provided by the United States Revenue Act of 1948), which would be applicable under its law if the decedent had been domiciled in its territory, in an amount not less than the proportion thereof which the value of the porperty, situated according to Article IV in such State and subject to the tax of such State, bears to the value of the property which would have been subject to the tax of such State if the decedent had been domiciled in its territory, and

(b) shall (except for the purpose of the subparagraph (a) of this Article and for the purpose of any other proportionate allowance otherwise provided) take no account of property situated according to Article IV outside its territory in determining the amount or rate of tax.

ARTICLE VI

(1) The Contracting State imposing tax in the case of a deceased person who, at the time of his death, was domiciled in such State or was a citizen or subject thereof, shall allow against its tax a credit for the amount of the tax imposed by the other Contracting State with respect to property situated in the territory of such other Contracting State and included for tax purposes by both States, but the amount of credit shall not exceed the portion of the tax imposed by the former State which is attributable to such property. No credit shall be allowed under this paragraph for property which is situated or deemed to be situated in both Contracting States.

(2) If the decedent is regarded by each of the Contracting States as having been domiciled in its own territory at the time of his death, each State shall allow against its tax a credit for the part of the tax purposes by both States and situated or deemed to be situated outside both territories. The credit authorized by this paragraph shall be equal to the amount of tax imposed with respect to such property by the State imposing the smaller tax, and shall be divided between the two States in proportion to the amount of tax imposed by each of the two Contracting States with respect to such property.

(3) For the purposes of this Article, the amount of the tax of each Contracting State attributable to any designated property shall be ascertained after taking into account any applicable abatement, credit, remission, diminution, or increase, as provided by its law, other than any credit authorized by this Article.

ARTICLE VII

(1) Any claim for a credit or a refund of tax founded on the provisions of the present Convention shall be made within a period of five years from the date of the termination of the period during which the return is required to be filed under the applicable law of the respective Contracting States.

(2) Any such refund shall be made without payment of interest on the amount so refunded.

ARTICLE VIII

The competent authorities of the Contracting States shall exchange such information (being information which such authorities have at their disposal) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose a technical secret or process relating to trade, industry, business, or a profession.

ARTICLE IX

(1) The Contracting States undertake to lend assistance and support to each other in the collection of the taxes which are the subject of the present Convention, together with interest, costs, and additions to the taxes and fines not being of a penal character.

(2) In the case of applications for collection of taxes, revenue claims of each of the Contracting States which have been finally determined may be accepted for enforcement by the other Contracting State and collected in that State as though such taxes were taxes finally imposed, due and payable to that State. The State to which application is made shall not be required to enforce executory measures for which there is no provision in the law of the State making the application.

(3) Any application shall be accompanied by documents establishing that under the laws of the State making the application the taxes have been finally determined.

(4) The assistance provided for in this Article shall not be accorded with respect to the citizens or subjects, or estates of citizens or subjects, of the State to which application is made, except where such citizen or subject or estate is entitled under Article VI of the present Convention to a credit for the avoidance of double taxation.

ARTICLE X

(1) In no case the provisions of Articles VIII and IX be construed so as to impose upon either of the Contracting States the obligation:

(a) to carry out administrative measures at variance with the regulations and practice of either Contracting State, or

(b) to supply information which is not procurable under its own legislation or that of the State making application.

(2) The State to which application is made for information or assistance shall comply as soon as possible with the request addressed to it. Nevertheless, such State may refuse to comply with the request for reasons of public policy or if compliance would involve disclosure of a technical secret or process relating to trade, industry, business, or a profession. In such case, it shall inform, as soon as possible, the State making the application.

ARTICLE XI

(1) The authorities of each of the Contracting States, in accordance with the practices of that State, may prescribe regulations necessary to carry out the provisions of the present Convention.

(2) With respect to the provisions of the present Convention relating to exchange of information and mutual assistance in the collection of taxes, the Contracting States may, in accordance with their respective practices, prescribe rules concerning matters of procedure, conversion of currency, disposition of amounts collected, minimum amounts subject to collection, and related matters.

ARTICLE XII

When the action of the revenue authorities of the Contracting States has resulted or will result in double taxation contrary to the provisions of the present Convention, the taxpayer shall be entitled to lodge a claim with the State of which he is a citizen or subject or, if he is not a citizen or subject of either the Contracting States, with the State of which he is a resident, or, if the taxpayer is a corporation, with the State in which it is created or organized. Should the claim be upheld, the competent authority of such State shall undertake to come to an agreement with the competent authority of the other State with a view to equitable avoidance of the double taxation in question.

ARTICLE XIII

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Athens as soon as possible.

(2) The present Convention shall become effective on the day of the exchange of instruments of ratification and shall be applicable solely to estates or inheritances in the case of persons who die on or after that date. It shall continue effective for a period of five years beginning with that date and indefinitely after that period, but may be terminated by either of the Contracting States at the end of that five-year period or at any time thereafter, provided that at least

six months' prior notice of termination has been given, the termination to become effective on the first day of January following the expiration of the six-month period.

DONE at Athens, in duplicate, in the English and Greek languages, the two texts having equal authenticity, this 20th day of February, 1950.

For the Government of the United States of America

HENRY F. GRADY [SEAL]

For the Government of the Kingdom of Greece

PAN. PIPINELIS [SEAL]

The PRESIDING OFFICER. The convention is before the Senate and open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the reservation will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive K, Eighty-first Congress, second session, the convention between the United States and Greece, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, subject to the following reservation:

The Government of the United States of America does not accept article IX of the convention, relating to reciprocal assistance in the collection of taxes.

The PRESIDING OFFICER. The question is on agreeing to the reservation to the resolution of ratification.

The reservation was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the reservation. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the reservation, is agreed to, and the convention is ratified.

GREECE—CONVENTION FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Senate, as in Committee of the Whole, proceeded to consider the Convention (Executive L, 81st Cong., 2d sess.), a convention between the United States of America and Greece for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, signed at Athens on February 20, 1950, which was read the second time, as follows:

The Government of the United States of America and the Government of the Kingdom of Greece, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, have appointed for that purpose as their Plenipotentiaries:

The Government of the United States of America: The Honorable HENRY F. GRADY, Ambassador Extraordinary and Plenipotentiary of the United States of America to Greece, and

The Government of the Kingdom of Greece: His Excellency PANAYOTIS PIPINELIS, Minister of Foreign Affairs, who having exhibited their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

(1) The taxes which are the subject of the present Convention are:

(a) In the case of the United States of America: the Federal income tax, including surtaxes (hereinafter referred to as United States tax).

(b) In the case of the Kingdom of Greece: the income tax, including the schedular or analytical tax, the complementary tax and the professional or business tax (hereinafter referred to as Greek tax).

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed by either Contracting State subsequently to the date of signature of the present Convention.

ARTICLE II

(1) In the present Convention, unless the context otherwise requires—

(a) The term "United States" means the United States of America and when used in a geographical sense means the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(b) The term "Greece" means the territories of the Kingdom of Greece.

(c) The term "United States Corporation" means a corporation, association or other like entity created or organized in or under the laws of the United States.

(d) The term "Greek Corporation" means a legal entity established under the laws of Greece.

(e) The terms "corporations of one Contracting State" and "corporation of the other Contracting State" mean a United States corporation or a Greek corporation, as the context requires.

(f) The term "United States enterprise" means an industrial or commerical enterprise or undertaking carried on in the United States by a citizen or resident of the United States or by a United States corporation.

(g) The term "Greek enterprise" means an industrial or commercial enterprise or undertaking carried out in Greece by a subject or resident of Greece or by a Greek corporation.

(h) The terms "enterprise of one of the Contracting States" and "enterprise of the other Contracting State" mean a United States enterprise or a Greek enterprise, as the context requires.

(i) The term "permanent establishment", when used with respect to an enterprise of one of the Contracting States, means a branch, factory or other fixed place of business, but does not include an agency unless that agent has, and habitually exercises, a general authority to negotiate and conclude contracts on behalf of such enterprise or has a stock of merchandise from which he regularly fills orders on behalf of such enterprise. An enterprise of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business dealings in such other Contracting State through a bona fide commission agent, broker or custodian acting in the ordinary course of his business as such. The fact that an enterprise of one of the Contracting States maintains in the other Contracting State a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute such fixed place of business a permanent establishment of such enterprise. When a corporation of one Contracting State has a subsidiary corporation which is a corporation of the other Contracting State or which is engaged in trade or business in such other Contracting State, such subsidiary corporation shall not, merely because of that fact, be deemed to be a permanent establishment of its parent corporation.

(j) The term "competent authority" or "competent authorities" means in the case of the United States, the Commissioner of Internal Revenue or his duly authorized representative; in the case of Greece, the General Director of Direct Taxes, or his duly authorized representative.

(2) In the application of the provisions of the present Convention by either of the Contracting States, any term which is not defined in the present Convention shall, unless the context otherwise requires, have the meaning which that term has under the laws of such Contracting State relating to the taxes which are the subject of the present Convention.

ARTICLE III

(1) An enterprise of one of the Contracting States shall not be subject to taxation by the other Contracting State in respect of its industrial or commercial profits unless it is engaged in trade or business in the other Contracting State through a permanent establishment situated therein. If it is so engaged the other Contracting State may impose the tax only upon the income of such enterprise from sources within such other State.

(2) Where an enterprise of one of the Contracting States is engaged in trade or business in the other Contracting State through a permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment, and the profits so attributed shall, subject to the law of such other Contracting State, be deemed to be income from sources within such other Contracting State.

(3) In determining the industrial or commercial profits from sources within one of the Contracting States of an enterprise of the other Contracting State, no profits shall be deemed to arise from the mere purchase of goods or merchandise within the former Contracting State by such enterprise.

(4) The competent authorities of the Contracting States may lay down rules by agreement for the appointment of industrial or commercial profits.

ARTICLE IV

Where an enterprise of one of the Contracting States, by reason of its participation in the management, control or capital of an enterprise of the other Contracting State, makes with or imposes on the latter enterprise, in their commercial or financial relations, conditions different from those which would be made with an independent enterprise, any profits which would, but for those conditions, have accrued to one of the enterprises, may be included in the taxable profits of that enterprise.

ARTICLE V

(1) Income which an enterprise of one of the Contracting States derives from the operation of ships or aircraft registered or documented in that State shall be exempt from tax by the other Contracting State. Income derived by such an enterprise from the operation of ships or aircraft not so registered or documented shall be subject to the provisions of Article III.

(2) The present Convention shall be deemed to suspend, for the duration of the Convention as between the Contracting States, the provisions of the arrangement effected by exchange of notes between the United States and Greece, dated February 29, 1928, April 26, 1928, April 2, 1929, and

June 10, 1929, providing for relief from double income taxation on shipping profits.

ARTICLE VI

(1) Interest (on bonds, securities, notes, debentures, or on any other form of indebtedness) received from sources within the United States by a resident or corporation of Greece not engaged in trade or business in the United States through a permanent establishment therein, shall be exempt from United States tax; but such exemption shall not apply to such interest paid by a United States corporation to a Greek corporation controlling, directly or indirectly, more than 50 percent of the entire voting power in the paying corporation.

(2) Interest (on bonds, securities, notes, debentures, or any other form of indebtedness) received from sources within Greece by a resident or corporation of the United States not engaged in trade or business in Greece through a permanent establishment therein, shall be exempt from Greek tax but only to the extent that such interest does not exceed 9 percent per annum; but such exemption shall not apply to such interest paid by a Greek corporation to a United States corporation controlling, directly or indirectly, more than 50 percent of the entire voting power in the paying corporation.

ARTICLE VII

Royalties for the right to use copyrights, patents, designs, secret processes and formulae, trade-marks and other analogous property, and royalties (including rentals), (other than those in respect of motion picture films) for the use of industrial, commercial or scientific equipment, derived from sources within one of the Contracting States by a resident or corporation of the other Contracting State not engaged in trade or business in the former State through a permanent establishment therein, shall be exempt from tax by the former State.

ARTICLE VIII

A resident or corporation of one of the Contracting States, deriving from sources within the other Contracting State royalties in respect of the operation of mines, quarries, or other natural resources, or rentals from real property, may elect for any taxable year to be subject to the tax of such other Contracting State on the basis of net income as determined under the laws of such other Contracting State during such taxable year.

ARTICLE IX

Dividends and interest paid by a Greek corporation shall be exempt from United States tax except where the recipient is a citizen, resident or corporation of the United States.

ARTICLE X

(1) A resident of Greece shall be exempt from United States tax upon compensation for labor or personal services (including the practice of the liberal and artistic professions) if he is temporarily present in the United States for a period or periods not exceeding a total of 183 days during the taxable year and either of the following conditions is met:

(a) his compensation is received for labor or personal services performed as an employee, or under contract with, a resident, or corporation or other entity of Greece, or

(b) his compensation received for labor or personal services does not exceed $10,000.

(2) The provisions of paragraph (1) of this Article shall apply mutatis mutandis, to a resident of the United States with respect to compensation for such labor or personal services performed in Greece.

(3) The provisions of this Article shall have no application to the income to which Article XI relates.

ARTICLE XI

(1) Wages, salaries and similar compensation and pensions paid by one of the Contracting States or the subdivisions thereof to an individual for services rendered to such State or subdivision shall be exempt from taxation by the other Contracting State.

(2) Private pensions and life-annuities derived from within one of the Contracting States by an individual who is a resident of the other Contracting State shall be exempt from taxation by the former Contracting State.

(3) The term "pensions" as used in this Article means periodic payments made in consideration for services rendered or by way of compensation for injuries received.

(4) The term "life annuities" as used in this Article means a stated sum payable periodically at stated times during life, or during life, an obligation to make the payments in return for adequate and full consideration in money or money's worth.

ARTICLE XII

A professor or teacher who is a resident of one of the Contracting States and who is temporarily present within the other Contracting State for the purpose of teaching, for a maximum period of three years, in a university, college or other educational institution within the other Contracting State, shall be exempt from taxation by such other Contracting State on his remuneration for such teaching for such period.

ARTICLE XIII

Students or business apprentices who are residents of one of the Contracting States but who are temporarily present in the other Contracting State exclusively for the purposes of study or for acquiring business experience shall not be taxable by such other Contracting State upon remittances received by them from sources without such other State for the purpose of their maintenance or studies.

ARTICLE XIV

(1) Notwithstanding any provision of the present Convention each of the Contracting States, in determining the taxes, including all surtaxes and complementary taxes, of its citizens, subjects, residents or corporations, may include in the basis upon which such taxes are imposed all items of income taxable under its revenue laws as though this Convention had not come into effect.

(2) Subject to section 131 of the United States Internal Revenue Code, Greek tax shall be allowed as a credit against United States tax.

(3) Greece will allow against Greek tax a credit for the amount of United States tax imposed upon income from sources within the United States but in an amount not exceeding the amount of the Greek tax imposed upon such income.

ARTICLE XV

(1) The authorities of each of the Contracting States, in accordance with the practices of that State, may prescribe regulations necessary to carry out the provisions of the present Convention.

(2) With respect to the provisions of the present Convention relating to exchange of information and mutual assistance in the collection of taxes, the Contracting States may, in accordance with their respective practices, prescribe rules concerning matters of procedure, forms of application and replies thereto, conversion of currency, disposition of amounts collected, minimum amounts subject to collection, and related matters.

ARTICLE XVI

(1) The provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance accorded by the laws of one of the Contracting States in the determination of the taxes imposed by such State.

(2) Should any difficulty or doubt arise as to the interpretation or application of the present Convention, the competent authorities of the Contracting States shall undertake to settle the question by mutual agreement.

(3) The citizens or subject of one of the Contracting States shall not, while resident in the other Contracting State, be subjected therein to other or more burdensome taxes than are the citizens or subjects of such other Contracting State residing in its territory. The term "citizen" or "subjects", as used in this Article, includes all legal persons, partnerships and associations deriving their status from, or created or organized under, the laws in force in, the respective Contracting States. In this Article the word "taxes" means taxes of every kind or description whether national, federal, state, provincial or municipal.

ARTICLE XVII

Where the action of the revenue authorities of the Contracting States has resulted or will result in double taxation contrary to the provisions of the present Convention, the taxpayer shall be entitled to lodge a claim with the State of which he is a citizen or subject or, if he is not a citizen or subject of either the Contracting States, with the State of which he is a resident, or, if the taxpayer is a corporation, with the State in which it is created or organized. Should the claim be upheld, the competent authority of such State shall undertake to come to an agreement with the competent authority of the other State with a view to equitable avoidance of the double taxation in question.

ARTICLE XVIII

The competent authorities of the Contracting States shall exchange such information (being information which such authorities have at their disposal) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose a technical secret, or process relating to trade, industry, business, or a profession.

ARTICLE XIX

(1) The Contracting States undertake to lend assistance and support to each other in the collection of the taxes which are the subject of the present Convention, together with interest, costs and additions to the taxes and fines not being of a penal character.

(2) In the case of applications for collection of taxes, revenue claims of each of the Contracting States which have been finally determined may be accepted for enforcement by the other Contracting State and collected in that State as though such taxes were taxes finally imposed, due and payable to that State. The State to which application is made shall not be required to enforce executory measures for which there is no provision in the law of the State making the application.

(3) Any application shall be accompanied by documents establishing that under the laws of the State making the application the taxes have been finally determined.

(4) The assistance provided for in this Article shall not be accorded with respect to

the citizens or subjects, or corporation or other entities of the State to which application is made, except as is necessary to insure that the exemption or reduced rate of tax granted under the convention to such citizens or subjects, or corporations or other entities shall not be enjoyed by persons not entitled to such benefits.

ARTICLE XX

(1) In no case shall the provisions of Article XVIII and XIX be construed so as to impose upon either of the Contracting States the obligation

(a) to carry out administrative measures at variance with the regulations and practice of either Contracting State, or

(b) to supply information which is not procurable under its own legislation or that of the State making application.

(2) The State to which application is made for information or assistance shall comply as soon as possible with the request addressed to it. Nevertheless, such State may refuse to comply with the request for reasons of public policy or if compliance would involve disclosure of a technical secret or process relating to trade, industry, business, or a profession. In such case it shall inform, as soon as possible, the State making the application.

ARTICLE XXI

The present Convention shall be ratified and the instruments of ratification shall be exchanged at Athens as soon as possible.

(2) The present Convention shall become effective on the first day of January of the year in which the exchange of the instruments of ratification takes place. It shall continue effective for a period of five years beginning with that date and indefinitely after that period, but may be terminated by either of the Contracting States at the end of the five-year period or at any time thereafter, provided that at least six months' prior notice of termination has been given, the the termination to become effective on the first day of January following the expiration of the six-month period.

DONE at Athens, in duplicate, in the English and Greek languages, the two texts having equal authenticity, this 20th day of February, 1950.

For the Government of the United States of America

HENRY F. GRADY [SEAL]

For the Government of the Kingdom of Greece

PAN. PIPINELIS [SEAL]

The PRESIDING OFFICER. The convention is before the Senate and open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the understanding will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive L, Eighty-first Congress, second session, the convention between the United States and Greece, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, subject to the following understanding:

It is understood that the application of article XIX of the convention shall be confined and limited as granting authority to each contracting state to collect only such taxes imposed by the other contracting state as will insure that the exemption or reduced rate of tax granted under the present convention by such other state shall not be enjoyed by persons not entitled to such benefits.

The PRESIDING OFFICER. The question is on agreeing to the understanding to the resolution of ratification.

The understanding was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the understanding. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the understanding, is agreed to, and the convention is ratified.

CANADA—CONVENTION MODIFYING AND SUPPLEMENTING THE CONVENTION AND PROTOCOL RELATING TO INCOME TAXES

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive R. 81st Cong., 2d sess.), a convention between the United States of America and Canada modifying and supplementing the convention and accompanying protocol of March 4, 1942, for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, signed at Washington on March 4, 1942, which was read the second time, as follows:

The Government of the United States of America and the Government of Canada, being desirous of modifying and supplementing in certain respects the Convention and accompanying Protocol for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, signed at Washington on March 4, 1942, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of the United States of America:

Julian F. Harrington, Chargé d'Affaires ad interim of the United States of America at Ottawa, and

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the Government of Canada.

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

The provisions of the Convention and Protocol between the United States of America and Canada, signed at Washington on March 4, 1942, are hereby modified and supplemented as follows:

(a) By adding at the end of paragraph 1 of Article III the following new sentence:

"In the determination of the net industrial and Commercial profits of the permanent establishment there shall be allowed as deductions all expenses, wherever incurred, reasonably allocable to the permanent establishment, including executive and general administrative expenses so allocable."

(b) By amending Article VI to read as follows:

"1. (a) Remuneration, wages or salary (other than pensions) paid to an individual by the United States of America, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from Canadian tax if the individual is either a citizen of the United States of America, or is not ordinarily resident in Canada or is ordinarily resident in Canada solely for the purpose of rendering those services.

"(b) Remuneration, wages or salary (other than pensions) paid to an individual, other than a citizen of the United States of America, by Canada, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from United States tax.

"2. The provisions of paragraph 1 of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on for purposes of profit by either of the contracting States or by any agency, instrumentality or political subdivision thereof.

"3. (a) The United States of America agrees to exempt from its income tax income derived from sources outside the United States of America by a member of the Canadian forces or by a citizen of Canada serving or employed by the Government of Canada at defense establishments in the United States of America, or by the wife or minor children of such member or citizen.

"(b) The same principle shall apply, mutatis mutandis, to income derived from sources outside Canada by a member of the United States forces or by a citizen of the United States of America serving or employed by the Government of the United States of America at defense establishments in Canada, or by the wife or minor children of such member or citizen."

(c) There is inserted immediately after Article VI the following new Article:

"ARTICLE VI A

"Pensions (including Government pensions) and life annuities derived from within one of the contracting States by a resident of the other contracting State shall be exempt from taxation in the former State."

(d) By amending Article VII to read as follows:

"1. A resident of Canada shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States of America if he is present therein for a period or periods not exceeding a total of 183 days, during the taxable year and either of the following conditions is met—

"(a) his compensation is received for such personal services performed as an officer or employee of a resident, or corporation or other entity of Canada, or

"(b) his compensation received for such personal services does not exceed $5,000.

"2. The provisions of paragraph 1 (a) of this Article shall have no application to the professional earnings of such individuals as actors, artists, musicians and professional athletes.

"3. The provisions of paragraphs 1 and 2 of this Article shall apply, mutatis mutandis, to a resident of the United States of America with respect to compensation for such personal services performed in Canada."

(e) There is inserted immediately after Article VIII the following new Article:

"ARTICLE VIII A

"A professor or teacher who is a resident of one of the contracting States and who temporarily visits the other contracting State for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in such other State, shall be exempted by such other State from tax on his remuneration for such teaching for such period."

(f) Paragraph 1 of Article XI is amended by striking out "engaged in trade or business in the former State and having no office or place of business therein" and inserting in lieu thereof "having a permanent establishment in the former State."

(g) Article XII is amended to read as follows:

"1. Dividends and interest paid by a corporation organized under the laws of Canada to a recipient, other than a citizen or resident of the United States of America or a corporation organized under the laws of the United States of America, shall be exempt from all income taxes imposed by the United States of America.

"2. Dividends and interest paid by a corporation organized under the laws of the United States of America whose business is not managed and controlled in Canada to a recipient, other than a resident of Canada or a corporation whose business is managed and controlled in Canada, shall be exempt from all taxes imposed by Canada."

(h) Article XIII is amended to read as follows:

"1. Corporations organized under the laws of Canada, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of Canada, other than citizens of the United States of America, shall be exempt from any taxes imposed by the United States of America with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

"2. Corporations organized under the laws of the United States of America, more than 50 percent of the outstanding voting stocks of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of the United States of America shall be exempt from any taxes imposed by Canada in the nature of undistributed profits tax on undistributed profits of the corporation with respect to a accumulated or undistributed earnings, profits, income, or surplus of such corporations."

(i) There is inserted immediately after Article XIII the following new Article:

"ARTICLE XIII A

"1. A resident or corporation organized under the laws of Canada deriving from sources within the United States of America rentals from real property may elect for any taxable year to be subject to the tax imposed by the United States of America on a net basis as if such resident or corporation were engaged in trade or business within the United States of America through a permanent establishment therein during such taxable year.

"2. Rentals from real property derived from sources within Canada by an individual or corporation resident in the United States of America shall receive tax treatment by Canada not less favorable than that accorded under Section 99, The Income Tax Act, as in effect on the date on which this Article goes into effect."

(j) There is inserted immediately after Article XIII A, as inserted by subparagraph (i) of this Article, the following new Article:

"ARTICLE XIII B

"Directors' fees paid by a corporation to an individual residing in one of the contracting States for services at Directors' meetings held in that State shall be exempt from tax by the other State."

(k) There is inserted immediately after Article XIII B, as inserted by subparagraph (j) of this Article, the following new Article:

"ARTICLE XIII C

"Royalties for the right to use copyrights or in respect of the right to produce or reproduce any literary, dramatic, musical, or artistic work (but not inclusive of rents or royalties in respect of motion picture films) derived from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not engaged in trade or business in the former State through a permanent establishment shall be exempt from tax imposed by such former State."

(l) Article XV is amended as follows:

(A) By striking out of the first paragraph thereof, effective January 1, 1949, the following:

"In accordance with the provisions of Section 8 of the Income War Tax Act as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"1. As far as may be in accordance with the provisions of The Income Tax Act,".

(B) By striking out of the second paragraph thereof the following:

"In accordance with the provisions of Section 131 of the United States Internal Revenue Code as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"2. As far as may be in accordance with the provisions of the United States Internal Revenue Code,".

(m) Article XVII is amended by inserting immediately after the words "items of income" the following: "(other than income within the scope of paragraph 1 (b) of Article VI)".

(n) There is inserted immediately after Article XVIII the following new Article:

"ARTICLE XVIII A

"To avoid withholding of both United States tax and Canadian tax with respect to compensation for personal services performed by a resident of one of the contracting States while temporarily present in the other State—

(a) The Commissioner may, with the approval of the Secretary of the Treasury, by regulations specify the circumstances under which such compensation of a resident of the United States of America temporarily performing personal services in Canada may be exempted from deduction and withholding of United States tax, and

(b) The appropriate Canadian authority may by regulations specify the circumstances under which such compensation of a resident of Canada temporarily performing personal services in the United States may be exempted from deduction and withholding of Canadian tax."

(o) Paragraph 3 (f) of the Protocol is amended by inserting at the end of the first sentence thereof the following sentence:

"The use of substantial equipment or machinery within one of the contracting States at any time in any taxable year by an enterprise of the other contracting State shall constitute a permanent establishment of such enterprise in the former State for such taxable year."

(p) By striking out paragraph 6 of the Protocol and inserting in lieu of the following:

"6. The term 'subsidiary corporation' as used in Article XI of this Convention means a corporation 95 percent of whose shares (other than Directors' qualifying shares) having full voting rights are beneficially owned by another corporation, provided that (except in the case of a corporation the chief business of which is the making of loans) ordinarily not more than one-quarter of the gross income of such subsidiary corporation is derived from interest and dividends other than interest and dividends received from its subsidiary corporations."

(q) By changing "Article VI" in paragraphs 8 and 9 of the Protocol to read "Article VI A".

(r) Paragraph 10 of the Protocol is amended to read as follows:

"10. The term 'permanent establishment' as used in Article XI of this Convention, shall not be deemed to include an office used solely for the purchase of merchandise."

ARTICLE II

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall, except as provided in Article I (1) (A), become effective with respect only to taxable years beginning on or after the first day of January of the calendar year in which occurs the exchange of the instruments of ratification. It shall continue effective indefinitely as though it were an integral part of the Convention of March 4, 1942, subject to the provisions of Article XXII of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE, in duplicate, at Ottawa this 12th day of June 1950.

For the Government of the United States of America:

JULIAN F. HARRINGTON

[SEAL]

For the Government of Canada:

D. C. ABBOTT

[SEAL]

The PRESIDING OFFICER. The resolution of ratification with the reservation will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive R, Eighty-first Congress, second session, the convention between the United States and Canada, modifying and supplementing the convention for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, subject to the following reservation:

The Government of the United States of America does not accept paragraph 2 of article VII, as amended by article I (d) of the supplementing convention, relating to professional earnings of individuals, such as actors, artists, musicians, and athletes.

The PRESIDING OFFICER. The question is on agreeing to the reservation to the resolution of ratification.

The reservation was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the reservation. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the reservation, is agreed to and the convention is ratified.

CANADA—CONVENTION MODIFYING AND SUPPLEMENTING THE CONVENTION RELATING TO ESTATE TAXES AND SUCCESSION DUTIES

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive S, 81st Cong., 2d sess.), a convention between the United States of America and Canada, signed at Ottawa on June 12, 1950, modifying and supplementing the convention of June 8, 1944, for the avoidance of double taxation and the prevention of fiscal evasion in the case of estate taxes and succession duties, signed at Ottawa on June 8, 1944, which was read the second time, as follows:

The Government of the United States of America and the Government of Canada, being desirous of modifying and supplementing in certain respects the Convention for the avoidance of double taxation and the prevention of fiscal evasion in the case of estate taxes and succession duties, signed at Ottawa on June 8, 1944, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of the United States of America:

Julian F. Harrington, Chargé d'Affaires ad interim of the United States of America at Ottawa, and

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the Government of Canada,

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

The provisions of Articles II to VI, inclusive, of the Convention of June 8, 1944, between the United States of America and Canada, are hereby abrogated with respect to estates of decedents dying on or after the day of the entry into force of the present Convention, and are replaced by the provisions of Articles II to VI, inclusive, of the present Convention.

ARTICLE II

Where a person dies a citizen of the United States of America or domiciled in the United States of America or Canada, the situs of any rights or interests, legal or equitable, in or over any of the following classes of property, which for the purposes of tax form or are deemed to form part of the estate of such person or pass or are deemed to pass on his death, shall, for the purposes of the imposition of tax and for the purposes of the credit to be allowed under Article V, be determined exclusively in accordance with the following rules, but in cases not within such rules the situs of such rights or interests shall be determined for these purposes in accordance with the laws in force in the other contracting State:

(a) Immovable property (otherwise than by way of security) shall be deemed to be situated at the place where such property is located;

(b) Tangible movable property (otherwise than by way of security and other than such property for which specific provision is hereinafter made), bank or currency notes and other forms of currency recognized as legal tender in the place of issue, shall be deemed to be situated at the place where located at the time of death, or, if in transitu, at the place of destination;

(c) Debts (including bills of exchange and promissory notes, whether negotiable or not), secured or unsecured and whether under seal or not, excluding the forms of indebtedness for which specific provision is hereinbefore or hereinafter made, shall be deemed to be situated at the place where the debtor was resident at the time of death, or, if the debtor is a company, at the place where the company is incorporated;

(d) Bank accounts shall be deemed to be situated at the place where the bank or branch thereof, at which the account was kept, is located;

(e) Securities issued by any government, municipality or public authority shall be deemed, if in bearer form, to be situated at the place where located at the time of death and, if inscribed or registered, to be situated at the place where inscribed or registered as provided by the issuing authority;

(f) Shares, stock, bonds, debentures or debenture stock in a company (including any such property held by a nominee, whether the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place where the company is incorporated;

(g) Moneys, payable under a policy of assurance or insurance, or under an annuity contract, whether under seal or not, shall be deemed to be situated where the policy or annuity contract provides that the moneys shall be payable, or, in the absence of any such provision, at the place of residence of the issuer, or, if a company, at the place where the company is incorporated;

(h) Shares in a partnership shall be deemed to be situated at the place where its business is principally carried on;

(i) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration of the ship or aircraft;

(j) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;

(k) Patents, trade-marks and designs shall be deemed to be situated at the place where they are registered;

(l) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trade-mark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;

(m) Rights or causes of action ex delicto surviving for the benefit of an estate of a deceased person shall be deemed to be situated at the place where such rights or causes of action arose;

(n) Judgment debts shall be deemed to be situated at the place where the judgment is recorded;

provided that this Article shall not be construed as increasing the liability of the estate of any person under the estate tax laws of the United States of America.

ARTICLE III

1. Allowance for debts shall be determined in accordance with the laws of the contracting State imposing the tax.

2. Domicile shall be determined in accordance with the laws in the contracting State imposing the tax on the basis of domicile.

ARTICLE IV

Where one of the contracting States imposes taxes by reason of the property's being situated therein such State shall, if the decedent was domiciled in the other contracting State:

(a) for the purpose of determining the tax rate or rates, take into account only property situated in such State, and

(b) allow as an exemption an amount not less than an amount which bears the same ratio to the specific exemption that would be allowed if such State were imposing the tax by reason of the decedent's being domiciled therein, as the value of the property situated in such State bears to the entire value of the property wherever situated.

ARTICLE V

1. Where either contracting State imposes taxes by reason of a decedent's being domiciled therein or being a citizen thereof, that contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to property situated in the other contracting State a credit (not exceeding the amount of the taxes to attributable) equal to so much of the taxes imposed by the other contracting State as is attributable to such property.

2. Where each contracting State imposes taxes on any property situated outside both contracting States, each contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to such property a credit which bears the same proportion to the amount of its taxes so attributable or to the amount of the other contracting State's taxes attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

3. For the purposes of this Article, the amount of the taxes of a contracting State attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of taxes, other than the credit authorized by this Article.

ARTICLE VI

1. Any claim for a credit or for a refund of taxes founded on the provisions of the Convention signed on June 8, 1944, or of the present supplementary Convention, shall be made within six years from the date of death of the decedent in respect of whose estate the claim is made, or, in the case of a reversionary interest where payment of taxes is deferred until the date on which the interest falls into possession, within six years from that date.

2. Any such refund shall be made without payment of interest on the amount so refunded.

ARTICLE VII

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall enter into force on the day of the exchange of the instruments of ratification and shall be applicable to estates or successions in the case of persons who die on or after that date, except as otherwise provided in Article VI. It shall continue effective indefinitely as though it were an integral part of the Convention of June 8, 1944, subject to the provisions of Article XIV of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE in duplicate, at Ottawa this 12th day of June 1950.

For the Government of the United States of America:

JULIAN F. HARRINGTON

[SEAL]

For the Government of Canada:

D. C. ABBOTT

[SEAL]

The PRESIDING OFFICER. The convention is open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate, without amendment.

The PRESIDING OFFICER. The resolution of ratification will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), that the Senate advise and consent to the ratification of Executive S, Eighty-first Congress, second session, the convention between the United States and Canada, modifying and supplementing the convention for the avoidance of double taxation and the prevention of fiscal evasion in the case of estate taxes and succession duties.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification was agreed to, and the convention is ratified.

SWITZERLAND—CONVENTION REGARDING THE AVOIDANCE OF DOUBLE TAXATION ON INCOME

The Senate, as in Committee of the Whole, proceeded to consider the convention (Executive N, 82d Cong., 1st sess.) a convention between the United States of America and the Swiss Confederation for the avoidance of double taxation with respect to taxes on income, signed at Washington on May 24, 1951, which was read the second time, as follows:

The President of the United States of America and The Swiss Federal Council, de-

siring to conclude a convention for the avoidance of double taxation with respect to taxes on income, have appointed for that purpose as their respective Plentipotentiaries:

The President of the United States of America:

DEAN ACHESON, Secretary of State of the United States of America, and

The Swiss Federal Council:

CHARLES BRUGGMANN, Envoy Extraordinary and Minister Plentipotentiary of the Swiss Confederation,

who, having communicated to one another their full powers, found in good and due form, have agreed as follows:

ARTICLE I

(1) The taxes referred to in this Convention are:

(a) In the case of the United States of America:

The Federal income taxes, including surtaxes and excess profits taxes.

(b) In the case of The Swiss Confederation:

The federal, cantonal and communal taxes on income (total income, earned income, income from property, industrial and commercial profits, etc.).

(2) The present Convention shall also apply to any other income or profits tax of a substantially similar character imposed by either contracting State subsequently to the date of signature of the present Convention.

ARTICLE II

(1) As used in this Convention:

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(b) The term "Switzerland" means The Swiss Confederation.

(c) The term "permanent establishment" means a branch, office, factory, workshop, warehouse or other fixed place of business, but does not include the casual and temporary use of merely storage facilities, nor does it include an agency unless the agent has and habitually exercises a general authority to negotiate and conclude contracts on behalf of an enterprise or has a stock of merchandise from which he regularly fills orders on its behalf. An enterprise of one of the contracting States shall not be deemed to have a permanent establishment in the other State merely because it carries on business dealings in such other States through a commission agent, broker or custodian or other independent agent acting in the ordinary course of his business as such. The fact that an enterprise of one of the contracting States maintains in the other State a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute such fixed place of business a permanent establishment of such enterprise. The fact that a corporation of one contracting State has a subsidiary corporation which is a corporation of the other State or which is engaged in trade or business in the other State shall not of itself constitute that subsidiary corporation a permanent establishment of its parent corporation. The maintenance within the territory of one of the contracting States by an enterprise of the other contracting State of a warehouse for convenience of delivery and not for purposes of display shall not of itself constitute a permanent establishment within that territory even though offers of purchase have been obtained by an agent of the enterprise in that territory and transmitted by him to the enterprise for acceptance.

(d) The term "enterprise of one of the contracting States" means, as the case may be, "United States enterprise" or "Swiss enterprise".

(e) The term "United States enterprise" means an industrial or commercial enterprise or undertaking carried on in the United States by a resident (including an individual, fiduciary and partnership) of the United States or by a United States corporation or other entity; the term "United States corporation or other entity" means a corporation or other entity created or organized under the law of the United States or of any State or Territory of the United States.

(f) The term "Swiss enterprise" means an industrial or commercial enterprise or undertaking carried on in Switzerland by an individual resident in Switzerland or by a Swiss corporation or other entity; the term "Swiss corporation or other entity" means a corporation or institution or foundation having juridical personality, or a partnership (association "en nom collectif" or "en commandite"), or other association without juridical personality, created or organized under Swiss laws.

(g) The term "competent authorities" means, in the case of the United States, the Commissioner of Internal Revenue as authorized by the Secretary of the Treasury; and in the case of Switzerland, the Director of the Federal Tax Administration as authorized by the Federal Department of Finances and Customs.

(h) The term "industrial or commercial profits" includes manufacturing, mercantile, mining, financial and insurance profits, but does not include income in the form of dividends, interest, rents or royalties, or remuneration for personal services: Provided, however, that such excepted items of income shall, subject to the provisions of this Convention, be taxed separately or together with industrial or commercial profits in accordance with the laws of the contracting States.

(2) In the application of the provisions of the present Convention by one of the contracting States any term not otherwise defined shall, unless the context otherwise requires, have the meaning which such term has under its own tax laws.

ARTICLE III

(1) (a) A Swiss enterprise shall not be subject to taxation by the United States in respect of its industrial and commercial profits unless it is engaged in trade or business in the United States through a permanent establishment situated therein. If it is so engaged the United States may impose its tax upon the entire income of such enterprise from sources within the United States.

(b) A United States enterprise shall not be subject to taxation by Switzerland in respect of its industrial and commercial profits except as to such profits allocable to its permanent establishment situated in Switzerland.

(2) No account shall be taken in determining the tax in one of the contracting States of the mere purchase of merchandise therein by an enterprise of the other State.

(3) Where an enterprise of one of the contracting States is engaged in trade or business in the territory of the other contracting State through a permanent establishment situated therein, there shall be attributed to such permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment.

(4) In the determination of the industrial or commercial profits of the permanent establishment there shall be allowed as deductions all expenses which are reasonably applicable to the permanent establishment, including executive and general administrative expenses so applicable.

(5) The competent authorities of the two contracting States may lay down rules by agreement for the apportionment of industrial and commercial profits.

ARTICLE IV

Where an enterprise of one of the contracting States, by reason of its participation in the management or the financial structure of an enterprise of the other contracting State, makes with or imposes on the latter, in their commercial or financial relations, conditions different from those which would be made with an independent enterprise, any profits which would normally have accrued to one of the enterprises, but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

ARTICLE V

Income which an enterprise of one of the contracting States derives from the operation of ships or aircraft registered in that State shall be taxable only in the State in which such ships or aircraft are registered.

ARTICLE VI

(1) The rate of tax imposed by one of the contracting States upon dividends derived from sources within such State by a resident or corporation or other entity of the other contracting State not having a permanent establishment in the former State shall not exceed 15 percent: Provided, however, that this paragraph shall have no application to Swiss tax in the case of dividends derived from Switzerland by a Swiss citizen (who is not also a citizen of the United States) resident in the United States.

(2) It is agreed, however, that such rate of tax shall not exceed five percent if the shareholder is a corporation controlling, directly or indirectly, at least 95 percent of the entire voting power in the corporation paying the dividend, and if not more than 25 percent of the gross income of such paying corporation is derived from interest and dividends, other than interest and dividends received from its own subsidiary corporations. Such reduction of the rate to five percent shall not apply if the relationship of the two corporations has been arranged or is maintained primarily with the intention of securing such reduced rate.

(3) Switzerland may collect its tax without regard to paragraphs (1) and (2) of this Article but will make refund of the tax so collected in excess of the tax computed at the reduced rates provided in such paragraphs.

ARTICLE VII

(1) The rate of tax imposed by one of the contracting States on interest on bonds, securities, notes, debentures or on any other form of indebtedness (including mortgages or bonds secured by real property) derived from sources within such contracting State by a resident or corporation or other entity of the other contracting State not having a permanent establishment in the former State shall not exceed five percent: Provided, however, that this paragraph shall have no application to Swiss tax in the case of interest derived from Switzerland by a Swiss citizen (who is not also a citizen of the United States) resident in the United States.

(2) Switzerland may collect its tax without regard to paragraph (1) of this Article but will make refund of the tax so collected in excess of the tax computed at the reduced rate provided in such paragraph.

ARTICLE VIII

Royalties and other amounts derived, as consideration for the right to use copyrights, artistic and scientific works, patents, designs, plans, secret processes and formulae, trade-marks, and other like property and rights (including rentals and like payments in respect to motion picture films or

for the use of industrial, commercial or scientific equipment), from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not having a permanent establishment in the former State shall be exempt from taxation in such former State.

ARTICLE IX

(1) Income from real property (including gains derived from the sale or exchange of such property but not including interest from mortgages or bonds secured by real property) and royalties in respect of the operation of mines, quarries, or other natural resources, shall be taxable only in the contracting State in which such property, mines, quarries, or other natural resources are situated.

(2) A resident or corporation or other entity of one of the contracting States deriving any such income from such property within the other contracting State may, for any taxable year, elect to be subject to the tax of such other contracting State, on a net basis, as if such resident or corporation or entity were engaged in trade or business within such other contracting State through a permanent establishment therein during such taxable year.

ARTICLE X

(1) An individual resident of Switzerland shall be exempt from United States tax upon compensation for labor or personal services performed in the United States (including the practice of the liberal professions and rendition of services as director) if he is temporarily present in the United States for a period or periods not exceeding a total of 183 days during the taxable year and either of the following conditions is met:

(a) his compensation is received for such labor or personal services performed as an employee of, or under contract with, a resident or corporation or other entity of Switzerland, or

(b) his compensation received for such labor or personal services does not exceed $10,000.

(2) The provisions of paragraph (1) of this Article shall apply mutatis mutandis, to an individual resident of the United States with respect to compensation for such labor or personal services performed in Switzerland.

(3) The provisions of this Article shall have no application to the income to which Article XI (1) relates.

(4) The provisions of paragraph (1) (a) of this Article shall not apply to the compensation, profits, emoluments or other remuneration of public entertainers such as stage, motion picture or radio artists, musicians and athletes.

ARTICLE XI

(1) (a) Wages, salaries and similar compensation, and pensions paid by the United States or by the political subdivisions or territories thereof to an individual (other than a Swiss citizen who is not also a citizen of the United States) shall be exempt from Swiss tax.

(b) Wages, salaries and similar compensation and pensions paid by Switzerland or by any agency or instrumentality thereof or by any political subdivisions or other public authorities thereof to an individual (other than a United States citizen who is not also a citizen of Switzerland) shall be exempt from United States tax.

(2) Private pensions and life annuities derived from within one of the contracting States and paid to individuals residing in the other contracting State shall be exempt from taxation in the former State.

(3) The term "pensions", as used in this Article, means periodic payments made in consideration for services rendered or by way of compensation for injuries received.

(4) The term "life annuities" as used in this Article, means a stated sum payable periodically at stated times during life, or during a specified number of years, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

ARTICLE XII

A professor or teacher, a resident of one of the contracting States, who temporarily visits the other contracting State for the purpose of teaching for a period not exceeding two years at a university, college, school or other educational institution in the other contracting State, shall be exempted in such other contracting State from tax on his remuneration for such teaching for such period.

ARTICLE XIII

A student or apprentice, a resident of one of the contracting States, who temporarily visits the other contracting State exclusively for the purposes of study or for acquiring business or technical experience shall not be taxable in the latter State in respect of remittances received by him from abroad for the purposes of his maintenance or studies.

ARTICLE XIV

(1) Dividends and interest paid by a corporation other than a United States domestic corporation shall be exempt from United States tax where the recipient is a nonresident alien as to the United States resident in Switzerland or a Swiss corporation, not having a permanent establishment in the United States.

(2) Dividends and interest paid by a corporation other than a Swiss corporation shall be exempt from Swiss tax where the recipient is a resident or corporation of the United States, not having a permanent establishment in Switzerland.

ARTICLE XV

(1) It is agreed that double taxation shall be avoided in the following manner:

(a) The United States in determining its taxes specified in Article I of this Convention in the case of its citizens, residents or corporations may, regardless of any other provision of this Convention, include in the basis upon which such taxes are imposed all items of income taxable under the revenue laws of the United States as if this Convention had not come into effect. The United States shall, however, subject to the provisions of section 131, Internal Revenue Code, as in effect on the date of the entry into force of this Convention, deduct from its taxes the amount of Swiss taxes specified in Article I of this Convention. It is agreed that by virtue of the provisions of subparagraph (b) of this paragraph, Switzerland satisfies the similar credit requirement set forth in section 131 (a) (3), Internal Revenue Code.

(b) Switzerland, in determining its taxes specified in Article I of this Convention in the case of its residents, corporations or other entities, shall exclude from the basis upon which such taxes are imposed such items of income as are dealt with in this Convention, derived from the United States and not exempt from, and not entitled to the reduced rate of, United States tax under this Convention; but in the case of a citizen of the United States resident in Switzerland there shall be excluded all items of income derived from the United States. Switzerland, however, reserves the right to take into account in the determination of the rate of its taxes also the income excluded as provided in this paragraph.

(2) The provisions of this Article shall not be construed to deny the exemptions from United States tax or Swiss tax, as the case may be, granted by Article XI (1) of this Convention.

ARTICLE XVI

(1) The competent authorities of the contracting States shall exchange such information (being information available under the respective taxation laws of the contracting States) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the like in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose any trade, business, industrial or professional secret or any trade process.

(2) Each of the contracting States may collect such taxes imposed by the other contracting State as though such taxes were the taxes of the former State as will ensure that the exemption or reduced rate of tax granted under Articles VI, VII, VIII, and XI (2) of the present Convention by such other State shall not be enjoyed by persons not entitled to such benefits.

(3) In no case shall the provisions of this Article be construed so as to impose upon either of the contracting States the obligation to carry out administrative measures at variance with the regulations and practice of either contracting State or which would be contrary to its sovereignty, security or public policy or to supply particulars which are not procurable under its own legislation or that of the State making application.

ARTICLE XVII

(1) Where a taxpayer shows proof that the action of the tax authorities of the contracting States has resulted, or will result, in double taxation contrary to the provisions of the present Convention, he shall be entitled to present the facts to the State of which he is a citizen or a resident, or, if the taxpayer is a corporation or other entity, to the State in which it is created or organized. Should the taxpayer's claim be deemed worthy of consideration, the competent authority of such State shall undertake to come to an agreement with the competent authority of the other State with a view to equitable avoidance of the double taxation in question.

(2) Should any difficulty or doubt arise as to the interpretation or application of the present Convention, or its relationship to Conventions between one of the contracting States and any other State, the competent authorities of the contracting States may settle the question by mutual agreement.

ARTICLE XVIII

(1) The provisions of this Convention shall not be construed to deny or affect in any manner the right of diplomatic and consular officers to other or additional exemptions now enjoyed or which may hereafter be granted to such officers.

(2) The provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance now or hereafter accorded by the laws of one of the contracting States in the determination of the tax imposed by such State.

(3) The citizens of one of the contracting States shall not, while resident in the other contracting State, be subjected therein to other or more burdensome taxes than are the citizens of such other contracting State residing in its territory. The term "citizens" as used in this Article includes all legal persons, partnerships and associations created or organized under the laws in force in the respective contracting States. In this Article the word "taxes" means taxes of every kind or description, whether Federal, State, cantonal, municipal, or communal.

ARTICLE XIX

(1) The competent authorities of the two contracting States may prescribe regulations necessary to carry into effect the present Convention within the respective States.

(2) The competent authorities of the two contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

ARTICLE XX

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Berne as soon as possible. It shall have effect for the taxable years beginning on or after the first day of January of the year in which such exchange takes place: Provided, however, that if such exchange takes place on or after October 1 of such year, Article VI (except paragraph (2) thereof) and Article VII of the Convention shall have effect only for taxable years beginning on or after the first day of January of the year immediately following the year in which such exchange takes place.

(2) The present Convention shall continue effective for a period of five years beginning with the calendar year in which the exchange of the instruments of ratification takes place and indefinitely after that period, but may be terminated by either of the contracting States at the end of the five-years' period or at any time thereafter, provided that at least six months' prior notice of termination has been given and, in such event, the present Convention shall cease to be effective for the taxable years beginning on or after the first day of January next following the expiration of the six-month period.

DONE at Washington, in duplicate, in the English and German languages, the two texts having equal authenticity, this 24th day of May, 1951.

For the President of the United States of America:

[SEAL] DEAN ACHESON.

For the Swiss Federal Council:

[SEAL] CHARLES BRUGGMANN.

The PRESIDING OFFICER. The convention is before the Senate and open to amendment. If there be no amendment to be proposed, the convention will be reported to the Senate.

The convention was reported to the Senate without amendment.

The PRESIDING OFFICER. The resolution of ratification with the reservation will be read.

The Chief Clerk read as follows:

Resolved (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of Executive N, Eighty-second Congress, first session, the Convention between the United States of America and Switzerland, signed at Washington on May 24, 1951, for the avoidance of double taxation with respect to taxes on income, subject to the following reservation:

The Government of the United States of America does not accept paragraph (4) of article X of the Convention, relating to the profits or remuneration of public entertainers.

The PRESIDING OFFICER. The question is on agreeing to the reservation to the resolution of ratification.

The reservation was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification with the reservation. [Putting the question.] Two-thirds of the Senators present concurring therein, the resolution of ratification, with the reservation, is agreed to, and the Convention is ratified.

LEGISLATIVE BUSINESS

Mr. McFARLAND. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to, and the Senate resumed the consideration of legislative business.

REPORTS BY GOVERNMENT DEPARTMENTS ON FLOOD CONDITIONS IN KANSAS, OKLAHOMA, AND MISSOURI

Mr. SCHOEPPEL. Mr. President, on last Wednesday I spoke on this floor, calling attention to the delay which has ensued on certain flood-relief-program legislation which involves $400,000,000, which was recommended and advocated by the President of the United States.

Companion measures involving this proposed legislation are before the Appropriations Committee of the House and the Judiciary Committee of the Senate.

Upon being advised last Friday and Saturday that hearings were likely to start on one of these measures in the House, on Monday or Tuesday of this week, the senior Senator from Kansas contacted Mr. A. E. Howse, who is the special representative of one Charles E. Wilson, who is in charge of this great mobilization program, to ascertain whether it was possible to obtain copies of reports and surveys made by the several governmental agencies covering the flood damages and the economic dislocations following the recent great flood disaster suffered by the States of Kansas, Missouri, and Oklahoma. I understood that these reports were made by the various governmental departments over which Mr. Howse was designated to act in a coordinating capacity.

These departments made reports after their officials had gone into the flooded areas and observed first hand the damages, the destruction, the havoc and ruin. I have been informed—and I hope correctly so—that Mr. A. E. Howse has assembled these combined reports, all based upon actual facts and circumstances growing out of these floods—in July 1951—in the States mentioned.

Mr. President, I was very definitely surprised last Saturday when Mr. Howse informed me that he could not release any of this information to me, and that he could not give copies of the reports compiled by the various departments, or a copy of the report he had prepared, and he had to refuse the Senator from Kansas the privilege of going over the reports to ascertain if anything might be added to the statement of the Senator from Kansas, when proper presentations were to be made before the committees of the House or of the Senate. The senior Senator of Kansas desired to be helpful in presenting fully all the facts and circumstances developing out of this disaster.

Upon contacting the chief clerk of the House Committee on Appropriations, the senior Senator from Kansas found that the statement which Mr. Howse had made was substantially correct. The Senator from Kansas was further informed that Representative CANNON, of the House, had informed Mr. Howse not to give this information to anyone. A strange situation, or at least I thought so.

Mr. President, this is the first time I have been informed that information respecting flood damage caused by the floods in Kansas, Oklahoma, and Missouri was classified—secretive and not eligible to be seen by a Senator representing a State—so vitally affected. If that is the case, what a strange situation we have, when those of us who represent the interested States desire to appear before the committees for the purpose of being helpful, and to prevent, wherever possible, the furnishing of duplicate information of the damages in the flooded areas.

If one is to be confronted with secrecy, then I ask, what is the reason? What could possibly cause this strange blanketing of departments of government in the matter of furnishing to Senators and Representatives of the affected States the pertinent facts and circumstances which were all developed at public expense? Why this black-out when people are without homes, when places of business and farms have been destroyed, and winter is approaching. Is there a desire not to have the fullest cooperation? I assure the Senate that all I desire to do is to be helpful and expedite these hearings. Is that the way to do it, I ask?

The Senator from Kansas has no personal criticism to offer, if there are legitimately within the reports some matters which should not be brought to the attention of the public before being offered to the Senate or to the House committees, but he feels that if this is not the case, it should not become the accredited or accepted procedure of either the House or the Senate, and, much less on the part of the chairman of any committee, to blanket a representative of a coordinating department of the Government from furnishing this type of information to Senators or Representatives who are vitally interested in what true factual reports show the facts to be.

I hope the Congress can be permitted to have these flood-relief measures considered and these reports may be made available at the earliest possible time, so that those who are interested in the proposed legislation may bring this very, very vital and important information to the attention of the committees as quickly as possible. I hope that these hearings can be expedited and come before the Senate and House at the earliest possible date—so that we can pass on the legislation in some form yet at the present session.

Mr. President, while I have the floor, I desire now to speak on another matter.

The PRESIDING OFFICER. The Senator from Kansas may proceed.

DELAY IN ESTABLISHMENT OF SMALL DEFENSE PLANTS ADMINISTRATION

Mr. SCHOEPPEL. Mr. President, it is not my thought to transgress long upon the time of the Senate today, but I feel compelled to speak briefly on a matter which concerns me greatly.

Tuesday of this last week marked an important anniversary. It marked the passage of six long weeks since the President signed into law the Defense Production Amendments of 1951. In that space of time, certain mobilization officials have found the law Congress passed unworkable—or at least so they say in public. In those 6 weeks, the President has evoked the specter of inflation running

wild through the Nation because of our action on the extension of the Defense Production Act. But, apparently, 6 weeks is not enough time for our President to put into operation a most important section of that controls bill, a section initiated by Congress and passed by Congress. Since July 31 the law of the land has stated that a Small Defense Plants Administration was to be established to protect the interests of the many thousands of small-business men whose very existence is threatened by the present mobilization effort. These weeks of delay represent time lost forever, but nothing has been heard from the White House on this subject.

As far back as June 4 it should have become obvious to even the most casual legislative observer that Congress was surfeited with fine phrases and imposing organization charts in the small-business field and was prepared to take action on its own, for on that day 55 Senators joined in sponsoring an amendment to the Defense Production Act to establish the Small Defense Plants Administration. I guess no one took us seriously, however, for over 100 days ago we offered that amendment showing that we were in deadly earnest. Still today, 100 days later, no action has been taken by the President to show that he is cognizant of our desires and our wishes and the law of the land on this subject.

Mr. President, before the Senate adopted the small-business amendment, the distinguished chairman of the Small Business Committee, my good friend the Senator from Alabama [Mr. SPARKMAN] read into the RECORD a number of letters from top executive officials saying that they did not oppose the adoption of the amendment; indeed, they felt that it was a right and proper step toward a good end, that of making small business a full partner in the mobilization effort. In fact, they all said that they supported it.

But I wonder. I wonder whether they really felt that way, and whether they feel that way now. Or are they still all guarding their little empires, fearful of some encroachment by a new organization which Congress forced into the administrative picture? I wonder, Mr. President, because a great silence has gathered over the arena ever since the Senate passed the bill on June 28, and particularly since July 31, when the President signed it into law. Who has heard a peep from downtown on this subject? Who has discerned any sign of life in the Small Defense Plants Administration? It appears to me that our child, for whom we held such great hope, was stillborn. It appears, furthermore, that the administration is bent upon once again flouting the firmly and unequivocally expressed mandate of the Congress.

I have heard a great deal in the past, yes, in the recent past, about a "do-nothing Congress." Upon that I shall not debate today; but I do submit to the Senate that this is prime and concrete evidence of "do-nothing" on the part of the President and of a "fiddling White House."

Every day, sorely pressed small-business men from my State call and write asking me when the Small Defense Plants Administration will be established, for I have made known my position that, without the SDPA there can be no hope for full economic citizenship for our thousands and thousands of industrial enterprises. And each and every day I must answer that Congress stands hopeless and helpless in this matter. While Congress took the initiative in proposing and passing this remedial legislation, it can do nothing to expedite the effective date of operation of the Small Defense Plants Administration. What a confession of weakness we in the Senate must make in the face of this record.

Once again, the President and the administration have missed the boat. Once again, Congress has been treated to the unedifying spectacle of a good law being soured by poor administration, or rather, by no administration at all, by plain neglect and starvation. I suppose the President will come to the Congress again next year asking us to do everything he wants in the name of remedying past mistakes. He will again say we are a "do-nothing Congress." But it certainly seems to me that we have a "do-nothing" attitude on the part of the administration.

In closing, Mr. President, may I say that I hope that my words will not be construed as a narrow partisan attack on a political leader or on a political party. To the contrary, in this matter, Congress has acted in a completely nonpartisan manner, and Republicans and Democrats alike joined in the task of preparing and passing this legislation. Nonetheless, I do call for action now in establishing the Small Defense Plants Administration as an effective operation, and I want the record to be straight. Otherwise, small-business men in Kansas and small-business men in the 47 other States will be regaled with pledges of love and affection next year—an election year—by the President and his spokesmen who will tell of their boundless attachment to the cause of small business on the part of the Chief Executive, while that nasty "do-nothing Congress" did nothing, as usual.

Mr. President, I do not stand alone in my anxiety about what has happened, or what has failed to happen. I picked up a copy of the Journal of Commerce of September 17, 1951, in which there appears an article under the heading "News analysis—Washington—A staff report." I shall not take the time of the Senate to read it, but I ask unanimous consent that it may be included at this point in the RECORD as a part of my remarks.

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

NEWS ANALYSIS—WASHINGTON—A STAFF REPORT

WASHINGTON, September 16.—The administration appears to be courting trouble with some of its congressional friends—not to mention the enemies—by taking its time so liberally in setting up the Small Defense Plants Administration.

An amendment to the controls act, backed by thumping majorities in both Chambers, created that agency as the clearing-house for small business participation in defense production. That was more than 6 weeks ago, and the SDPA is still just a collection of words on paper.

Charles Wilson, hostile to the idea from the outset, sent such a vague set of plans up to the Hill last month that the House Appropriations Committee decided it couldn't appropriate funds for SDPA until the Office of Defense Mobilization explained how they would be spent.

ODM has since told the Senate Appropriations Committee that the law bars using Presidential emergency funds to get the agency going and that someone will have to fork over the cash, or there just won't be any SPDA.

At best, however, ODM expects only a "token amount"—just enough to open an office. Meanwhile, a White House aide says several top-notch men, both in and out of Government, are being considered for appointment by the President as administrator. But there's no evidence of urgency there, either.

The Budget Bureau is making its contribution through a study of small business activities being carried on by existing Government agencies. It'll make suggestions about which should be transferred to the new agency.

Mr. SCHOEPPEL. Mr. President, I notice that on September 15, 1951, there appeared in Business Week an article entitled "Defined But Leaderless."

Under that heading there appears the following:

Small business agency, packed with powers, still lacks administrator as Truman delays. Politics are factor, but there's also fear of giving authority that will cut across Wilson's lines.

I ask unanimous consent that the article may be included at this point in the RECORD as a part of my remarks.

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

DEFINED BUT LEADERLESS—SMALL BUSINESS AGENCY, PACKED WITH POWERS, STILL LACKS ADMINISTRATOR AS TRUMAN DELAYS—POLITICS ARE FACTOR, BUT THERE'S ALSO FEAR OF GIVING AUTHORITY THAT WILL CUT ACROSS WILSON'S LINES

Boosters of small business have the stage set in Washington for their biggest extravaganza yet. Under the Defense Production Act, they have authority for a superduper agency—a body with sweeping powers and enough muscle to get the little man more orders, and more materials. They have a new freewheeling definition of what small business is, one that stakes out a broader empire than any one had dreamed.

But they don't have anyone to run the show.

TRUMAN DELAYS

The Small Defense Plants Administration was authorized in the new defense act signed by President Truman on July 31. Ever since then, the small business lobby has been pressing Truman to appoint an administrator.

Truman has been backing and filling on this appointment, despite almost daily bulletins that he's at the point of naming his man. His delay can be traced to two causes:

It's a hot political potato—too many aspirants, with too many backers to be satisfied.

There's powerful opposition behind the scenes from mobilizers, who feel small business is getting a fair shake anyhow, and needs no special agency of its own.

MUST MAKE SHOWING

Meanwhile, time is running out. If the show doesn't get started soon, it might as well close before it opens. Authority for the agency expires next June; unless it can show results before then, it may not be renewed.

Whoever the new Administrator is, he'll have time-consuming steps ahead of him before he can get into real action. First he'll have to win Senate confirmation. Then he'll have to wheedle the money out of Congress to run his office. After that, he'll have to get a staff together.

By then it may be time to go back to Congress for a new year's appropriation.

PLENTY OF POWER

The job will carry a lot of prestige and power, though. The administration is authorized to—

Recommend up to $100,000,000 in loans from RFC.

Take military contracts and, in turn, let subcontracts.

Claim scarce material allotments for small business.

Work with the procurement agencies to get contracts for small companies in the interest of mobilizing the Nation's full productive capacity.

Perform a hatful of other duties, such as making an inventory of the capacity of small companies, recommending changes in controls laws, providing technical and managerial help—and determining who is small business.

WHO'S SMALL?

That last power is no mean thing. The new Administration has at hand one proposed system for classifying manufacturers on a sliding scale. It works out to such findings as that a 2,459-man aircraft plant falls in the small-business category while a 52-employee millinery shop is big business.

As developed by Commerce Department's Office of Small Business, the system all depends on the relation of a given company's size to others in the industry. Aircraft plants run large, millinery shops run small.

WILSON OBJECTS

The sweeping nature of such definitions is supposed to be one reason why Chief Mobilizer Charles E. Wilson is against the idea of SDPA. Wilson vehemently opposes (1) giving small-business men their own mobilization agency, and (2) giving that agency authority that cuts across his whole chain of command.

But if the agency is to function at all, that's the way it would operate—across Wilson's lines.

LIGHTNING RODS UP

The $17,000-a-year job of Administrator is not going begging for lack of candidates. According to Washington gossip, former Senator Scott Lucas has the inside track, but will probably prefer to stick to his job as Washington lawyer representing clients before Congress and Government agencies. Lucas has instead been pushing Larry Arnold, former official of the Smaller War Plants Corporation.

Also in the running are Maury Maverick, who held a similar job in World War II; John Carroll, of Colorado, now a White House assistant; Telford Taylor, backed by the liberal wing of the small-business bloc; and John Horn, assistant to Senator JOHN SPARKMAN, chairman of the Senate Small Business Committee.

SEPARATION OF SUBSIDY FROM AIR-MAIL PAY

The Senate resumed the consideration of the bill (S. 436) to provide for the separation of subsidy from air-mail pay, and for other purposes.

Mr. JOHNSON of Colorado. Mr. President, this bill now under consideration is entitled "Air Mail Subsidy Separation Act of 1951," and is an amendment to the Civil Aeronautics Act of 1938. It will provide for the payment of a service rate for the transportation of mail and will authorize separate payments of subsidies to airlines when justified to carry out national interest objectives. In general, it can be said that in providing subsidy separation for the domestic airlines, we followed the precedent established by the Congress for determining mail rates for surface carriers. In the field of international aviation, we followed the precedent established by Congress for fixing mail rates for the surface merchant marine.

S. 436 will relieve the Post Office Department of paying airline subsidies out of its budget, and the entire subsidy promotional program will be handled openly by our expert aviation agency, the Civil Aeronautics Board. It has not been our purpose in drafting this legislation, to eliminate any essential subsidies, but merely to disclose publicly their true extent and character. It will permit Congress however, to review the justification for these subsidies of the certificated airlines, an impossibility for 13 years under the Civil Aeronautics Act of 1938.

Under the Act of 1938, the Civil Aeronautics Board was directed to fix rates for the transportation of mail by aircraft and was authorized to include in that rate an undisclosed amount to meet the proper financial needs of the carriers. We propose to repeal section 406 of the 1938 Act. It is dubbed the "need" section because, whenever one of its certificated airlines cannot make revenues meet its expenses on the transport operations which the Board has approved, the Board has interpreted this section to permit it to increase the air-mail pay to cover deficiencies in the airline's commercial revenues. This constitutes a cost-plus operation, and total mail payments have grown to over 120 million dollars in recent years. No airline has, or could ever, go bankrupt under this system provided the Board found its management to be honest, economical, and efficient. Like other cost-plus systems where close supervision is impossible, we are told that this constant "bailing out" could have encouraged airline managements to be extravagant and careless.

But what made this cost-plus system in the Civil Aeronautics Act really bad, is that the act did not require the Board to publish how much of these mail payments were for services rendered and how much was for "need" pay. I have made a few computations showing that all of the domestic airlines, taken together, were paid about 2.7 cents for transporting each piece of air mail last year, while the so-called feeder lines were paid on the average about 15 cents per piece of air mail, the highest being over $1.08 a letter. These figures may be compared with the average postage revenue on air mail of about 6 cents per piece, before making any allowance for the ground and handling expenses of the Post Office on air mail. How much of these payments to the airlines was subsidy is not known. The subsidy was hidden. Our bill will bring subsidies out in the open, and take the airlines off a cost-plus basis. Our bill will not preclude essential Government financing to foster and control the orderly development of an air transportation system to serve the growing needs of our national defense and our commerce.

Mr. President, the Senate Committee on Interstate and Foreign Commerce has taken a long time, and has given great care, to writing and perfecting this legislation. More than 2 years ago this committee held spirited hearings for 79 days, pursuant to Senate Resolution 50 of the Eighty-first Congress, and investigated the then financial straits of the airline industry. These hearings among other things focused direct attention upon the importance of publicly identifying airline subsidies and the need of returning to Congress its direct stewardship over appropriations for promotional programs.

Since that time, pressures have grown steadily in favor of immediate legislation. The President of the United States has twice urged immediate legislation to accomplish separation. In January 1951, President Truman said:

> Federal financial assistance has been a major factor in the [airline] industry's rapid growth, and should be continued to the extent necessary for the sound development of civil aviation. The method of paying this subsidy should be changed, however, in order to provide the public with full information as to its cost. At present, the airline subsidy is merged with compensation for the cost of handling mail and included in postal expenditures. These two elements should be separated, and the subsidy portion paid by the Civil Aeronautics Board from funds appropriated specifically for that purpose. I again urge Congress to enact legislation providing for this separation.

There is now almost complete agreement in principle by all interested groups on the desirability of separating air-mail pay from airline subsidies. The Hoover Commission, the large airline companies, the Air Transport Association, various labor groups, business and taxpayer associations, and representatives of surface forms of transportation have joined in this reform chorus. Only the representatives of the newer feeder airlines have held back, and expressed some doubts as to the wisdom of the legislation because they are concerned as to whether adequate subsidy grants will be appropriated to them should this legislation be enacted.

While there is agreement in principle that this step is essential, neither the Civil Aeronautics Board, nor other interested parties presented to your committee any adequate legislative program for its accomplishment. Some witnesses told us that a simple statutory mandate directing the CAB to establish the cost of carrying the mail and to label all additional financial aid as subsidy was all that was necessary. But that is a meat ax approach which could have done great harm. Prior to recent months the Board was unwilling to undertake any subsidy separation program and insisted that it would require huge appropriations and years of study and preparation. Your committee was thus forced to work out from scratch the best method of accomplishing subsidy separation. From the start, we were convinced of two things. First, that mail pay should be separated from airline subsidies as soon as possible, and that it could be and

should be accomplished without injuring America's splendid air-transport system. We realized that a sensible approach to this problem was essential if the superb air-transport system which we now enjoy throughout every State of the Union and to all parts of the world was not to be seriously injured.

In the Genera' Appropriations Act of 1951, the committee was given a special appropriation to contract for special studies on how to accomplish subsidy separation in both the domestic and the international fields. We made good use of these funds and contracted with competent engineers and accountants. Their studies have been of great value. Finally, this summer the committee held 20 more days of hearings on seven bills proposing various methods of separating air-mail pay from subsidy. From these extensive studies and the 99 days of hearings in which everyone interested in the problem was enabled to present his views, our committee recommends with absolute confidence the prompt enactment of S. 436. We are positive that it will accomplish the separation of air-mail pay from subsidy payments in a manner that will make a complete break between mail pay and subsidy, and at the same time will not adversely affect our splendid airline industry which is so essential and of which we have such good reason to be proud. Under this legislation instead of being injured the airline industry will be made stronger and more self-reliant.

At the outset, I should make it clear that the committee has found it necessary to make some important distinctions in the method of treating our international airlines as contrasted with those engaged in domestic air transportation. There are special problems surrounding foreign air transportation which I shall touch upon later.

In the domestic field, the committee believes that a complete break from the old system of mixing mail pay and subsidy should be made at the beginning of the next fiscal year, July 1, 1952. The task of establishing compensatory mail rates for the domestic carriers is one that should properly be discharged by the Civil Aeronautics Board. However, the committee has grave doubts as to whether the board, after the enactment of this legislation, would or could establish by that date compensatory mail rates for the almost 50 airlines transporting air mail due to the necessity for it to follow the Administrative Procedure Act. Accordingly, so that there may be no confusion or delay as to the effective date, the bill that we recommend sets up initially five classes of compensatory mail rates for the domestic airlines which go into effect on July 1, 1952, and remain in effect only until the Civil Aeronautics Board can revise them in accordance with the cost standards we have provided. These rates range from 45 cents to $1.80 a ton-mile and apply to transportation of mail domestically and to our overseas Territories and possessions. We have also included a 15-pound minimum-weight provision in recognition of the standby nature of the mail service. These are generous rates. In setting up these initial rates we have followed the precedent of the Railway Mail Act of 1916, which set initial rates for various classes of railway mail and at the same time directed the Interstate Commerce Commission to launch an investigation with authority to revise the rates set by that act. This is precisely what is proposed in S. 436. The only action that the Board must take before these initial mail rates go into effect next July is to classify the airlines into the five classes provided. This is to be done on the basis of types of communities served, volume and distance of air mail carried, and the route patterns flown. I want to emphasize again that these initial statutory rates are intended only to accelerate and make definite the transition to separate compensatory rates for domestic mail. The main task of revising and establishing compensatory mail rates from time to time is given to the Civil Aeronautics Board by S. 436.

One of the most controversial issues, which developed during the hearings, was the question of the legislative standards to be given to the Board in establishing compensatory mail rates domestically. This is the heart of the problem of separating mail pay from subsidy. These legislative standards are the guides which insure that all subsidy elements are removed from mail rates. We were told by many witnesses that we should impose a rigid cost standard. The airline industry unanimously opposed this, and urged that we recognize the comparative values derived from air-mail service as a proper standard. Everyone agreed that the airlines should be paid a fair compensation, including a reasonable return on their investment for the mail service rendered. A difficult problem arises because in the airline business the same aircraft are generally used for carrying passengers and freight, as well as mail. These classes of traffic are given different priorities and are handled in different ways. However, about 85 percent of all of the expenses of an airline are common expenses that are incurred for the benefit of all classes of traffic carried and these common or joint expenses must be divided between the mail and the other services in order to determine how much shall constitute the cost of carrying the mail. The division of these joint costs must be made in accordance with allocation formulas on the basis of ton-miles of traffic carried, aircraft landings, and other measurements. Up to date, no one has developed a set of formulas which are acceptable to all concerned. These things are a matter of judgment and, like all such undertakings, must be worked out carefully by experts.

The committee concluded that it could not recognize the value of the mail service as a standard in the rate-making formula. This standard is one which looks at the price to be paid from the purchaser's point of view, and is generally used in a free market in pricing competitive products for sale. But in the immediate problem the Post Office Department is the only customer, or user, of the air-mail service, and there is no practical or fair way to measure the value of the mail service to the Post Office or to the public. Furthermore, we decided that it would be proper, in view of the express purpose of the legislation to eliminate subsidy from mail rates, to adopt merely the simple "fair and reasonable" standard found in the Railway Mail Pay Act. We felt that a cost standard should be incorporated in the bill and, accordingly, we included in section 406 (a) (2) the requirement that all rates determined by the Board "shall be based upon the experienced costs for mail transportation services rendered and upon projected costs for such services to be rendered under honest, economical, and efficient management," and it is specifically required that cost be "fairly assigned and apportioned to such mail services, including a fair return on that portion of the total investment which is used and useful in such mail services."

The committee believes that this standard is, at the same time, sufficiently definite and sufficiently flexible to permit the Civil Aeronautics Board to take into consideration all cost elements which should properly enter into the fixing of a compensatory rate. Especially is this true when the Board is given authority to reclassify carriers, routes, and services for rate-making purposes as conditions change from time to time. By this standard, service rates and subsidy may be clearly distinguished from each other, in accordance with the basic purpose of S. 436.

International air transportation is conducted under significantly different competitive and governmental conditions than domestic operations. The foreign competitors of our international airlines which were not nationalized outright are government promoted and receive subsidies which are traditionally hidden. Our international air transportation system is built upon bilateral aviation agreements—44 of them. These agreements not only establish the right to operate scheduled commercial services in each country, but provide certain controls of our carriers' rates and traffic capacity. The success of our carriers is dependent upon the continued effectiveness of this system of bilateral agreements.

The committee studied, painstakingly and objectively, the present methods of making mail payments for international transportation by air and steamship, and also the effect that these various methods would have on our future international transportation system, which is now so important in our plans for national defense. We also studied the Universal Postal Union, which is an international organization dealing with postal affairs in which the United States has taken a leading role. This union facilitates the international exchange of mail and postal services throughout the world. Among other matters, the Universal Postal Union Convention fixes the maximum transportation charges to be paid by one country for the use of air services operated by an airline of another country. Since 1948 the maximum rate for letter mail outside of Europe has been $2.86 per ton-mile. Lower rates are established for parcel post and for newspapers. These rates are maximum rates and are usually paid by one

country for carrying mail on the airline of another country. The convention does not, however, require adherence to these maximum rates.

The Postmaster General, as the representative of the United States, has played a most important role in the Universal Postal Union and in facilitating the movement of mail throughout the world. Since 1929 he has fixed the rates for transportation of mail by United States and foreign surface vessels. A maximum rate was fixed by statute, but the Postmaster General has been authorized to fix the effective rate for United States vessels at his discretion. He has established rates for the transportation of mail by foreign and United States vessels which follow the UPU maritime maximum rates except in the very long distance ranges where he has established lower rates. Your committee was impressed with the wisdom and the fairness of this system. Accordingly, we have given authority to determine rates for the transportation of mail in foreign air transportation, to the Postmaster General, commencing July 1, 1953. No initial rates were set for the period prior to that date, and, consequently, air-mail rates for our international airlines will continue for the interim period to be determined as they now are by the Civil Aeronautics Board.

We further provided, for the period after July 1, 1953, that the rate to be paid to American airlines by the Postmaster General shall not be more than the maximum going rate established by the UPU or less than the lowest rate paid by him to foreign-flag carriers for similar service. This places our Postmaster General in a position of not having to discriminate against our international carriers by paying foreign carriers a higher UPU rate. It recognizes the rates paid in similar circumstances to foreign airlines under the UPU rate structure as a limiting factor in fixing the rates paid to American-flag carriers. However, as I have said, the UPU establishes only maximum rates and the convention does not bind the Postmaster General either to pay the maximum rates or to tender any United States mail to foreign carriers. Under these circumstances he has broad discretion to fix the rates at the level he considers reasonable.

The committee has concluded that such rates should be fixed by a responsible Cabinet official who will have full cognizance of the cost of the mail service and of the political and special international considerations involved in international air transit. We have provided that the Postmaster General can secure complete cost data from the Civil Aeronautics Board in any manner he requires. After giving full weight to the diplomatic and military aspects of the particular situation he has authority, therefore, to fix rates with his eagle eye on costs. Only an official at the Cabinet level should exercise such a broad power. We believe this is the most expeditious way of handling the international aspects of this problem.

Turning now to the matter of subsidy payments, I have stated that it is not the purpose of this bill to stop the payments of essential subsidies to domestic and international airlines rendering services found to be essential in the national interest. Accordingly, S. 436 provides that subsidies may be paid by the CAB for the purpose of maintaining and continuing the development of air transportation—including the introduction of new and improved types of commercial aircraft—to the extent and of the character and quality required to promote the economic development, the national defense, and the air commerce of the United States.

Under the existing provisions of the Civil Aeronautics Act, only those air carriers which hold certificates to transport mail may receive subsidies. The committee has approved amendments offered by the Senator from Connecticut [Mr. McMAHON] to continue this limitation. It is not the purpose of this amendment to extend subsidies to new classes of carriers, but to restrict subsidies to the carriers now eligible to receive them.

Mr. AIKEN. Mr. President, will the Senator yield for a question?

Mr. JOHNSON of Colorado. Yes.

Mr. AIKEN. Is it not a fact that the armed services vigorously oppose the proposed amendment?

Mr. JOHNSON of Colorado. I would not say vigorously. It is true that they did oppose it. It is true that they indicated that they thought cargo carriers and other certificated carriers who had rendered particularly good service to them were entitled to the subsidies.

Mr. AIKEN. Am I right in understanding that they objected strongly to the subsidizing of only those lines which at present were carrying mail, or restricting the subsidies to those lines? As I understand, Mr. McCone wrote to the Senator from Colorado with respect to that subject.

Mr. JOHNSON of Colorado. Yes. I have his letter, and I expect to have it inserted in the RECORD when the amendment is offered. I would prefer not to put it in the RECORD now. I will read it into the RECORD if the Senator from Vermont insists on it.

Mr. AIKEN. No; I do not insist on it.

Mr. JOHNSON of Colorado. I intend to put it in the RECORD when the amendment is offered. The Senator from Vermont is correct in saying that the Department of Defense advocates, as Mr. McCone advocates in his letter to us, that the cargo carriers and the other certificated carriers are just as much entitled to be considered for subsidy payments as the mail-carrying certificated carriers.

Mr. AIKEN. That is, they would be just as necessary in order to get materials, medicines, blood plasma, tractors, or anything else to out-of-the-way places, which perhaps may not be served at all by mail carriers. It seems to me that they made a perfect case for not restricting the right to subsidize to those lines which presently enjoy profitable mail contracts.

Mr. JOHNSON of Colorado. The amendment undoubtedly will be offered in due course. I would invite the attention of the Senator from Vermont to page 726 of the hearings, where he will find Mr. McCone's letter to me.

Mr. AIKEN. Yes; I see it.

Mr. JOHNSON of Colorado. The amendment will come up, and then I shall insert Mr. McCone's letter in the RECORD.

Mr. AIKEN. Mr. President, will the Senator yield for another question?

Mr. JOHNSON of Colorado. Yes, gladly.

Mr. AIKEN. I notice that with respect to domestic airlines the bill, at page 7, states:

> The rates so modified shall be based upon the experienced costs for mail-transportation services rendered and upon projected costs for such services to be rendered, under honest, economical, and efficient management, fairly assigned and apportioned to such mail services, including a fair return on that portion of the total investment which is used and useful in such mail services.

On page 14 of the bill, with respect to foreign air transportation, which I understand refers to United States carriers which fly to foreign countries, the bill provides that the rates "shall not be less than any rates paid by the United States to foreign carriers for similar service."

I was wondering why the rates paid to American airlines flying to foreign countries should not be determined on the same basis of "honest, economical, and efficient management," as in the case of domestic airlines.

Mr. JOHNSON of Colorado. Of course it will be so determined. The Postmaster General will have to come before the Committees on Appropriations and make an accounting. I believe we can trust the Postmaster General to work out these matters in the interest of the United States. I wish to say to the Senator from Vermont that in the foreign mail category that situation is greatly involved. There is a great deal of competition with foreign nations, which subsidize their airlines. As a matter of fact, we subsidize the foreign airlines ourselves. We subsidize the foreign airlines, and our lines must compete with them. We subsidize them through the Export-Import Bank, through ECA, and otherwise, by providing funds for them. There is terrific competition between the foreign carriers and our carriers. In addition to that I want to say to the Senator from Vermont—and he is a good internationalist—that the nations of the world sit around the table and work out the UPU rates.

Mr. AIKEN. Am I correct in my understanding that 96 percent of the mail carried between the United States and foreign countries is carried or transported by American lines, and 4 percent is carried by foreign lines?

Mr. JOHNSON of Colorado. No. The Senator from Vermont is mistaken. I am sorry that he will not permit me to finish my prepared statement, after which I shall be glad to go into these matters.

Mr. AIKEN. Then I shall withhold for the time being any further questions.

Mr. JOHNSON of Colorado. If the Senator will turn to page 662 of the hearings, which I hold in my hand——

Mr. AIKEN. I am looking at them now.

Mr. JOHNSON of Colorado. These are the committee hearings. At the page indicated, the Senator will notice that other nations pay our carriers $10,873,846, whereas we pay foreign carriers $2,151,289. So we get the best of it 5 times over.

That is why I say to the Senator that when we get into the international field we run into so many complications and so many involved matters that we have to look twice; things are not as they seem to be on the surface. We have to consider all points and all phases of these matters, and we must consider them very seriously, or else we may do ourselves and our country and the entire subject very serious harm.

Mr. AIKEN. That depends on the viewpoint.

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

The PRESIDING OFFICER (Mr. MONRONEY in the chair). Does the Senator from Colorado yield to the Senator from New York?

Mr. JOHNSON of Colorado. If the Senator from New York will permit me to do so, I should like to read several more paragraphs of my prepared statement, and then I shall be glad to submit to questions, and shall try to answer them to the best of my ability.

Mr. President, at this point let me say that in the case of our international airlines, where long-range stability is especially important, the bill provides that firm subsidy contracts may be made over a period of years, up to 10, subject to recapture of profits deemed excessive. Actual subsidy grants will depend upon the Civil Aeronautics Board and upon appropriations subsequently made by the Congress for this purpose. Effective control over the extent of these subsidies will be restored to the Congress, where it rightly belongs.

There are in this measure a number of other detailed provisions which are fully covered in the committee report.

In conclusion, let me say that the greatest savings to be anticipated from this bill will flow to the Post Office Department. It is impossible to make a firm estimate of how much the bill will save the Post Office Department, but it has been tentatively estimated for us that the saving will be in the neighborhood of $60,000,000 a year. The ultimate savings to the taxpayer will, of course, depend upon the extent which separate subsidy grants are authorized by the Congress to be paid to the airlines. The additional administrative cost of the bill will be very slight.

Mr. President, I urge the prompt passage of Senate bill 436.

Mr. President, I am glad to yield now for questions. First, I yield to the Senator from Vermont [Mr. AIKEN], and thereafter I shall be glad to yield to our colleague the Senator from New York [Mr. LEHMAN].

Mr. AIKEN. Mr. President, the Senator from Colorado pointed out that foreign countries pay our airlines approximately $10,000,000 for transporting the mail, whereas we pay foreign air lines only approximately $2,000,000 for transporting the mail.

Mr. JOHNSON of Colorado. Yes, only $2,000,000.

Mr. AIKEN. However, by referring to page 663 of the hearings, I find that United States international carriers fly approximately 20,000,000 ton-miles, as compared with 847,042 ton-miles flown by all foreign-flag carriers flying between the United States and foreign countries. So only about 4 percent of the mail between the United States and those countries is handled by foreign lines. I wonder why we should have to pay our own companies a rate equal to the highest rate the foreign lines see fit to charge us and are able to get?

Mr. JOHNSON of Colorado. No, we do not have that provision in the bill at all.

Does the Senator think we should pay a foreign line more than we pay our own lines?

Mr. AIKEN. No; I think we should have provision for not paying the foreign lines more than it is worth to carry the mail.

Mr. JOHNSON of Colorado. The Senator from Vermont is going to develop a nice little job for our diplomats to try to straighten out.

Mr. AIKEN. But I would not let the 4 percent wag the 96 percent.

Mr. JOHNSON of Colorado. In relation to this matter, the tail is not wagging the dog at all. The Postmaster General, under the provisions of this bill, is not required to send one letter of mail by a foreign carrier. If the foreign carriers charge too much for carrying the mail, the Postmaster General simply will not have to send our mail by that means. Then he will be at liberty to pay our air carriers what he thinks they should be paid. In that way he will be in complete control of the situation.

I do not wish to see the Postmaster General hampered and restricted and boxed in by a foreign country, on the one hand; neither do I wish to see our country get into a rate war and mail-carrying war with foreign countries, and thus disturb the comity of nations, which is so important at this time, as well as at all other times. Of course, it is very easy to have a rate war.

Mr. AIKEN. I understand the Senator from Colorado to say that this bill may result in a saving of $60,000,000. Is that correct?

Mr. JOHNSON of Colorado. That is correct.

Mr. AIKEN. How much of that saving will be effected on foreign transportation?

Mr. JOHNSON of Colorado. I do not know how we can really estimate how extensive will be the saving in the foreign field until we find what the Postmaster General will do. He is a good Yankee, and he is our official delegate in connection with the UPU rate structure, to the international convention which fixes maximum rates.

The Postmaster General now pays for carrying the mail by means of ocean-going vessels traveling across the seas, and I have never heard any complaint to the effect that he pays too much for that transportation. I think he has done a very, very good job. He is at the Cabinet level, and he meets in the Cabinet with the Secretary of State on a basis of equality; similarly, he meets with the heads of the Military Establishments and with all other Cabinet officers. They work together upon these difficult problems, and work them out.

I do not wish to see our country get into a rate war with the foreign countries, when it is absolutely unnecessary for us to do so, and especially when we get the best of the arrangements, anyway, at the rate of 10 to 2.

Mr. AIKEN. There is one other question which I should like to ask the Senator from Colorado. On page 18 of the bill we find a provision dealing with the making of contracts with carriers on behalf of the United States. I read the following from page 18, beginning in line 23:

> Providing that payments determined under this subsection in order to effect its purpose in such foreign air transportation will be made to such carrier without reduction over any period not exceeding 10 years if such carrier (A) continues to furnish.

In other words, if the carrier continues to do this or that.

Would not that provision have the effect of eliminating the annual review of subsidies?

Mr. JOHNSON of Colorado. Yes.

Mr. AIKEN. Would it not eliminate the annual review by the Appropriations Committee of the subsidies? What is the advantage of saying, "We are going to fix the subsidy arrangements in such a way that no one can question them for 10 years"?

Mr. JOHNSON of Colorado. In the first place, 10 years will be the maximum. The Civil Aeronautics Board can provide for 1 year, 2 years, or 5 years; but the maximum will be 10 years.

The purpose of the amendment is to provide for long-range stability on the part of our international carriers. They do not have such an easy time. They are beset at every hand by all sorts of obstacles. They have the exchange rates facing them all the time, and also the blocked currencies. They must compete with foreign companies which are completely subsidized. Our companies have the difficulties of getting landing rights and departure rights and the use of foreign airfields.

The service of our international airlines to our country is most important. I know that a great many Senators are strongly in favor of and strongly support the Voice of America. They think it is most important. Our airlines which fly to all parts of the world are missionaries for our democracy. They carry messages to all parts of the world, and they are looked upon with respect by the people of all parts of the world. The amount of money it costs the United States Government by way of subsidies is money well spent; it is a good thing for the United States.

Mr. President, I am not an internationalist. In fact, some have said that I am an ostrich, with my head in the sand. However, I have it far enough out of the sand now to know that in

this one world of ours we had better not emulate the traditional ostrich or the turtle with his head drawn into his shell. On the contrary, we had better have these contacts and services, and we had better provide for the transportation of our mail and our goods across the oceans. We had better not abandon completely our rights in the air all over the world.

Mr. AIKEN. But what concerns me is this: What possible harm could come to the international airlines by means of an annual examination or review of the airline subsidy? I do not see how that could hurt them at all, unless they were making sufficient money to warrant the removal of the subsidy.

Mr. JOHNSON of Colorado. The difficulty is that a foreign airline must have very large investments. It costs a great deal of money to establish these airlines and to finance them. Moreover, they must have employees throughout the world. An airline cannot afford to operate on a year-to-year basis, but is entitled to a longer term of operation, it seems to me; and I do not want to see any airline hampered unnecessarily.

The contract which is entered into with any international American-flag carrier is made by Americans, and it is done under the supervision of the Civil Aeronautics Board. They worked out the contract. They do not have to make it for a period of 10 years, unless they desire to do so. They can make it for a much shorter time than that. But they should provide some stability, so that the operator of the airline will know that he will be in business next year and perhaps the year after that, so that he can get the full advantage of the contract, and can also handle his business in such a way as to reflect credit upon the United States while making profits for himself.

I have a great deal of confidence in the Congress; I know we have on the Appropriations Committees of Congress broad-minded men. Yet they can make mistakes. They might make a very serious mistake by cutting off an American international air carrier by taking mail funds from him before they should, and in that case the United States would lose by it. It is only for the purpose of establishing stability, particularly long-range stability, that this provision is included. I am not afraid to trust the Civil Aeronautics Board to properly supervise the contracts. The parties have to come back to the Appropriations Committees to account for how they spend their money; so I think we are safeguarded.

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

Mr. JOHNSON of Colorado. I will yield presently.

Mr. AIKEN. Mr. President, one more question. Having taken a casual look at the figures, am I correct in thinking that somewhere between 80 and 90 percent of the incoming and outgoing air mail is carried by one company and its subsidiaries?

Mr. JOHNSON of Colorado. To what page is the Senator referring?

Mr. AIKEN. I am still referring to pages 662 and 663.

Mr. JOHNSON of Colorado. Very well.

Mr. AIKEN. In going over the figures roughly, it looks as if, out of an income of from $66,000,000 to $67,000,000 for carrying air mail, paid both by foreign countries and by the United States, all but about $16,000,000 or $18,000,000 is paid to one company and its associates.

Mr. JOHNSON of Colorado. The Senator is referring to another page. We have two carriers in Europe at the present time.

Mr. AIKEN. Am I correct in understanding that the American Overseas Airline has been merged with Pan American Airways System since the beginning of the year?

Mr. JOHNSON of Colorado. There were formerly three trans-Atlantic airlines—the American Overseas, Pan American, and TWA, but a consolidation was effected last year, as the Senator will recall, between Pan American and American Overseas. There are now two American-flag airlines, Pan American and TWA.

Mr. AIKEN. And Northwestern Airlines, operating to the Orient.

Mr. JOHNSON of Colorado. Northwestern Airlines serve in the other direction.

Mr. AIKEN. I thank the Senator.

Mr. LEHMAN, Mr. DOUGLAS, and Mr. BUTLER of Maryland addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Colorado yield, and if so, to whom?

Mr. JOHNSON of Colorado. I yield first to the Senator from New York, if the Senator from Vermont has finished. I promised to do that.

Mr. LEHMAN. I wish to preface my questions with the statement that I am strongly in favor of the bill. I think that on the whole it is a good bill, and I shall certainly support it; but there are certain things in it which give me considerable concern.

On page 14, line 19, it is stated that the amount paid to our own carriers "shall not be less than any rates paid by the United States to foreign carriers for similar service." If it is a fact, as has been stated by the Senator from Vermont, that about 20,000,000 ton-miles of mail are carried by American carriers, and only 800,000 by foreign carriers, which would mean that the percentage carried by foreign companies was only 4 percent of the total, it seems to me that there is no justification for allowing this 4 percent to control the price of the entire 100 percent. I am not saying the prices are too high, or that they are too low; I do not know. This is a highly technical subject, which I do not feel qualified to discuss. But it does seem to me that it is not logical or realistic to permit 4 percent of the cargo which is carried in foreign carriers to control the price which we pay to American-flag carriers. I was wondering why the situation was not reversed and a provision included that in no event shall the rates to be paid by the United States to foreign carriers exceed the rates paid to American-flag carriers for similar services. I can foresee a situation in which we might pay the foreign carriers a very substantially higher rate than that at which we could contract with the American carriers, and yet, because of that 4 percent, we would be compelled to accept that rate for the entire 100 percent.

Mr. JOHNSON of Colorado. In the first place, the Senator from Colorado does not believe that we ought to pay foreign carriers more than we pay our own carriers. He thinks that it would be completely wrong to pay a foreign carrier more than we pay our domestic carriers engaged in the carriage of mail over the same area and over the same route. But we are not going to let this small tonnage push the big tonnage around, as the Senator has indicated, at all. I would be against that if it were to happen. But our Postmaster General is in complete authority and in complete control, under the language contained in the bill. That is, he is not compelled to send one piece of mail via foreign carriers if such foreign carriers ask too much for the carriage of the mail. He can completely stop the carriage of mail by a foreign carrier if too high a rate is asked. But if he is going to pay a foreign carrier a certain rate, then he has to pay the American carrier exactly the same rate. To the Senator from Colorado that seems only fair. That is as it should be. I do not see any danger in it. I do not see why a foreign carrier should be able to push us around. If such a carrier asks too much, we are not going to give it the business, that is all.

Mr. LEHMAN. Mr. President, will the Senator yield for another question?

Mr. JOHNSON of Colorado. In a moment. The Senator from New York understands, of course, that there are so-called Universal Postal Union rates which are established by a convention composed of representatives of all nations. Those representatives sit around the table, and even countries behind the iron curtain join in the convention. All the nations in the world are represented. The Postmaster General is our representative at the UPU conventions. The conventions set the maximum rates. They fix a ceiling; they do not establish a floor. They do not establish the exact rate; they leave that to the administrative officers of the several nations. The ceiling is called the UPU ceiling. At the present time it is $2.86 for carriage across the Atlantic Ocean. We can pay less than that, but we cannot pay more. On the continent of Europe one-half of that rate is applicable.

The convention meets every 5 years. It will meet in Brussels next summer and will work out the UPU ceilings again. Judging from all the reports we have received, the UPU ceilings are going to be very much lower than they are at the present time. They will be 25, 35, or possibly 50 percent lower than they were 5 years ago. Our Postmaster General will be present. He has been present at previous conventions, and in all the previous conventions he has advocated keeping the rate high because of the disproportionate amount of money we receive as against the amount we pay.

Because of the 10-to-2 comparison which I have mentioned, the Postmaster General has always taken the position in the conventions that we should keep the

UPU rate high. If this bill is passed, he will not take that position. He should not take it, and I am sure that he will not. The UPU conventions also establish rates for surface carriers, the ships on the seas. They establish the rates for parcel post, newspapers, and that kind of mail. That is one of the fine things which have been worked out internationally around a table.

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

Mr. JOHNSON of Colorado. I yield.

Mr. LEHMAN. I congratulate the distinguished chairman of the committee and the committee for having formulated a bill which does separate subsidies from mail transportation payments, but I am sure the Senator wants his bill to be as sound as is possible.

Mr. JOHNSON of Colorado. That is correct.

Mr. LEHMAN. I am concerned about the situation, because I realize that, as the chairman of the committee has said, there is no compulsion on the Postmaster General to use foreign carriers at all unless he wants to use them. I can conceive of a situation in which it might be very much to the advantage of our country and might be almost essential to use a certain route of a foreign carrier in a limited way, and pay a rate which is considerably higher than the normal average rate for the carrying of mail generally. If as little as 1,000 tons were carried, it would seem to me that that would control the rate paid for all the mail carried on American carriers.

Mr. JOHNSON of Colorado. At that point I must disagree heartily with my good friend from New York.

Mr. President, the Senator from Utah has an appointment and wishes to take the floor for a minute. I yield to him for that purpose.

CONSTITUTION DAY, SEPTEMBER 17, 1951

Mr. WATKINS. Mr. President, I ask unanimous consent to have a statement which I have prepared with reference to the Constitution printed in the body of the RECORD at this point.

The PRESIDING OFFICER. Under the rule, the Senator's statement should be printed in the Appendix.

Mr. WATKINS. Can it not be printed in the body of the RECORD?

The PRESIDING OFFICER. The Chair understands that it cannot, under the rule.

Mr. WATKINS. I have only a very limited time. If there is objection——

The PRESIDING OFFICER. It is not a matter of objection; it is a matter of a rule of the Senate which cannot be waived by unanimous consent. That was the ruling today.

Mr. WATKINS. Then I shall have to ask to have it printed in the Appendix of the RECORD. I have only 15 minutes——

Mr. JOHNSON of Colorado. A point of order.

The PRESIDING OFFICER. The Senator will state the point of order.

Mr. JOHNSON of Colorado. The Senator can certainly have the statement placed in the body of the RECORD if he receives unanimous consent, but it must appear as an insertion.

The PRESIDING OFFICER. The Chair understands that the rule cannot be waived unless the statement is read into the RECORD.

Mr. JOHNSON of Colorado. As a quotation?

The PRESIDING OFFICER. Any extaneous matter will have to be placed in the Appendix.

Mr. WATKINS. Mr. President, I do not have time to wait for discussion on the point. I ask unanimous consent that the statement may be printed in the Appendix of the RECORD.

Mr. McFARLAND. Mr. President, the statement consists of remarks by the Senator from Utah, and I think, clearly, the statement is entitled to be printed in the body of the RECORD.

Mr. BUTLER of Maryland. Mr. President, wherever a statement of a Senator is to be embodied as a part of his remarks, he is always entitled to have it printed in the body of the RECORD.

Mr. KEM. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KEM. Does that mean that a Senator cannot include an exhibit in his remarks?

The PRESIDING OFFICER. An exhibit would not be extraneous.

Mr. WATKINS. Mr. President, this is my own statement with reference to the Constitution of the United States. If I cannot put it into the body of the RECORD, I am willing to put it in the Appendix.

The PRESIDING OFFICER. Without objection, the statement will be placed in the Appendix of the RECORD.

ANNOUNCEMENT CONCERNING CALL OF CALENDAR

Mr. McFARLAND. Mr. President, will the Senator from Colorado yield to me, since he has been interrupted? I should like to make a brief announcement.

Mr. JOHNSON of Colorado. I yield.

Mr. McFARLAND. There was colloquy a while ago with reference to calling the calendar. I do not know whether we shall be able to finish this bill in time to call the calendar today. If we do not call the calendar tomorrow, we shall call it shortly after we complete the debate on the tax bill.

SEPARATION OF SUBSIDY FROM AIR-MAIL PAY

The Senate resumed the consideration of the bill (S. 436) to provide for the separation of subsidy from air-mail pay, and for other purposes.

Mr. JOHNSON of Colorado. Mr. President, I invite attention to the very wonderful arrangement which is in existence between the United States and Canada with reference to the carriage of mail by airline, under which neither nation charges the other a cent. Both sides perform the service free. We have all sorts of arrangements with other nations, worked out across the board, as nations should work out their common problems. I just cannot believe that we are going to run into any danger. But if we change this sort of a situation and bring on a rate war and all the animosities which a rate war in the carriage of mail will generate, it is going to do us a great deal more harm than the relatively small amount we have to pay for this service.

Mr. LEHMAN. I do not think it would bring about a rate war, but I think it would regulate the prices paid by the United States Government to American carriers, and not allow the 4-percent tail to wag the much bigger dog.

Mr. JOHNSON of Colorado. As I said, the bill does not provide for any such arrangement as that.

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

Mr. JOHNSON of Colorado. Yes; I am glad to yield.

Mr. DOUGLAS. Am I correct in my understanding that for the carriage of domestic air mail the rates are to be based on cost and the subsidies paid out of the General Treasury? Am I correct in that understanding?

Mr. JOHNSON of Colorado. That is correct. That mail is to be placed on a cost basis. And then whatever subsidies are arranged are to be paid by the Civil Aeronautics Board, but the Board must come to the Appropriations Committee and justify the money it uses to pay the subsidies.

Mr. DOUGLAS. And the subsidies will be determined annually by the CAB, subject to review by Congress?

Mr. JOHNSON of Colorado. That is the present language of the bill.

Mr. DOUGLAS. But when we come to American foreign air mail carriers, am I correct in my belief that there is no differentiation between subsidies and rates, but the rate is an over-all rate fixed, which has a subsidy element in it not differentiated from the cost?

Mr. JOHNSON of Colorado. No; the Senator is entirely mistaken with respect to that matter. We make a clean-cut separation between foreign mail pay and foreign subsidies just as we do domestically, except that the Postmaster General, who is our representative at the UPU conventions, determines what the postal rates shall be. He is the man who determines that question.

Mr. DOUGLAS. Is there a subsidy in addition to this rate?

Mr. JOHNSON of Colorado. There could be a subsidy in addition to the mail rate. I assume there will be, because our airlines are competing with airlines all over the world, all of them subsidized. There is not an airline operating anywhere any place in the world that is not subsidized. We have had to pay subsidies even to our strongest airlines in the international field. We have had to pay some subsidy to them. I think we will have to continue to subsidize them to a certain extent. I do not know to what extent it will be necessary. That is a matter that will have to be worked out between the CAB and the Appropriations Committee of Congress.

Mr. DOUGLAS. May I ask the eminent chairman of the committee if he will point out the section of the bill which provides for subsidy to lines carrying foreign mails?

Mr. JOHNSON of Colorado. Yes. If the Senator will turn to pages 16 and 17

he will find subsidies are authorized for domestic and foreign carriage, foreign transportation.

Mr. DOUGLAS. I thought that was for domestic mail.

Mr. JOHNSON of Colorado. It is for both. Yes, that is for both.

Mr. DOUGLAS. Both?

Mr. JOHNSON of Colorado. Yes, sir, that is for both. The same agency in our Government makes both payments—the Civil Aeronautics Board.

Mr. DOUGLAS. Then what objection would there be to having the foreign rates based on cost with the subsidy charged to the general Treasury to the degree that the CAB and Congress decide that the foreign air lines need something more than cost plus return on investments? Since the direct subsidies, as the Senator says, are being applied to both domestic air and foreign air mail, but the cost of domestic air mail to the Post Office is to be determined on a cost basis, why should not a similar standard be applied for the rates to be charged to the Post Office on foreign mail?

Mr. JOHNSON of Colorado. The carriage of foreign mail is very involved, as of course, the Senator well understands. We not only have the UPU convention, where all the nations of the world sit about the table and develop a ceiling for the mail rates, but our airlines have airline competitors that are nationalized by foreign countries in competition with us. The Postmaster General, I think, can be depended upon to act prudently, especially when he has to come before the Appropriations Committees of the House and Senate and justify the amount he pays. I think he would have to reduce it and handle it on the most economical basis that is possible. I have no fear but that he would. I have complete confidence in the Postmaster General. He does that with respect to surface ships now. We have heard no charges that the Postmaster General is paying too much for surface ships for transportation of mail. He has done that a long time now, and he has done a good job with it, and he will do a good job with the air mail.

But many different matters have to be considered which cannot be set forth in a bill, and we did not want to write in the bill for the reason that we do not care to disclose to our competitors in the international airline field just what we are doing in the way of subsidies and in the way of mail payments. Under this bill the mail payment is not going to have any subsidy in it. It will not have any subsidy unless we have a generalized rate structure worked out with some other country and in that case both sides would be treated alike.

Mr. DOUGLAS. I may say that I think the committee has performed a very valuable service in estimating the approximate cost range of the mail service per ton-mile. That is given on pages 61 and 62 of the committee's very interesting report. I am struck with the fact that we are reducing—I think quite properly—the domestic-mail payments close to costs. On page 9 of the bill there is fixed for class 1, an initial rate of 45 cents per ton-mile, and then for class 2, 60 cents per ton-mile, for class 3, 75 cents per ton-mile, for class 4, 90 cents per ton-mile, for class 5, $1.80 cents per ton-mile. That seems to bear some relationship to the cost figures which have been developed on page 61, in which the committee says that the cost for the Big Four trunk lines range between 40 cents and 48.8 cents per ton-mile. For the other trunk lines the costs range between 48¼ cents and 59⅘ cents, while the feeder lines had an average cost of $1.16. In other words, the domestic rates are apparently to be based upon this cost analysis which the committee has developed. But the committee, and I believe its experts, Ernst & Ernst, developed costs for international carriers.

I believe that there is a typographical error in that the figures at the bottom of page 61 and the top of page 62 are in terms of cents, not dollars.

Mr. JOHNSON of Colorado. That is a typographical error. They are stated as dollars. They both should be cents.

Mr. DOUGLAS. Yes. I am struck with the fact that on the trans-Atlantic carriers the rates range between a dollar and one cent over-all cost per ton-mile and a dollar and seventeen cents per ton-mile, or if there are excluded certain passenger expenses, between 85¾ cents and 98 cents per ton-mile.

The point is that the Universal Postal Rates of $2.86 per ton-mile are three times this figure. I believe that the actual average amount which we have been paying has been $2.40 per ton-mile. So the rates now paid on trans-Atlantic air mail are several times the actual cost.

We are setting rates of domestic air mail to reflect actual costs plus a fair return, and providing subsidies directly to help the domestic airlines when these rates do not yield enough for them to stay in business. Thus we are separating subsidies from rates. But for international mail we are providing for an inflated postal rate vastly in excess of cost, which will have a hidden subsidy contained in it, and paying direct subsidies on top of that. So we not only fail to take subsidies out of the rates, but we also add a direct subsidy.

Mr. JOHNSON of Colorado. I disagree completely with the Senator's conclusions.

Mr. DOUGLAS. What is wrong with them?

Mr. JOHNSON of Colorado. There is this wrong with his conclusions: The UPU rate is a ceiling, as I have previously explained. All the nations of the world sit around a table and determine what the ceiling rate shall be. In previous conventions of this kind, the United States Government has always taken a position in favor of a high rate. We wanted to keep the rate high. With the passage of this bill I am very certain that our Postmaster General, who is our official delegate, will take exactly the opposite position, because of the provisions of the bill. I think the UPU rates are going to take a drastic drop. I cannot prove that. That is only my speculation. Quite obviously I could be badly mistaken; but in my opinion such rates will come down. Nevertheless, we are not burning the bridges behind us in this bill. The Postmaster General will have to come before the Appropriations Committees of Congress. He will have to justify the rates which he is paying. He is permitted under the bill to call on the Civil Aeronautics Board for cost figures. He can go to them and get the cost figures.

Mr. DOUGLAS. The committee has already done that, in a very valuable way.

Mr. JOHNSON of Colorado. I invite the Senator's attention to page 15 of the bill. If he will look at line 3, he will see a very wise provision, which reads as follows:

> The Board—

Of course, that means the Civil Aeronautics Board—

> shall, at the request of the Postmaster General, advise him as to the cost to any air carrier of furnishing foreign air transportation on such a basis as he shall prescribe.

They have the machinery to work that out.

Mr. DOUGLAS. Suppose a 10-year contract has been made. Even if the CAB does provide the Postmaster General with the information, he will not be able to do anything with it for 9 or 10 years.

Mr. JOHNSON of Colorado. The Senator is now talking about the subsidy. The Postmaster General has nothing to do with the subsidy which is paid to the foreign carrier. The only thing the Postmaster General has anything to do with is the rates of pay for carrying the mail. The CAB handles the subsidy end of it, and the CAB, in turn, must come to the Appropriations Committees of the House and Senate and justify what it is doing. It is not compelled to enter into a 10-year agreement with a foreign carrier to pay him a certain amount of subsidy. It is only deemed that it might be in the interest of national comity, or it might be in the interest of the United States itself to make a contract for a longer period than 1 or 2 years. The CAB is not compelled to make a 10-year contract if it does not wish to do so. It can make contracts for a much shorter period. If it does make a mistake and makes too long a contract, and pays too much subsidy, and the airline becomes prosperous, we have a recovery clause in the section under which overpayments may be recovered.

Mr. DOUGLAS. Overpayments in excess of 10-percent earnings.

Mr. JOHNSON of Colorado. In the present law we give the foreign carrier a 10-percent earning on his investment. That is not too much, considering all the difficulties which international carriers encounter and the kind of competition they must meet.

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

Mr. JOHNSON of Colorado. As soon as the Senator from Illinois has finished I shall be glad to yield.

Mr. DOUGLAS. Is it not true that while the universal postal rate is nominally less than the maximum, in practice the foreign countries under the universal postal agreement charge a uniform amount, which is virtually the maximum, so that the maximum becomes virtually the going rate?

Mr. JOHNSON of Colorado. That is true at the present time. We are pretty close to the top. But that is because our own Government wants it that way.

Mr. DOUGLAS. Here is the point: If a uniform rate is charged to us by foreign lines which is three times the cost which the committee has ascertained, then, as the Senator from New York has pointed out, even if 1,000 tons of our mail moves by foreign lines, we are compelled, under lines 19 and 20——

Mr. JOHNSON of Colorado. The Senator is completely mistaken in that statement.

Mr. DOUGLAS. I have not finished my statement.

Mr. JOHNSON of Colorado. So far as he has gone he is completely mistaken. I shall be glad to listen to the remainder of the statement. I should be that polite, anyway.

Mr. DOUGLAS. Lines 19 to 21, on page 14, provide that the rates for foreign air transportation "shall not be less than any rates paid by the United States to foreign carriers for similar service."

The Senator from Colorado has said that the rates of foreign carriers are uniform and are close to the universal postal rate of $2.86 per ton-mile. The committee has also shown, on pages 61 and 62 of the report, that the cost per ton-mile across the Atlantic for our carriers is between 85 cents and 98 cents. Therefore, it follows that if any of the mail which we send across is moved by foreign carriers, we must pay the universal postal rate. Then we have to pay to our American companies the same rate as is paid to foreign companies, and that rate will be close to three times the actual cost. What is wrong with that statement? If I am in error, I want to have the error pointed out, because I am anxious to learn.

Mr. JOHNSON of Colorado. I shall try to do so. I firmly believe that the Senator is in error.

In the first place, if the foreign carrier wants more than the traffic will bear, more than our Postmaster General thinks he ought to have, he does not have to send 1 pound of mail by the foreign carrier. But if he pays the foreign carrier a certain price, I am old-fashioned enough to believe that the price he pays the foreign carrier ought to be the price paid the domestic carrier. I cannot see anything wrong about that. I believe that Americans are just as good as anyone else. Especially are they just as good as anyone else in the international-airline field, where American carriers, under our free-enterprise system, are competing with nationally owned, operated, financed, and subsidized international carriers.

Our Postmaster General is in complete control of the situation. If he wants to pay the foreign carrier more than the foreign carrier is entitled to receive, of course there is nothing to stop him from doing so, except when he comes before the Appropriations Committees. If he has any such ideas in his head, I am sure they will get those ideas out of his head very promptly, if I know the Appropriations Committees of the Congress as I think I know them. I do not believe that they will stand for that sort of thing. If he is going to pay a foreign carrier a certain price, he ought to pay our domestic carriers just as much.

Mr. DOUGLAS. Would not the Senator say that possibly it would be a better arrangement to provide the same basis of payment for the transportation of mail internationally as domestically, namely, on the basis of cost of service, with a fair return on invested capital; then let the subsidies make good any difference; and then pay to foreign countries the same price that is paid to domestic carriers? In that way the tail would follow the dog, instead of the dog following the tail. The point is that under the pending bill we have a very expensive tail which is going to determine the dog. I believe the suggestion which I am making was made previously by the Senator from New York [Mr. LEHMAN].

Mr. LEHMAN. Yes.

Mr. DOUGLAS. In other words, why not reverse the situation? Why not fix the rates for American carriers in international service on the same basis on which rates are fixed for American carriers in domestic service and then apply the same rates to foreign carriers that are applied to domestic carriers? What we would be doing would be getting the question of subsidy clearly differentiated from the question of the rate, and carry out the purpose of the bill in separating subsidies from rates.

Mr. JOHNSON of Colorado. We have them separated already. Two different agencies of Government do it. One of them pays the postal rate and the other pays the subsidy. In the foreign field the Postmaster General will pay the postal rate. I hope we can trust him to work out the situation. It is not a simple matter at all. It is a very involved matter. If we are not careful, we are going to get it all balled up to such an extent that a crisis will be brought about, and there will be a rate war between our carriers and other carriers so far as the carrying of mail is concerned.

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

Mr. JOHNSON of Colorado. Yes. I had intended to yield to the Senator from Nevada first.

Mr. AIKEN. The question is rather short. On page 61 of the report the average ton-mile cost paid to PAA-Atlantic was 98.13 cents. That allows for the payment of all expenses and a 7 percent profit, after taxes, according to the footnote No. 1 on page 62. It appears that we have been paying foreign lines $2.60 per ton-mile. If the Senator from Colorado is certain that if the bill passes as now written we must pay the foreign lines $2.60 a ton-mile, would we also have to raise the Pan American rate to that level?

Mr. JOHNSON of Colorado. Yes. But I do not believe the Postmaster General ought to pay the foreign carriers more than the service is worth.

Mr. AIKEN. But the Senator from Colorado——

Mr. JOHNSON of Colorado. Will the Senator from Vermont please listen when I tell him that it has been to the interest of our Government to pay high rates, because the ratio is 10 to 1. We gain by it. We gain by that kind of arrangement. The Senator from Illinois [Mr. DOUGLAS], the Senator from New York [Mr. LEHMAN], and, I think also the Senator from Vermont believe in working with other governments. They believe in cooperation. I am sure that they believe in the UPU convention. What they are attempting to do is to destroy the UPU convention.

Mr. AIKEN. No; we are not trying to do that. No one intends to do that.

Mr. JOHNSON of Colorado. That is the line of argument.

Mr. AIKEN. We are simply trying to keep Pan American or any other American airline from getting $50,000,000 more profit at the taxpayers' expense.

Mr. JOHNSON of Colorado. I appreciate the Senator's desire. I join him in it.

Mr. AIKEN. That goes for all of them. If we are already paying 96 cents to our own lines and we have to go up to $2.60 and that 96 cents permits them to make a 7-percent net profit——

Mr. JOHNSON of Colorado. We are not paying them that rate.

Mr. AIKEN. What are we paying them? I read the figure from the committee report. The reason I am concerned about the bill is because it would enable one or two international airlines to make tremendous sums of money at the expense of our taxpayers in the event the armed services must subsidize airlines to transport serum, ammunition, or anything else, if we become involved in a more serious conflict. That is what I am concerned about.

Mr. JOHNSON of Colorado. Is the Senator from Vermont saying that he has no confidence in the Postmaster General of the United States? Does he say that he has no confidence in the Committees on Appropriations of Congress? Does he think they are going to stand for that sort of thing?

Mr. AIKEN. I say that if the Postmaster General has found it necessary to pay $2.60 to foreign airlines this year there is no reason to believe that he will pay them anything less next year. Even though they represent only 4 percent of the total, under this bill our Government would have to pay the other 96 percent the same high rate.

Mr. JOHNSON of Colorado. Why does the Senator from Vermont believe that the Postmaster General is going to let the tail wag the dog?

Mr. AIKEN. Because that is what he has been doing.

Mr. JOHNSON of Colorado. He has been doing it because it was of advantage to the United States of America to do it. Under this bill it will not be to the advantage of the United States of America to pay any such rate. This is what we have had heretofore. As the Senator from Vermont knows, we have

had a subsidy and we have had a mail payment. The Postmaster General has stated, "If we don't pay it to them in mail rates we will pay it to them in subsidy. The two of them have been lumped and tied together." He has kept the rates as high as he could in order to get more money out of the foreign nations to pay the subsidies. It is just as plain as the nose on my face. I would not say as plain as the nose on the Senator's face. It is very evident what the Postmaster General has been doing. He has been paying a part of the subsidy to our airlines out of the money the foreign nations paid to our airlines.

Mr. AIKEN. Is it not true that under this bill as written, if the Postmaster General finds it expedient——

Mr. JOHNSON of Colorado. Why should he find it expedient to pay foreign carriers more than he pays our own carriers?

Mr. AIKEN. In the interest of foreign comity—I believe that is the word. Under this bill if he finds it expedient to pay the maximum amount to foreign carriers, which is $2.86 a ton-mile, must he then pay all the American carriers the same rate?

Mr. JOHNSON of Colorado. Should he not be asked to pay American airlines as much as he pays foreign airlines? I do not understand that argument at all. I do not believe in treating American airlines in one way and foreign airlines in another way, especially when we remember that a foreign airline is a subsidized airline. It is a nationally owned airline. It is a socialistic airline, as compared with our free-enterprise airline. I, for one, am opposed to paying the foreign airline more than we pay our own airlines for the same service.

Mr. AIKEN. Why not amend the bill accordingly?

Mr. DOUGLAS. Mr. President, I should like to suggest to the Senator from Colorado that the Senator from New York and the Senator from Illinois suggest a way to get out of the dilemma; namely, to have the rates paid American airlines for foreign service placed on the same basis as for domestic service; and then to provide that the rates paid foreign airlines shall not be in excess of the rates paid to domestic airlines.

Mr. JOHNSON of Colorado. The Senator's cure looks very well on the face of it; but I do not believe that we should turn our backs on the UPU convention. If we want to do that, and destroy the UPU convention, that is one thing. Judging by the way we are attempting to work with the other nations of the world and cooperate with them, and support the Voice of America, and all the other international things we are doing, with the billions of dollars we are sending abroad, in an attempt to work out a united program, and all that sort of thing, in the defense of the free world I do not suppose that Congress feels that we should destroy one of the finest and best international arrangements which has ever been proposed, and which has been working very well.

The UPU does more than handle airline rates. The UPU also handles rates on surface vessels. The arrangement has worked perfectly in that field. Why will not it work perfectly in this field? I think Senators are showing a lack of confidence. I hope they are not, and I do not believe they do so consciously; but they must be showing a lack of confidence in the Postmaster General of the United States and in the committees of Congress when Senators say, as they do, that the foreign nations take advantage of us.

The Postmaster General is in complete control, under the provisions of this bill.

Mr. AIKEN. Mr. President, will the Senator yield for another question?

Mr. JOHNSON of Colorado. I yield.

Mr. AIKEN. Is the Postmaster General in complete accord with all the proposals of the bill, including the McMahon amendment?

Mr. JOHNSON of Colorado. No; the Postmaster General is not in complete accord with this bill; there are several things about it which he does not like. In the domestic field, he does not want anyone to be given the right to carry mail unless he, the Postmaster General, has a veto power. I do not think we wish to give the Postmaster General such authority, including the power of veto, over certificated domestic carriers. However, that is one of the things the Postmaster General wants. He is in disagreement with several of the provisions contained in the bill.

Mr. AIKEN. The Postmaster General does have a veto power over the transportation of domestic mail, does he not, including star routes and rural free delivery routes; and the Postmaster General determines what railroads will carry the mail. Of course, that includes all of them. The Postmaster General also has the right to determine whether the mail shall be carried by truck or by rail. He has rather complete control now.

Mr. JOHNSON of Colorado. He has whatever control Congress has given him; but I do not think we wish to permit the Postmaster General to say that one airline can operate and another airline cannot operate. I am sure that the Senate would not wish to permit that to be done.

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

Mr. JOHNSON of Colorado. Yes; but before I do so, I should say that I promised the acting minority leader that I would yield the floor to the junior Senator from Nevada [Mr. MALONE], who wishes to make a statement to last about 5 minutes, I believe; and then we shall end the session for the day, I understand.

I think it is a certainty that we cannot complete action on this bill this evening, but shall have to continue it tomorrow.

Mr. WILLIAMS. Then I shall withhold my remarks.

Mr. JOHNSON of Colorado. Very well.

Mr. President, I now yield the floor.

(At this point Mr. MALONE addressed the Senate on the subject of the activities of the subcommittee of the Judiciary Committee investigating the administration of the internal-security program. At his request, and by unanimous consent, his remarks appear in the RECORD following the remarks made by him earlier today.)

RECOGNITION OF COMMUNIST CHINA, AND ITS ADMISSION TO THE UNITED NATIONS—REPLY OF PRESIDENT TRUMAN TO LETTER OF 56 SENATORS

Mr. KNOWLAND. Mr. President, I ask unanimous consent that there may be printed as a part of my remarks, in the body of the RECORD, a letter which I have received from the President of the United States, in response to the letter I sent to him on September 13, which was signed by 56 Senators.

The PRESIDING OFFICER (Mr. MONRONEY in the chair). The Chair advises the senior Senator from California that the ruling of the President of the Senate this morning required that all material placed in the body of the RECORD, which was not germane to the subject under discussion, be presented on the floor.

Mr. KNOWLAND. Mr. President, I understood the ruling related to extraneous newspaper articles. Since this was a letter signed by 56 Members of the Senate of the United States, who were operating under the treaty-making powers of the Constitution, and since it related to Senate business, I certainly did not think the rule went to the extent of saying that a letter to the President of the United States, or a reply from the President of the United States to the Senate, would be subject to the same rule as the rule applicable to extraneous magazine or newspaper articles. If that is the ruling, I think it rather far reaching. I can, of course, meet the problem by reading both communications into the RECORD; but I did not know that the ruling went so far as to apply to business which was strictly within our prerogatives under the Constitution.

The PRESIDING OFFICER. The Chair will state it in this way: Without objection, the material which the Senator from California requests be printed in the body of the RECORD, as part of his remarks, will be admitted, if it does not transgress the rule of the Joint Committee on Printing.

Mr. KNOWLAND. Mr. President, I do not want to take any chance of a question being raised, and I shall pursue this matter. But I shall read the letter from the President of the United States.

Mr. LEHMAN. Mr. President, will the Senator yield for an insertion?

Mr. KNOWLAND. This will take me only one moment. The letter reads:

THE WHITE HOUSE,
Washington, September 14, 1951.

Hon. WILLIAM F. KNOWLAND,
United States Senate,
Washington, D. C.

DEAR SENATOR: Thanks very much for your special of the twelfth regarding the Japanese Treaty and the recognition of Communist China.

It was kind and thoughtful of you to send me the petition signed by so many Senators.

Sincerely yours,

HARRY TRUMAN.

And then, Mr. President, in order that the RECORD may be complete, I may say that was in answer to a letter dated September 12, 1951, delivered to the

President under date of September 13, reading as follows:

DEAR MR. PRESIDENT: As Members of the United States Senate, we are opposed to the recognition of Communist China by the Government of the United States or its admission into the United Nations.

Prior to the submission of the Japanese Treaty to the Senate, we desire to make it clear that we would consider the recognition of Communist China by Japan or the negotiating of a bilateral treaty with the Communist Chinese regime to be adverse to the best interests of the people of both Japan and the United States.

Sincerely yours.

The letter was signed by 56 Senators, and if I may have unanimous consent, without taking the time of the Senate, I ask that the names be printed in the RECORD immediately following the letter.

The PRESIDING OFFICER. Is there objection?

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

WILLIAM F. KNOWLAND; MILTON R. YOUNG; RICHARD M. NIXON; HENRY C. DWORSHAK; HOMER FERGUSON; EDWARD J. THYE; ROBERT A. TAFT; H. ALEXANDER SMITH; ZALES N. ECTON; JOSEPH R. MCCARTHY; ANDREW F. SCHOEPPEL; MARGARET CHASE SMITH; KARL E. MUNDT; JAMES P. KEM; RALPH E. FLANDERS; KENNETH S. WHERRY; PAT MCCARRAN; JOHN J. WILLIAMS; HERMAN WELKER; LESTER C. HUNT; ALLEN J. ELLENDER, SR.; FRANCIS CASE; WILLIAM E. JENNER; OLIN D. JOHNSTON; CLYDE R. HOEY; WAYNE MORSE; HARRY P. CAIN; HERBERT R. O'CONOR; HUGH BUTLER; JOHN M. BUTLER; FRANK CARLSON; LEVERETT SALTONSTALL; BOURKE B. HICKENLOOPER; ROBERT C. HENDRICKSON; KENNETH MCKELLAR; EVERETT M. DIRKSEN; WALLACE F. BENNETT; JAMES O. EASTLAND; PAUL H. DOUGLAS; JOHN L. MCCLELLAN; SPESSARD L. HOLLAND; BLAIR MOODY; BURNET R. MAYBANK; HOMER E. CAPEHART; JOHN W. BRICKER; OWEN BREWSTER; A. S. MIKE MONRONEY; GEORGE D. AIKEN; STYLES BRIDGES; JOSEPH C. O'MAHONEY; WILLIS SMITH; GUY CORDON; EUGENE D. MILLIKIN; EDWARD MARTIN; IRVING M. IVES; GUY M. GILLETTE.

Mr. MALONE. Mr. President, will the Senator yield for a question?

Mr. KNOWLAND. I yield to the Senator from Nevada.

Mr. MALONE. Is it the intention of the Senator from California to offer a reservation to the Japanese treaty when it comes before the Senate, to carry out the thought of the 56 Senators who signed the letter to the President?

Mr. KNOWLAND. No. The Senator from California does not intend to offer a reservation to that effect, but he did feel that it was timely to serve notice, both on the executive branch of this Government and on foreign governments, of the sentiment in the Senate. I may say also that on Friday I raised the question that, because of reports that certain members of the United Nations delegation at Lake Success had apparently been giving some consideration to the possibility of the admission of Red China into the United Nations, and in view of the fact that the President of the United States was sending to the Senate the nominations of certain new appointees to be the American representatives to the United Nations, I suggested to the Senate Committee on Foreign Relations that the committee not merely give a perfunctory approval to those nominations, but, to the contrary, that hearings be held either by the full committee or by a subcommittee, and that all the nominees be asked to come before the committee, so that they could be questioned relative to their viewpoint regarding the admission of Red China into the United Nations. It was inconceivable to me that this Government, or any responsible person connected with it, would consent, either directly or indirectly, to the admission of Red China, which in effect would be allowing them to shoot their way into the United Nations. I learned today that a subcommittee had been appointed by the Foreign Relations Committee, and that that matter will be gone into.

Mr. MALONE. Mr. President, will the Senator yield for a further question?

Mr. KNOWLAND. I yield.

Mr. MALONE. Does the distinguished Senator from California hold the belief that, in the absence of a proper reservation to the treaty, a mere expression of opinion would in any way prohibit recognition of the Communist Government of China by Japan, or would prohibit recognition by the United Nations of Communist China?

Mr. KNOWLAND. In the first place, I do not think a reservation to the Japanese peace treaty would affect the admission of Red China into the United Nations, since it is an entirely separate subject, and since it could or could not be done entirely independently of whether there were a Japanese peace treaty or not.

I express the personal viewpoint of the Senator from California that I do not believe it is the intention of the present Government of Japan to do any such thing; but I was also under the impression that both India and Great Britain might urge them to do it, and I thought they should have clear notice that a majority of the Senate, and a very substantial majority, felt that it would be adverse both to their best interests and to ours.

I will say to the able Senator from Nevada that that letter was circulated merely from Wednesday noon to Thursday noon, and its circulation was stopped at that time because I wanted it delivered to the President before Mr. Schuman and Mr. Morrison left the city. Without attempting to speak for the Senator from Nevada, whom I was not able to contact on that particular day, I feel satisfied that if we had had another day we could have secured many more signatures, because no one among the 56 Senators whom I was able personally to contact declined to sign in that short period of time.

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

Mr. KNOWLAND. I yield.

Mr. MALONE. Is it the belief of the distinguished Senator from California that in the absence of a Senate written reservation, there would be any prohibition of Japan signing a treaty with Red China?

Mr. KNOWLAND. I will say to the Senator—and I realize there is an honest difference of opinion as to the best approach—I do not feel it is necessary that a reservation be made to the treaty. I think when 56 members of a body composed of 96 members sign a document, it represents a substantial majority making an expression of this kind. Those in charge of the Government of Japan are not unmindful of the fact that over the years in the future many other problems will be coming up, and I do not think they have any present intention of recognizing Communist China.

Mr. MALONE. If the Senator will permit, would it not be the same if 56 Senators signed a document indicating that their wishes were that England would not trade with Soviet Russia? I am sure our wishes are that England should not trade with Soviet Russia, but the English have defied us, for the simple reasons that their interests lie in trading with Soviet Russia.

Mr. KNOWLAND. No; in my opinion, the situation is quite different, because I think the British had long ago made up their minds to recognize Red China, and did recognize it. As I recall, they made some inquiries of our Government at the time, but the Government of the United States was not quite so forceful in expressing its viewpoint as I should have liked. At least, by indirection, the British may have interpreted our reply as a go-ahead signal to ratify.

I will say to the Senator from Nevada that I am under the impression that if before the final decision had been made in Britain they had had a clear indication that an overwhelming number of the Members of the Senate of the United States were opposed to recognition, and they felt that the United States would not follow along, they might have been a great deal slower in granting recognition than they were. But, to the contrary, instead of having such an indication they may have received what they felt was, at least, a go-ahead signal from our own Government.

Mr. MALONE. The question, in my opinion, is not whether England would have recognized Communist China in the face of 56 Senators. The question is: Had 56 Senators expressed themselves by saying, "We do not want England to trade with Russia, because it would be against our interests," would it have had any effect? England knew that we were opposed to her trading with Russia, but her interests are there. So our wishes were brushed aside.

The position which the junior Senator from Nevada has taken is that Japan's interests are with China, and as our Government has virtually dumped Nationalist China, leaving only the Reds, Japan must recognize Red China. Their interests are the same as those of England.

As to the matter of 56, or even 96, Senators signing such a document, can anyone believe the influence could be other than nil?

Mr. KNOWLAND. I do not quite agree with the Senator, because there is a different situation in the Far East. In the first place, the United States, under the bilateral defense treaty, is taking on a considerable obligation in regard to the defense of Japan against communism.

Representatives of the Japanese Government have indicated that, while trade with Russia has always been important to the economy of Japan, its importance has in some instances been overemphasized. I, for one, do not assume that the Communist regime will permanently have control of the Chinese people. In a long period of years, a decade or two, it is true that trade all over the world is very important. But it is the same problem which is evidently the case of Western Europe versus Eastern Europe. My own judgment is that perhaps for a great many years Manchuria and North China will not be out from under Communist domination, and I would not be a bit surprised if ultimately Manchuria and North China were incorporated into the Soviet Union. I think that is their ultimate intention. I believe, however, that with the discontent and the growing activity in China south of the Yangtze River it is possible that some day South China may be able to free itself from the Communist yoke. If that should happen I think, with the trade which would go on between Japan and South China, Formosa, the Philippines, southeast Asia, India, and Pakistan, that it would be possible for Japan to maintain a viable economy without being dependent to the extent that pressure could be put on her by Communists who would then be limited, I would hope, to North China or Manchuria.

Mr. MALONE. I should like to say to the distinguished Senator from California that there is no doubt England thought it had our approval to go ahead in the recognition of Communist China; our own Secretary of State said that we would not use the veto to prevent recognition of Communist China.

It was thus indicated that we did not seriously oppose England's recognition of Communist China.

Mr. KNOWLAND. I think the Senator means that we would not use the veto on the admission of Red China to the United Nations.

Mr. MALONE. That is correct. Therefore, England was on safe ground to go ahead and recognize Red China. Every move that has been made by the United States Government since 1933 has been toward helping Red Russia. Every step since Yalta has been to help the Reds conquer China. I shall not take the time now to enumerate the steps; every Member of the Senate is familiar with them. In the interest of establishing the facts, it must be implanted in everyone's mind that we gave Nationalist China the final shove into oblivion, and we sent Mr. Dulles to negotiate a treaty with Japan, utterly ignoring the case of Nationalist China which had held the Japanese in China in check for 10 years. The final insult to Nationalist China was our ignoring her at the San Francisco Conference.

Mr. KNOWLAND. Again, there is always on public questions an honest difference of opinion, and I want to say to the Senator from Nevada, respectfully, that I do not agree with him that it means the end of the Republic of China. To the contrary, this Government is now undertaking to give, and, I believe, will continue to give, to the Republic of China, both economic and military aid. We have a mission under General Chase which is helping to train troops for the defense of Formosa, an area which our Joint Chiefs of Staff have indicated would not be in our strategic interest to permit to fall into unfriendly hands.

I think it is quite possible that the Government of Japan may decide to negotiate a treaty with the Republic of China rather than with Red China. History will record who is correct on that point. I do not know just what the ultimate outcome will be. But I do not believe this means the end of the Republic of China by any means.

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

Mr. KNOWLAND. Yes.

Mr. MALONE. It is a question of common sense. We are still cooping Chiang Kai-shek in Formosa. There is no foreign trade in Formosa. There is, of course, great potential trade in China proper. The distinguished Senator from California said that in many years from now it may be there would be a reversal in the trend. Dispatches are coming in every day telling us that Nationalist Chinese, or individuals friendly to the Republic of China are being killed or sent to slave camps or to prison. In other words, there is a purge going on, similar to the purge which took place in Russia following the revolution.

It is a different thing when a nation conquers another nation and brings it under her supervision by traditionally accepted means. But here we have a case where a nation, not the conqueror, not in control, comes in to kill and enslave and imprison leaders while we are in control and are cooping up the only army that is available to oppose such action. It should be obvious to anyone that we have lost China to the Reds for a considerable number of years.

In China proper is where the trade is. That is where is located the raw materials that the Japanese must have. In China is located the market the Japanese must have to sell their manufactured products when we stop our support.

Mr. KNOWLAND. Mr. President——

Mr. MALONE. I should like to complete my statement, and then I should like to ask the Senator a question about it. It is very well for us to stand here and say that there is some kind of an ideal that causes England to want to trade with Eastern Europe and with Russia. With England, however, it is simply a matter of survival. They would arm Russia, if it means continuing trade. The British are dealing on what they call a practical basis. Herbert Morrison said before the Press Club, "This is a practical matter, gentlemen. We must trade with them." That is what the Japs will soon be telling us, despite any round-robin letter signed by a number of Senators.

I come now to my question. I would ask the distinguished Senator from California: What effect would it have for one Senator or two Senators, say, the junior Senator from Nevada and the senior Senator from California, or 96 Senators, for that matter, to say to the President of the United States, "We wish you would not recognize Communist China"?

Mr. KNOWLAND. I should like to say first to the Senator from Nevada that for a long period of time there were some of those in and out of our Government and in and out of the State Department who were attempting to bury the Republic of China, but it would not stay buried, and it is very much alive, and today they have approximately 500,000 non-Communist troops on the island of Formosa, which is the largest non-Communist force in all of Asia, and they still have 8,000,000 free people on the island of Formosa, which is a larger population than Australia's and a larger population than that of Greece.

Mr. MALONE. Is that the one we have cooped up there?

Mr. KNOWLAND. That is the one on the island of Formosa.

Mr. MALONE. Is that the force which we are guarding so that it cannot leave without permission of our fleet?

Mr. KNOWLAND. If the Senator will permit me, I should like to continue. In the first place, I have never believed, and I do not know of any responsible person in that area, either among the people of the Republic of China or among our own officials, who have felt that with the equipment now available to them they were in a position to make any kind of a D-day landing on the coast of China. I do not know of a single person who believed that they had the equipment necessary to make that kind of a major amphibious assault upon the coast of China.

I have felt that during the time of the Korean War it did not make sense not to permit them to go ahead and make commando-type raids which would have interfered with the communications of the China Communist troops, which would have forced them to move some of their forces from Manchuria and northern Korea down the coast line, not knowing where the Chinese Nationalists might strike, and thus reinforce the Chinese Communist forces against guerrilla troops. I thought that might have been a sounder procedure. But as the result of the MacArthur far-eastern hearings, the prohibition against the bombing of Rachin was finally lifted, and that communication center in North Korea which General MacArthur was prohibited from bombing, was finally bombed by the Air Force.

So I think that the general impression today is that in the event the Chinese Communists attempt an all-out assault upon the United Nations forces in Korea, their air power is no longer going to have a sanctuary in Manchuria. I believe, and I merely express it as my personal view, that if that type of an assault should come, and if the Chinese Nationalist forces on Formosa have the equipment and are properly trained, they certainly would be an asset for the free world which should not be kept idle on Formosa, as the Senator from Nevada points out, but at that time, with proper equipment and proper training, the Chinese Nationalists might very well be in a position, I think, to make a tremendous contribution to the collective security of the entire Pacific area

and to the ultimate defeat of Red China is she decides to make that kind of an assault.

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

Mr. KNOWLAND. I yield.

Mr. MALONE. I agree with the distinguished Senator from California that when it was obvious that it could have been done, and when General MacArthur wanted to do it, we should have destroyed the industries in southern Manchuria and blockaded China, and kept England and the rest of our allies from continuing to arm Communist China. It seems utter idiocy now to keep an army of 500,000 Chinese Nationalist troops blocked off on Formosa, while the Red Chinese troops were fighting us in Korea.

I agree with the Senator that Nationalist China may not yet be lost. The people of this country will have an opportunity to record their wishes in about 14 months from now. If it is recorded as the junior Senator from Nevada thinks it will be, there may still be time to do something about this situation. Every move we are now making is making it necessary for Japan, if she is to deal with China, to deal with Red China. Every move the State Department has made—its statement that the veto would not be used to prevent the recognition of Red China in the United Nations, and its action in the matter of aiding England after she recognized Red China, and in action in allowing England to arm Red China and Russia against us—every move has been toward the same end.

I invite the attention of the distinguished Senator to the hearing on Septemper 14, 1951, before the subcommittee of the Committee on the Judiciary To Investigate the Administration of the Internal Security Act and other internal security laws. Mr. Dooman testified at that hearing. He said that the pattern had begun back in 1933. The same pattern fits into all these actions. It culminated in the summary dismissal of a great general. There was only one reason. He was in the way. It is shown that from the very beginning the State Department officials brooked no interference with their ultimate objective, the control of China by the Reds.

It seems to the junior Senator from Nevada that the pattern is plain. If those who are in charge of the program are stopped in one place, they back up and come in somewhere else.

Mr. KNOWLAND. The only difference between the Senator from Nevada and the Senator from California is that I, no more than he, condone some of the policies which we have followed in the past. I have criticized them as fully as he has. I believe that as a result of such criticism there are definite indications of a change of policy in the Pacific.

Mr. MALONE. In the State Department?

Mr. KNOWLAND. Yes. I think there has been a definite indication of a change of policy in the Pacific. I believe that those of us who have been critical in the past should continue to be alert, so as to make certain that what appears to be a change of policy is going to be a change of policy. However, I believe that there are certain very definite indications of a change of policy.

Two or three years ago some of us were urging that there be a Pacific pact. No steps were taken to that end until fairly recently. We were very critical of the policy of "wait until the dust settles" so far as China was concerned. I considered that to be a fatal policy for us to follow, but I think that now we have the opportunity to hold Japan outside the Communist orbit.

We could go on for a long time this evening with this discussion, and we could continue it at other times. I respect the viewpoint of the Senator from Nevada, but I do not agree that the Republic of China is dead. On the contrary, I believe that in due course it will be found that the 8,000,000 free people of the Republic of China now on Formosa, with more than 500,000 troops, are still going to play a great part in the ultimate collective security system of the Pacific.

Mr. MALONE. Mr. President, I should like to say in closing—and I do not wish to prolong the debate—that the letter referred to will not stop the recognition of Communist China by Japan. The junior Senator from Nevada wishes to go on record. China is gone to the Reds, insofar as the United States is concerned; and the pace has been set for the loss of Asia.

But let us put the blame where it belongs. Everyone knows that so long as we, through our so-called allies, furnish the money, goods, raw materials, and machinery to arm Russia, and to give her the things which she needs to consolidate her gains in Eastern Europe and to fight world war III against us, if it becomes necessary, and also furnish the materials to Red China which Russia cannot furnish, we can expect but one result. We ourselves are responsible for the loss of China, and we ourselves will be responsible for the ultimate loss of Asia.

RECESS

Mr. McFARLAND. I move that the Senate stand in recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 6 o'clock and 15 minutes p. m.) the Senate took a recess until tomorrow, Tuesday, September 18, 1951, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

MONDAY, SEPTEMBER 17, 1951

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

Most merciful and gracious God, our needs are many but Thy blessings outnumber all our necessities and no aspiration, which Thou hast implanted within our souls, is beyond the reach of fulfillment by Thy infinite wisdom and love.

We pray that at the beginning of this new week we may be inspired with a greater faith in the power of Thy divine sovereignty as we seek to have a share in establishing Thy kingdom of peace and righteousness.

Grant that daily we may surrender ourselves to Thy wise and holy will, not in dumb resignation or in sullen submission but with glad and grateful hearts and giving Thee all the glory.

Hear us in Christ's name. Amen.

The Journal of the proceedings of Friday, September 14, 1951, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Landers, its enrolling clerk, announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 355. An act to adjust the salaries of postmasters, supervisors, and employees in the field service of the Post Office Department.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 4496. An act making appropriations for the legislative branch for the fiscal year ending June 30, 1952, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ELLENDER, Mr. CHAVEZ, Mr. MCKELLAR, Mr. BRIDGES, and Mr. SALTONSTALL to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1726) entitled "An act to provide for the organization of the Air Force and the Department of the Air Force, and for other purposes."

LEGISLATIVE BRANCH APPROPRIATION BILL, FISCAL YEAR 1952

Mr. McGRATH. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 4496) making appropriations for the legislative branch for the fiscal year ending June 30, 1952, and for other purposes, with Senate amendments, disagree to the amendments of the Senate and agree to the conference asked by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York? [After a pause.] The Chair hears none and appoints the following conferees: Mr. McGRATH, Mr. KIRWAN, Mr. ANDREWS, Mr. CANNON, Mr. HORAN, Mr. SCHWABE, and Mr. TABER.

SOUTH DAKOTA PRACTICES ECONOMY AND ABOLISHES TEMPORARY TAXES

Mr. LOVRE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include an article.

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

There was no objection.

[Mr. LOVRE addressed the House. His remarks appear in the Appendix.]

PRESERVING THE CIVIL RIGHTS GUARANTEED BY THE CONSTITUTION

Mr. McDONOUGH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include a resolution.

The SPEAKER. If there objection to the request of the gentleman from California?

There was no objection.

[Mr. McDONOUGH addressed the House. His remarks appear in the Appendix.]

DEPARTMENT OF DEFENSE APPROPRIATION BILL, 1952

Mr. MAHON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 5054) making appropriations for the National Security Council, the National Security Resources Board, and for military functions administered by the Department of Defense for the fiscal year ending June 30, 1952, and for other purposes, with Senate amendments, disagree to the amendments of the Senate and ask for a conference.

The SPEAKER. Is there objection to the request of the gentleman from Texas? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. MAHON, SHEPPARD, SIKES, RILEY, CANNON, TABER, WIGGLESWORTH, and SCRIVNER.

SWEARING IN OF MEMBER

Mr. POAGE. Mr. Speaker, I ask unanimous consent that the gentleman from Texas, Mr. FRANK IKARD, be permitted to take the oath of office. His certificate of election has not yet arrived, but there is no contest and there is no question in regard to his election.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. POAGE]?

There was no objection.

Mr. IKARD appeared at the bar of the House and took the oath of office.

AIR FORCE ORGANIZATION ACT OF 1951

Mr. KILDAY. Mr. Speaker, I call up the conference report on the bill (H. R. 1726) to provide for the organization of the Air Force and the Department of the Air Force, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

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

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. No. 973)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1726) to provide for the organization of the Air Force and the Department of the Air Force, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 7, 8, 12, 13, 14, 15, 16, 17, and 18.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 5, 9, and 10, and agree to the same.

Amendment numbered 4: That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "Under the direction of the Secretary of the Air Force, the Chief of Staff shall exercise command over the air defense command, the strategic air command, the tactical air command, and such other major commands as may be established by the Secretary under section 308 (b), and shall have supervision over" and on page 8, line 21, of the House engrossed bill, immediately after the word "all", insert the word "other"; and the Senate agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree on the same with an amendment as follows: In lieu of the matter proposed to be omitted by the Senate amendment insert the following:

"SEC. 308. (a) There shall be within the Air Force—

"(1) the following major air commands:

"(i) an air defense command; (ii) a strategic air command; and (iii) a tactical air command;

"(2) such other commands and organizations as may from time to time be established by the Secretary of the Air Force in the interest of efficiency and economy of operation.

"(b) For the duration of any war or national emergency declared by the President or the Congress, the Secretary of the Air Force may establish new major commands in lieu of, or discontinue or consolidate the major commands enumerated 'n, subsection (a) (1) of this section."

And the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows: In lieu of the matter proposed to be omitted by the Senate amendment insert the following:

"SEC. 402. The National Security Act of 1947, as amended, is hereby amended by striking out the words 'command over the United States Air Force' in section 208 (b) thereof and substituting in lieu thereof the words 'command over the air defense command, the strategic air command, the tactical air command, and such other major commands as may be established by the Secretary under section 308 (b) of the Air Force Organization Act of 1951, and shall have supervision over all other members and organizations of the Air Force.'"

And the Senate agree to the same.

LESTER C. HUNT,
JOHN C. STENNIS,
LEVERETT SALTONSTALL,
Managers on the Part of the Senate.

CARL VINSON,
PAUL J. KILDAY,
DEWEY SHORT,
LESLIE C. ARENDS,
Managers on the Part of the House.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1726) to provide for the organization of the Air Force and the Department of the Air Force, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendments Nos. 1 and 2: The House bill prescribed the duties of the Secretary of the Air Force, the Under Secretary of the Air Force, or the Assistant Secretaries of the Air Force. The Senate amended the House bill by augmenting these duties to include the responsibility for supervision of all activities involving the Reserve components of the Air Force. The House agreed to these amendments.

Amendment No. 3: The House bill provided that the Air Staff of the Air Force should be organized in such manner and perform such duties as the Secretary of the Air Force may prescribe. The Senate amended the House bill by requiring that a general officer of the Air Force be assigned to the Air Staff to assist and advise the Secretary and the Chief of Staff on all matters relating to the Reserve components of the Air Force. The House agreed to the Senate amendment.

Amendment No. 4: The House bill granted to the Chief of Staff under the direction of the Secretary of the Air Force, supervision, as contrasted with command authority, over all members and organizations of the Air Force. The Senate amendment would have granted to the Chief of Staff of the Air Force, under the direction of the Secretary of the Air Force, the authority to exercise command over all members and organizations of the Air Force, which authority is now contained in the National Security Act, which this bill amends. The House receded from its disagreement to the Senate amendment with an amendment to the effect that the Chief of Staff of the Air Force, under the direction of the Secretary of the Air Force, shall exercise command over the Air Defense Command, the Strategic Air Command, the Tactical Air Command, and such other major commands as may be established by the Secretary of the Air Force during a period of war or national emergency declared by the Congress or the President.

Amendment No. 5: The House bill stated that there would be no separately constituted or administered arms, branches, services, or corps in the Air Force or any component thereof. The Senate amendment deleted this provision of the House bill. The House agreed to the deletion. As contained in the conference report members of the Air Force may now be designated to perform specific duties, but the conference report does not prohibit the creation of a separately constituted or administered arm, branch, service, or corps in the Air Force.

Amendment No. 6: The House bill provided for three major air commands in the Air Force, the Air Defense Command, the Strategic Air Command, and the Tactical Air Command, and such other commands, forces, and organizations as the Secretary of the Air Force might from time to time establish. The bill also permitted the establishment of new major commands or the discontinuance or consolidation of the three previously named major air commands for the duration of any war or national emergency hereafter declared by the Congress. The Senate amendment would have deleted all of this language from the House bill. The House receded from its disagreement to the amendment of the Senate with an amendment which substantially reinserted the original House language. Under the agreed amendment, the Air Force shall consist of three major air commands, the Air Defense Command, the Strategic Air Command, and the Tactical Air Command, and such other commands and organizations as may be established by the Secretary of the Air Force in

the interest of efficiency and economy of operation. These will not constitute major air commands. However, the amendment further states that for the duration of any war or national emergency declared by the President or the Congress the Secretary of the Air Force may establish any new major commands or discontinue or consolidate the Air Defense Command, the Strategic Air Command, or the Tactical Air Command. However, such major air commands may only be created, discontinued, or consolidated for the duration of any war or national emergency so declared. In peacetime the Air Force shall consist of three major air commands as previously mentioned and such other commands and organizations as the Secretary may from time to time establish.

Amendments Nos. 7 and 8: The Senate receded from amendments 7 and 8, which were merely clerical.

Amendment No. 9: The House bill provided that certain provisions of the act of June 24, 1948, would not be construed to be applicable to the Air Force. These provisions dealt with the Articles of War and the Judge Advocate General Corps. The Senate deleted this language from the House bill and the House agreed to the amendment on the grounds that the House provision was unnecessary.

Amendment No. 10: The House receded from its position with respect to this amendment which was merely clerical.

Amendment No. 11: The House receded from its disagreement to the amendment of the Senate and agreed to the same with an amendment. The House bill would have amended the National Security Act of 1947, as amended, so as to grant to the Chief of Staff, under the direction of the Secretary of the Air Force, the authority to exercise supervision, as distinguished from command, over all members and organizations of the Air Force. The Senate amendment deleted this provision from the House bill and did not seek to change the authority of the Chief of Staff of the Air Force to exercise command over all members and organizations of the Air Force. The amendment agreed upon by the managers amends the National Security Act of 1947, as amended, by eliminating the authority of the Chief of Staff to exercise command over all members and organizations of the Air Force and substituting in lieu thereof the authority, under the direction of the Secretary, to command the Air Defense Command, the Strategic Air Command, the Tactical Air Command, and such other major commands as may be established during any period of war or national emergency, together with the authority to exercise supervision over all other members and organizations of the Air Force. The agreed amendment thus retains civilian control of the Air Force by limiting the Chief of Staff of the Air Force in his command authority over the entire Air Force.

Amendments Nos. 12, 13, 14, 15, 16, 17, and 18: These are clerical amendments in which the Senate receded, necessitated by the change in section numbers and references to the change in the National Security Act of 1947, as amended.

CARL VINSON,
PAUL J. KILDAY,
DEWEY SHORT,
LESLIE C. ARENDS,
Managers on the Part of the House.

Mr. KILDAY. Mr. Speaker, this is the Air Force organization bill which was passed some time ago by the House and more recently, of course, by the Senate.

The conference committee has agreed on substantially the House bill. The major change would be as to the question of the command authority of the Chief of Staff of the Air Force. In the House bill the Chief of Staff was given only supervision of the Air Force such as is possessed by the Chief of Staff of the Army. The provision in the Senate bill gave the Chief of Staff command of the Air Force. The conference committee has agreed to give the Chief of Staff of the Air Force practically the same command authority as is possessed by the Chief of Naval Operations. The Chief of Naval Operations has command of the operational force of the Navy.

In this bill we set out the Air Defense Command, the Strategic Air Command, and the Tactical Air Command as the major air commands of the Air Force and provide for other major commands in an emergency. It will be noted that the three commands designated in the bill as major commands are all combat commands. The conference report gives command to the Chief of Staff of the Air Force of these major commands. So that to all intents and purposes the Chief of Staff of the Air Force under this provision will have the same command function as the Chief of Naval Operations who has command of the operational forces. This gives the Chief of Staff command of the major or combat commands and gives him supervision over all other portions of the Air Force.

The Senate bill contained a provision for the appointment of an officer charged with Air Reserve functions and the conference report retains that provision.

Those are the major changes.

Mr. ARENDS. This is a unanimous report of the conferees?

Mr. KILDAY. That is correct.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

THE LATE MIDDLETON BEAMAN

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

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

There was no objection.

Mr. DOUGHTON. Mr. Speaker, it was with sadness of heart that I learned of the death last Saturday night of the distinguished former legislative counsel of the House of Representatives, the late Middleton Beaman. Perhaps the members of the Committee on Ways and Means had an opportunity to work more closely with Mr. Beaman than did other committees, yet I am confident that hardly a single committee chairman, during his 30 years of service as legislative counsel, failed to draw upon his vast knowledge and experience in the preparation of complex legislation.

For all practical purposes, although Middleton Beaman rigidly excluded himself from all policy decisions and considerations of partisanship, he was a full partner in the drafting of all revenue legislation from the Revenue Act of 1917 down to the Revenue Act of 1948. Indeed, in my opinion, one of the greatest contributions the Committee of Ways and Means ever made to the orderly functioning of the House of Representatives was to include in the revenue bill of 1918 provision for the legislative drafting service. The decision to establish the Office of the Legislative Counsel was reached after Mr. Beaman had headed a volunteer group of draftsmen who had served the Committee on Ways and Means in the preparation of the revenue bills of 1917 and 1918 and even prior to that had ably assisted Judge Cordell Hull, of Tennessee, in his work in drafting the Federal estate tax. I believe I can say with assurance that from this time on until his retirement in 1949, no one made a greater impression upon the revenue legislation passed by Congress than did Mr. Beaman.

Perhaps the skill of legislative draftsmen which was possessed by Mr. Beaman in such superlative degree was best described by the English Judge J. Stephen in *Castioni* ((1891) 1 Queen's Bench, 194, 167), who observed that, in drafting acts of Parliament, "which, although they may be easy to understand, people continually try to misunderstand, and in which therefore it is not enough to attain to a higher degree of precision which a person reading in good faith can understand; but it is necessary to attain if possible to a degree of precision which a person reading in bad faith cannot misunderstand. It is all the better if he cannot pretend to misunderstand it."

For this life of public service we all can be grateful. I extend to his beloved wife and sister my deepest sympathy.

Mr. Speaker, I yield to the gentleman from Tennessee [Mr. COOPER.]

Mr. COOPER. Mr. Speaker, it was my privilege to work very closely as a member of the Committee on Ways and Means with Mr. Beaman. From that experience I can assert without fear of contradiction that no individual has contributed more to the work of Congress during his service of more than 30 years as House Legislative Counsel than did Mr. Beaman.

Whatever policies might be agreed upon by the committee whom he was endeavoring to assist, it was the steadfast purpose of his keen mind that that policy should be expressed in statutory language free of ambiguity, and that the legislation should be drafted in such a manner as to withstand any charge of unconstitutionality in the courts.

I have often expressed the conviction that many of the outstanding statutes over the past 20 years have stood the test of constitutionality very largely because of the able assistance given to the Congress by Mr. Beaman. He was one of the greatest lawyers I have ever known. For example, I happened to be a member of the subcommittee of the Committee on Ways and Means for the drafting of the Social Security Act. I shall never forget the contribution made by Mr. Beaman in the drafting of that measure and by following his advice we produced a law affecting all the people of the country which has safely withstood all attacks of unconstitutionality.

I always have regarded Mr. Beaman as one of the most valuable men holding any position in the service of this Government. I extend to his family my deepest sympathy in their great bereavement.

Mr. DOUGHTON. Mr. Speaker, I yield to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Speaker, I learned with great sorrow of the death on Saturday of the distinguished authority on statutory law and legislative draftsmanship, the late Middleton Beaman. I think that few people have given so much of their talents and energies to the work of the Congress as did Mr. Beaman.

Soon after his graduation from Harvard University and admission to the bar, he came to Washington to serve as law librarian of Congress. Then, after a few years spent in research in legislative drafting, he returned as the head of a voluntary group of experts to demonstrate to Congress the value of expert technical assistance in the drafting of legislation. He assisted the committees so effectively in the preparation of legislation during the period of World War I that in 1919, largely as a result of his efforts, Congress created the Office of the Legislative Counsel. In fact, the decision of the Committee on Ways and Means to establish the legislative drafting service as a provision of the revenue bill of 1918 was reached only upon the understanding that Mr. Beaman should be appointed the head of the House branch of that office, and that the services to be rendered would continue to be of the same kind and quality as the committee had been furnished in connection with the revenue bills of 1917 and 1918.

The wisdom of that decision has been demonstrated by the clarity of the drafting of the many complicated revenue measures, the social security laws, and the many other complex statutes of the past 30 years which have stood the test of litigation in the Federal courts.

Mr. Beaman's work is his monument. I extend to his bereaved family my heartfelt sympathy.

Mr. DOUGHTON. Mr. Speaker, I yield to the gentleman from Massachusetts [Mr. MCCORMACK].

Mr. MCCORMACK. Mr. Speaker, I am very sorry to hear of the death of Mr. Beaman. For 10 years I served on the Committee on Ways and Means. By reason of my service thereon I was afforded an opportunity and a pleasure to meet and know Mr. Beaman. He was one of the outstanding officials of our Government, a man of sterling qualities, outstanding ability, honorable and trustworthy in every respect. Not only the Committee on Ways and Means, but every other committee depended upon his advice and suggestions and viewed them with profound respect.

The deep respect I have for him is a memory that I shall always treasure as long as I live, a respect based upon his sterling qualities as well as his sincerity of service to the Congress of the United States and to our Government. I extend to his loved ones my deep sympathy in their bereavement.

Mr. DOUGHTON. Mr. Speaker, I yield to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Speaker, I have just a few words to say. Mr. Beaman possessed a quality of mind that was very superior. His mind was very incisive and clear. He had the mental facility for clear, positive, and unambiguous statement that was possessed by few men. Besides being a man of high character, his great and outstanding accomplishments, in my opinion, came from the fact that he had very superior mental qualifications. He will always be remembered by those who knew him here in Congress as a man who filled a most difficult position with great credit to himself and great satisfaction to those with whom he worked. He was the technical adviser for the Ways and Means Committee on its very complicated work in the writing of tax legislation and social security and other legislation which was most difficult to write.

His wife and his family can always be proud of his ability and his achievement.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members who so desire may extend their remarks at this point in the RECORD on the life and services of the late Middleton Beaman.

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

There was no objection.

Mr. RAYBURN. Mr. Speaker, Middleton Beaman was the first member of the legislative counsel to appear on Capitol Hill. His has always been an outstanding service. Mr. Beaman was a man of high character and splendid ability. He really served well and faithfully.

CONSENT CALENDAR

The SPEAKER. This is Consent Calendar day. The Clerk will call the first bill on the Consent Calendar.

UNITED STATES MILITARY ACADEMY

The Clerk called the joint resolution (H. J. Res. 285) to authorize appropriate participation by the United States in commemoration of the one-hundred and fiftieth anniversary of the establishment of the United States Military Academy.

The SPEAKER. Is there objection to the present consideration of the joint resolution?

Mr. FORD. Reserving the right to object, Mr. Speaker, according to the report it is estimated that this proposal will cost approximately $95,000 for a sesquicentennial celebration of the establishment of the United States Military Academy. It seems to me that $95,000 could be better spent actively, affirmatively, and directly for the defense effort. As a result, I withdraw my reservation of the right to object and do object to the present consideration of the joint resolution.

PARTICIPATION BY MILITARY PERSONNEL IN OLYMPIC GAMES

The Clerk called the bill (H. R. 1184) to authorize the training for, attendance at, and participation in, Olympic games by military personnel, and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. FORD. Mr. Speaker, reserving the right to object, according to this proposal, the Department of Defense requests $50,000 for the participation of military personnel in the coming Olympic games. If there is someone here from the committee who can answer the question, I would like to ask why this money is needed. It seems to me that the Olympic Committee, which is a committee set up, I think, by law, and which receives public donations, has ample funds to pay the costs of any participation by any personnel, military or otherwise, in Olympic games. I can see no reason whatsoever for a $50,000 appropriation for military personnel. Can anyone here answer that question? If not, Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

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

There was no objection.

FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949 AND ARMED SERVICES PROCUREMENT ACT OF 1947

The Clerk called the bill (H. R. 2574) to amend section 304 of the Federal Property and Administrative Services Act of 1949 and section 4 of the Armed Services Procurement Act of 1947.

Mr. HARDY. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

Mr. MILLS. Mr. Speaker, reserving the right to object, I do not like to object to the request of the gentleman from Virginia that the bill be passed over without prejudice, but I do feel the bill should be stricken from the Consent Calendar, and that if it is considered at all by the House, it should be considered under a rule. It is my information that parts of the bill will result in unnecessary duplication in respect to defense contracts. The Renegotiation Board has been established for the purpose of reviewing these contracts and making a final settlement eliminating excessive profits. I see no valid reason for the General Accounting Office also investigating and checking the same contracts and perhaps changing drastically the net effect of a renegotiation settlement.

Therefore, Mr. Speaker, I object to the request that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. MILLS and Mr. REED of New York objected.

PROVIDING SETTLEMENT OF CLAIMS OF MILITARY PERSONNEL AND CIVILIAN EMPLOYEES OF THE WAR DEPARTMENT

The Clerk called the bill (H. R. 404) to provide for the settlement of claims of military personnel and civilian employees of the War Department or of the Army for damage to or loss, destruction, capture, or abandonment of personal property occurring incident to their service.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. FORD. Mr. Speaker, reserving the right to object, it is my understanding that a general bill comprehensive in character, has been introduced to cover all situations, and not just limited to the Navy. Therefore, pending the consideration of that, I ask unanimous consent that this bill be passed over without prejudice.

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

There was no objection.

AGRICULTURAL PROGRAM IN THE VIRGIN ISLANDS

The Clerk called the bill (H. R. 4027) to provide for an agricultural program in the Virgin Islands.

Mr. POULSON. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

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

There was no objection.

AUTOMOBILES FOR CERTAIN DISABLED VETERANS

The Clerk called the bill (S. 1864) to authorize payments by the Administrator of Veterans' Affairs on the purchase of automobiles or other conveyances by certain disabled veterans who served during World War II, and persons who served in the military, naval, or air service of the United States on or after June 27, 1950, and for other purposes.

Mr. TRIMBLE. Mr. Speaker, in view of the fact that this bill is going to be taken up under suspension of the rules, I ask unanimous consent that the bill be passed over without prejudice at this time.

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

There was no objection.

PROVIDING FOR REFUND OF FORFEITED BAIL

The Clerk called the bill (H. R. 4945) to authorize the use of appropriations for refunding moneys erroneously received and covered for the refund of forfeited bail.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That hereafter appropriations available for refunding moneys erroneously received and covered shall be available for the refund of forfeited bail covered into the general fund of the Treasury which has been ordered remitted, in whole or in part, pursuant to the Federal Rules of Criminal Procedure.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CHIEF OF THE DENTAL DIVISION OF THE BUREAU OF MEDICINE AND SURGERY

The Clerk called the bill (H. R. 4205) to provide retirement benefits for the Chief of the Dental Division of the Bureau of Medicine and Surgery, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 3 of the act of December 28, 1945 (59 Stat. 666), as amended (5 U. S. C. 456c), is further amended by adding at the end thereof the following sentence: "Such officer shall, while so serving, receive the pay and allowances provided by law for rear admirals of the upper half and shall be entitled in all respects to the same privileges of retirement and retired pay benefits as are now or may hereafter be provided by law for chiefs of bureaus of the Navy Department."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CUSTOMS AND IMMIGRATION LAWS

The Clerk called the bill (S. 24) to amend the act entitled "An act to provide better facilities for the enforcement of the customs and immigration laws," approved June 26, 1930, as amended.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the act of June 26, 1930 (46 Stat. 817), as amended by the act of October 10, 1940 (54 Stat. 1091; 19 U. S. C. 68), is further amended by striking from the proviso the figures "$5,000" and "$10,000," and substituting therefor the figures "$15,000" and "$30,000," respectively.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CONSTRUCTION, PROTECTION, OPERATION, AND MAINTENANCE OF PUBLIC AIRPORTS IN ALASKA

The Clerk called the bill (S. 1183) to amend the act entitled "An act to authorize the construction, protection, operation, and maintenance of public airports in the Territory of Alaska," as amended.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 5 of the act entitled "An act to authorize the construction, protection, operation, and maintenance of public airports in the Territory of Alaska," approved May 28, 1948 (62 Stat. 277), as amended, is amended to read as follows:

"SEC. 5. The Secretary of Commerce is empowered to lease under such conditions as he may deem proper and for such periods as may be desirable (not to exceed 10 years) space or property within or upon the airports for purposes essential or appropriate to the operation of the airports: *Provided,* That real property within or upon the airports may be leased for purposes of erecting structures necessary or incident to the operation of the airports for periods not exceeding 20 years."

With the following committee amendments:

Page 2, line 3, strike out "leased" and insert "leased,"; and

Page 2, line 4, strike out "airports" and insert "airports,".

The committee amendments were agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

RIGHT-OF-WAY IN THE TOWN OF DEDHAM, MAINE

The Clerk called the bill (H. R. 2190) to provide for the conveyance to the town of Dedham, Maine, of a certain strip of land situated in such town and used as a road right-of-way.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Interior is authorized and directed to donate and convey to the town of Dedham, Maine, all right, title, and interest of the United States in and to a strip of land situated in such town and used as a road right-of-way. Such land is more particularly described as follows:

A strip of land three rods in width, a line drawn through the middle of which is as follows: Beginning north forty degrees east eight and one-half rods from shore of Green Lake at a stone on the north line of Ellsworth and at southeast corner of hatchery lot near steamboat wharf; thence north thirty-eight degrees west eighteen rods to a stake; thence north four degrees thirty minutes west nine rods to a stake; thence north seven degrees west six and five-tenths rods to the line of hatchery lot; thence north nine degrees west six and thirty-six one-hundredths rods; thence north twenty-six degrees thirty minutes west eleven rods; thence north forty-four degrees thirty minutes west twelve and thirty-two one-hundredths rods; thence north thirty-two degrees thirty minutes west fifteen and fifty-six one-hundredths rods; thence north twenty-six degrees west eight and eighty one-hundredths rods; thence north thirty-eight degrees thirty minutes west twelve rods; thence north sixty-three degrees west ten and fifty-six one-hundredths rods; thence north forty-six degrees west twelve rods; thence north twenty degrees west six rods; thence north fifty-four degrees west ten rods; thence north thirty-four degrees west eight rods; thence north forty-two degrees west twelve rods; thence north seven degrees west twelve rods; thence north thirty degrees west twelve rods; thence north twenty-six degrees west fourteen rods; thence north forty-eight degrees west six rods; thence north ten degrees west sixteen rods; thence north twenty-four degrees thirty minutes east eight rods; then north ten degrees east seven rods; thence north eight degrees thirty minutes west eight rods; thence north twenty-six degrees thirty minutes west six rods; thence north forty-one degrees west five rods; thence north eight degrees and thirty minutes west ten rods; thence north twelve degrees thirty minutes west twelve rods; thence north sixteen degrees west nine rods; thence north two degrees east eight rods; thence north eight degrees thirty minutes west nine rods; thence north seventeen degrees thirty minutes west nine rods; thence north fifteen degrees thirty minutes west nine rods; thence north twenty-four degrees west twenty-five rods; thence north twenty-eight degrees fifteen minutes west ten rods; thence north forty-one degrees west fourteen rods; thence north forty-eight degrees west twenty rods; thence north forty-one degrees west thirty rods; thence north fifty-four degrees west ten rods; thence north thirty-five degrees west ten rods; thence north forty-three degrees west eight rods; thence north thirty-two degrees thirty minutes west seven rods; thence north fifty-four degrees west eleven rods; thence north thirty-eight degrees west sixteen rods; thence north forty-two degrees west eleven rods; thence north thirty degrees west fourteen rods; thence north thirty-four degrees west seventeen rods; thence north nineteen degrees thirty minutes west twelve rods; thence north nine degrees west eight rods; thence northerly on land of Emery Hastings forty-five rods, more or less, to the county road.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CASTLE PINCKNEY NATIONAL MONUMENT

The Clerk called the bill (H. R. 3042) to abolish the Castle Pinckney National Monument and to transfer the jurisdiction and control of the lands therein contained to the Secretary of the Army, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Castle Pinckney National Monument in South Carolina is hereby abolished, and the Government lands and property therein contained are hereby transferred to the administrative jurisdiction and control of the Secretary of the Army.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

COORDINATING LOCAL, STATE, AND FEDERAL PROGRAM IN THE CITY OF BOSTON

The Clerk called the House joint resolution (H. J. Res. 254) to provide for investigating the feasibility of establishing a coordinated local, State, and Federal program in the city of Boston, Mass., and general vicinity thereof, for the purpose of preserving the historic properties, objects, and buildings in that area.

The SPEAKER. Is there objection?

Mr. DAVIS of Wisconsin. Mr. Speaker, I ask unanimous consent that this House joint resolution be passed over, without prejudice.

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

There was no objection.

AMENDING HAWAIIAN ORGANIC ACT WITH REFERENCE TO JURORS

The Clerk called the bill (H. R. 4798) to amend the Hawaiian Organic Act relating to qualification of jurors.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 83 of the Hawaiian Organic Act (31 Stat. 141, 157; 48 U. S. C., 1946 ed., sec. 635) is hereby amended by deleting the word "male."

SEC. 2. This act shall take effect as of the opening day of the term of the circuit courts of the several circuits in the Territory of Hawaii which follows the approval of this act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

REPEALING CERTAIN OBSOLETE LAWS RELATING TO THE POST OFFICE DEPARTMENT

The Clerk called the bill (S. 1074) to repeal certain obsolete laws relating to the Post Office Department.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the following acts and parts of acts, which have become obsolete, inoperative, and unnecessary are hereby repealed:

1. The second proviso of the twenty-third paragraph under the heading "Office of the Second Assistant Postmaster General" in the act entitled "An act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1914, and for other purposes," approved March 4, 1913 (37 Stat. 799; 39 U. S. C. 668), relating to sea post clerks' disability allowance and compensation for death.

2. Section 4015, Revised Statutes (39 U. S. C. 671).

3. Section 4022, Revised Statutes (39 U. S. C. 673).

4. The first paragraph of section 1724 of title 18 of the United States Code as revised, codified, and enacted into positive law by the act entitled "An act to revise, codify, and enact into positive law, title 18 of the United States Code entitled 'Crimes and Criminal Procedure'," approved June 25, 1948 (62 Stat. 784, ch. 645).

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

LANDS HELD IN TRUST FOR MINNESOTA CHIPPEWA TRIBE

The Clerk called the bill (H. R. 1538) to declare that the United States holds certain lands in trust for the Minnesota Chippewa Tribe.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That title to the lands and interest in lands, together with the improvements thereon, and proceeds from rents and sales therefrom, which have been acquired by the United States under authority of title II of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 200), the Emergency Relief Appropriation Act of April 8, 1935 (49 Stat. 115), and of section 55 of title I of the act of August 24, 1935 (49 Stat. 750, 781), lying and situate within the State of Minnesota, administrative jurisdiction over which has heretofore been transferred by the President from the Secretary of Agriculture to the Secretary of the Interior by Executive Order No. 7868, dated April 16, 1938, is hereby declared to be held in trust by the United States of America for the use and benefit of the Minnesota Chippewa Tribe, and the Secretary of the Interior is hereby authorized to proclaim such lands as an addition to the White Earth Indian Reservation.

With the following committee amendment:

Page 1, strike out all after the enacting clause and insert "That title to the lands and interest in lands, together with the improvements thereon, which have been acquired by the United States under authority of title II of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 200), and subsequent acts, lying within the White Earth Indian Reservation, Minn., administrative jurisdiction over which has heretofore been transferred by the President from the Secretary of Agriculture to the Secretary of the Interior by Executive Order No. 7868, dated April 15, 1938, is hereby declared to be held in trust by the United States of America for the use and benefit of the Minnesota Chippewa Tribe of the White Earth Reservation in the State of Minnesota, and such lands shall constitute an addition to the said Reservation.

"SEC. 2. Any rents previously collected for the use of said lands are hereby declared to be held in trust by the United States of America for the use and benefit of said tribe."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

BAD RIVER BAND OF LAKE SUPERIOR CHIPPEWA INDIANS

The Clerk called the bill (H. R. 1548) to declare that the United States holds certain lands in trust for the Bad River Band of Lake Superior Chippewa Indians of the State of Wisconsin.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That title to the lands and interest in lands, together with the improvements thereon and proceeds from rents and sales therefrom, which have been acquired by the United States under authority of title II of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 200), and subsequent acts, lying and situated within the Bad River Indian Reservation, Wis., administrative jurisdiction over which has heretofore been transferred by the President from the Secretary of Agriculture to the Secretary of the Interior by Executive Order No. 7868, dated April 15, 1938, is hereby declared to be held in trust by the United States of America for the use and benefit of the Bad River Band of Lake Superior Chippewa Indians of the State of Wisconsin, and the Secretary of the Interior is hereby authorized to proclaim such lands as an addition to the Bad River Indian Reservation.

With the following committee amendment:

Page 1, strike out all after the enacting clause and insert "That title to the lands and interest in lands, together with the improvements thereon, which have been acquired by the United States under authority of title II of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 200), and subsequent acts, lying within the Bad River Indian Reservation, Wis., administrative jurisdiction over which has heretofore been transferred by the President from the Secretary of Agriculture to the Secretary of the Interior by Executive Order No. 7868, dated April 15, 1938, is hereby declared to be held in trust by the United States of America for the use and benefit of the Bad River Band of Lake Superior Chippewa Indians of the State of Wisconsin, and such lands shall constitute an addition to the said reservation.

"SEC. 2. Any rents previously collected for the use of said lands are hereby declared to be held in trust by the United States of America for the use and benefit of said band."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

LAC COURTE OREILLES BAND OF LAKE SUPERIOR CHIPPEWA INDIANS

The Clerk called the bill (H. R. 1549) to declare that the United States holds certain lands in trust for the Lac Courte Oreilles Band of Lake Superior Chippewa Indians of the State of Wisconsin.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That title to the lands and interest in lands, together with the improvements thereon and proceeds from rents and sales therefrom, which have been acquired by the United States under authority of title II of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 200), and subsequent acts, lying and situated within the Lac Courte Oreilles Reservation, Wis., administrative jurisdiction over which has heretofore been transferred by the President from the Secretary of Agriculture to the Secretary of the Interior by Executive Order No. 7868, dated April 15, 1938, is hereby declared to be held in trust by the United States of America for the use and benefit of the Lac Courte Oreilles Band of Lake Superior Chippewa Indians of the State of Wisconsin, and the Secretary of the Interior is hereby authorized to proclaim such lands as an addition to the Lac Courte Oreilles Indian Reservation.

With the following committee amendment:

Page 1, strike out all after the enacting clause and insert "That title to the lands and interest in lands, together with the improvements thereon, which have been acquired by the United States under authority of title II of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 200), and subsequent acts, lying within the Lac Courte Oreilles Reservation, Wis., administrative jurisdiction over which has heretofore been transferred by the President from the Secretary of Agriculture to the Secretary of the Interior by Executive Order No. 7868, dated April 15, 1938, is hereby declared to be held in trust by the United States of America for the use and benefit of the Lac Courte Oreilles Band of Lake Superior Chippewa Indians of the State of Wisconsin, and such lands shall constitute an addition to the said reservation.

"SEC. 2. Any rents previously collected for the use of said lands are hereby declared to be held in trust by the United States of America for the use and benefit of said band."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PAYMENTS ON PURCHASE OF AUTOMOBILES BY DISABLED VETERANS

Mr. RANKIN. Mr. Speaker, I move to suspend the rules and pass the bill (S. 1364) to authorize payments by the Administrator of Veterans' Affairs on the purchase of automobiles or other conveyances by certain disabled veterans who served during World War II, and persons who served in the military, naval, or air service of the United States on or after June 27, 1950, and for other purposes.

The Clerk read the bill, as follows:

Be it enacted, etc., That, subject to the conditions hereinafter set forth, the Administrator of Veterans' Affairs is authorized and directed, under such regulations as he shall prescribe, to provide or assist in providing an automobile or other conveyance by paying not to exceed $1,600 on the purchase price, including equipment with such special attachments and devices as the Administrator may deem necessary, for each veteran of World War I or World War II or of service on or after June 27, 1950, and prior to such date as shall thereafter be determined by Presidential proclamation or concurrent resolution of the Congress, who is entitled to compensation under the laws administered by the Veterans' Administration for any of the following due to disability incurred in or aggravated by active military, naval, or air service of the United States during any one of such periods:

(a) Loss or permanent loss of use of one or both feet;

(b) Loss or permanent loss of use of one or both hands;

(c) Permanent impairment of vision of both eyes of the following status: Central visual acuity of 20/200 or less in the better eye, with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends an angular distance no greater than 20 degrees in the better eye:

Provided, That instead of payment on the purchase price of an automobile or other conveyance such veteran may elect to receive, and the Administrator is authorized and directed to pay him, a cash benefit of $1,600.

SEC. 2. No payment shall be made under this act for the repair, maintenance, or replacement of any such automobile or other conveyance and no veteran shall be given an automobile or other conveyance until it is established to the satisfaction of the Administrator that such veteran will be able to operate such automobile or other conveyance in a manner consistent with his own safety and the safety of others and will be licensed to operate such automobile or other conveyance by the State of his residence or other proper licensing authority: *Provided*, That a veteran who cannot qualify to operate a vehicle shall nevertheless be entitled to receive the cash benefit provided by this act if he meets the other eligibility requirements.

SEC. 3. The furnishing of such automobile or other conveyance, or the assisting therein, shall be accomplished by the Administrator paying the total purchase price, if not in excess of $1,600, or the amount of $1,600, if the total purchase price is in excess of $1,600, to the seller from whom the veteran is purchasing under sales agreement between the seller and the veteran.

SEC. 4. No veteran shall be entitled to receive more than one automobile or other conveyance or cash benefit payment under the provisions of this act and no veteran who has received or who hereafter receives an automobile or other conveyance under the provisions of the paragraph under the heading "Veterans' Administration" in the First Supplemental Appropriation Act, 1947, as extended, or the act of September 21, 1950 (Public Law 798, 81st Cong.) shall be entitled to receive an automobile or other conveyance or cash benefit payment under the provisions of this act.

SEC. 5. The benefits provided in this act shall not be available to any veteran who has not made application for such benefits to the Administrator within 3 years after the effective date of this act, or within 3 years after the date of the veteran's discharge or release from active service if the veteran is not discharged or released until on or after said effective date.

SEC. 6. There is hereby authorized to be appropriated to the Veterans' Administration, out of any moneys in the Treasury not otherwise appropriated, such sums as may be required to carry into effect the provisions of this act.

The SPEAKER. Is a second demanded?

Mrs. ROGERS of Massachusetts. Mr. Speaker, I demand a second.

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection?

There was no objection.

Mr. RANKIN. Mr. Speaker, this bill is an amendment to a law passed in the Seventy-ninth Congress providing for automobiles for leg amputees. This bill has three additional provisions. It extends this privilege to men who have lost an arm, as well as those who have lost a leg; and also to blind veterans. It also covers veterans of the present police action in Korea.

It does another thing. Instead of forcing these men to take automobiles, it permits them to accept money in lieu thereof. In other words, it increases the compensation of these disabled men to that extent, without forcing them to accept automobiles, when they feel that they need the money worse for something else. An editorial in a certain newspaper in Mississippi some time ago said that when it rained, a couple of veterans' homes leaked so badly that they had to sleep in their Cadillacs. In other words, they forced them to take these cars instead of permitting them to take the money and use it to buy furniture, clothes, or something else they needed worse. I do not think it is the business of the Congress to force automobiles on these disabled veterans. If we are going to do anything, I think this bill should be passed as written and that they be permitted to accept the money and use it to suit themselves.

Mr. Speaker, I reserve the balance of my time.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I yield myself such time as I may use.

Mr. Speaker, I do not wish to take up the time of the House on a measure I am sure will pass unanimously. It contains the same provisions found in the bill passed by the House some weeks ago, passed unanimously.

I should like to advise the membership that many of these men as a result of having these cars can secure jobs and become taxpayers. The taxes will go to the Government for the automobiles, and every part of the automobile is taxed; so the expense to the Government is very small. It is one of the most deserving bills that ever has been presented to the Congress, and the rehabilitation people tell me it is one of the finest rehabilitation measures that has ever been proposed.

Mr. FORD. Mr. Speaker, will the gentlewoman yield?

As I understand, the purpose of the bill is to provide transportation for disabled veterans so they can become better and more adequately absorbed into society, can go to work and be productive again by having a job. The automobile is essential so they can travel from place to place.

Mrs. ROGERS of Massachusetts. That is correct, and that has proved true insofar as the veterans are concerned who have already received automobiles under previous laws of Congress.

Mr. FORD. If that is the basic assumption, and to me that has merit and justification, how can you justify the provision which allows them to take $1,600 in cash if they do not take the automobile?

Mrs. ROGERS of Massachusetts. It was the feeling of a good many, and I think it has merit, that the veterans should have the use of that $1,600. I think some Members do not realize that under the provisions of the bill the men have always been able to buy tractors for their farms. We have some amputees who own farms and need a tractor more than an automobile, for they cannot proceed with their farming without a tractor.

Mr. FORD. Would the gentlewoman object to an amendment providing that the $1,600 must be spent for something on wheels, a vehicle of some sort, so that there would be an element of rehabilitation?

Mr. RANKIN. The bill is not subject to amendment; it is called up under a suspension of rules.

Many of these boys have been obliged to sell their automobiles for little or

nothing in order to get money to buy the things they really needed.

Mr. FORD. Let me ask the gentleman from Mississippi this question: If a man had already acquired an automobile under previous legislation because he is an amputee, can he get a second one under this legislation that is now before us?

Mr. RANKIN. No.

Mr. FORD. Then what relevancy does the statement have that the gentleman from Mississippi previously made?

Mr. RANKIN. What is that?

Mr. FORD. That these boys have to sell their cars.

Mr. RANKIN. Many sold them because they needed the money.

Mr. FORD. This legislation does not help them at all.

Mr. RANKIN. This legislation enables them to get the money without being forced to take an automobile that they do not need when they need something else worse.

Mrs. ROGERS of Massachusetts. May I say this to the gentleman—I think I still have time—some of the men have already borrowed money thinking the bill would pass; and they, of course, should be protected.

Mr. FORD. Let me say to the gentlewoman that it is rather hazardous business to borrow money on the speculative passage of a bill by Congress.

Mrs. ROGERS of Massachusetts. I do not agree with the gentleman; a similar bill was once passed by this House this session. I find there is great interest all over the country in this measure. These boys are pitifully disabled. They have a handicap to overcome. As you know, if you have been in a hospital, you will appreciate what that means. They will go out and be self-supporting and will be able to compete with others in the world. I think this is a great measure.

Mr. FORD. I think it should be brought out at this point for the information of the Members and as a part of the RECORD that this legislation which we are considering in this relatively short period of time this afternoon is going to cost slightly over $27,000,000.

Mrs. ROGERS of Massachusetts. I cannot yield any further, I have such a short time at my disposal. I should like to state this is not all lost to the taxpayers. The veterans have to pay taxes on their automobiles, they pay taxes on all parts of the automobile; so it is not entirely lost. And, too, the veterans secure jobs. It is a rehabilitation measure.

Mr. RANKIN. This bill has already passed the House unanimously.

Mr. BYRNES of Wisconsin. Mr. Speaker, will the gentleman from Mississippi yield for a question?

Mr. RANKIN. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. This is in connection with the part of the bill that provides this may be paid in cash which, I understand, the gentleman from Mississippi justifies on the basis of the individual needs of some of these people; they have a greater need for the money for other purposes than they do for an automobile. I am wondering, that being the case, why the proper approach to this problem is not in an increase in compensation for these people who have lost legs, hands, or have become blind?

Mr. RANKIN. This is the bill that was brought in. It was brought before the committee in its present form and it was passed by the House unanimously. It then went over to the Senate, and the Senate modified it. We simply struck out all after the enacting clause of the Senate bill and inserted the House provisions.

Mr. BYRNES of Wisconsin. It still seems to me you have a confused situation. You point to a problem that needs correction, and you do it in a roundabout way rather than doing it directly. I think that applies to automobiles generally. If it is transportation you are worried about, I think it is much better to give an allowance to the disabled veteran for transportation. If he finds the best way to transport himself is in an automobile, well and good, he can do that. If it is by taxicab—in many cases that might be more efficient in the big cities—all right. But this binding him down to an automobile seemed to me to be a little archaic and unreasonable in the first place. Now you are broadening it, but I think it could much better be done in the field of compensation rather than in an outright grant of a sum of money.

Mr. RANKIN. I am not arguing that question with the gentleman from Wisconsin, but we arrived at this conclusion as the best manner possible to handle it, under the circumstances.

Mr. BYRNES of Wisconsin. I want to express my opposition to the legislation in this form.

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

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

Mr. WIER. I have some constituents over here in the Walter Reed Hospital. When the gentlewoman from Massachusetts says there is no opposition to this bill, I have some communications making comments similar to those just registered by the two former speakers as to why these boys are being rewarded in this way by giving them an automobile. Sixteen hundred dollars, as you know, will not buy anything but a second-hand automobile today.

In the second place, let us take a boy who is totally disabled as a result of blindness or something else. He gets the maximum of $187 or $190 a month. There is not anything in the world that is as expensive to operate as an automobile with all of its related taxes. The boys who buy these automobiles, outside of getting the pleasure they will get out of some rides, will find that they have a very expensive luxury.

I agree with the last two speakers that it would have been much better, and still would be much better, to recognize the need for help to these amputees and blind vets by an outright, let us say, premium to rehabilitate themselves. I cannot see any relationship between rehabilitation and an automobile in this particular picture.

Mr. RANKIN. The gentleman would also put the ones who lost arms and eyes on a parity with the men who lost legs?

Mr. WIER. Yes.

Mr. RANKIN. I am inclined to agree with the gentleman, but we arrived at this solution in the best manner we could under the circumstances.

I would have much preferred to increase the pay of these disabled men and let them use the money as they deemed best.

Many of them already had automobiles, and many of them needed something else worse than they needed cars.

The SPEAKER. The question is on suspending the rules and passing the bill.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the Appendix of the RECORD, or to revise and extend remarks, was granted as follows to:

Mr. WOLCOTT and to include a statement of the Railroad Brotherhood's executives on the bill H. R. 3669.

Mr. GOODWIN in four instances and in each to include extraneous matter.

Mr. GEORGE and to include an article written by a former Member of Congress.

Mr. HARRISON of Wyoming and to include an editorial.

Mr. D'EWART and to include an editorial.

Mr. MANSFIELD and to include certain extraneous material.

Mr. LOVRE and to include an article.

Mr. BEAMER and to include extraneous matter.

Mr. LANE in three separate instances in each to include extraneous matter.

Mr. HARRISON of Virginia and to include extraneous matter.

Mr. WIER and to include an editorial appearing in this morning's Washington Post entitled "Killing the Goose."

Mr. REAMS and to include an editorial from the Toledo Blade.

Mr. GATHINGS and to include an article by Mr. Ben H. Wooten, president of the First National Bank of Dallas.

Mr. HAYS of Arkansas and to include extraneous matter.

Mr. FEIGHAN and to include an article.

Mr. MADDEN and to include a letter from Miss Margaret Burosh, of Whiting, Ind.

Mr. BROWN of Ohio and to include an editorial.

Mr. ANGELL and to include extraneous matter.

Mr. DAVIS of Wisconsin and to include a newspaper article.

Mr. FARRINGTON and to include two essays.

Mr. MURDOCK and to include matter concerning the celebration held in the Library of Congress today.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. HAGEN (at the request of Mr. MARTIN of Massachusetts), for 1 week, on account of illness in family.

Mr. COUDERT (at the request of Mr. MARTIN of Massachusetts), indefinitely, on account of illness of father.

ENROLLED BILLS SIGNED

Mr. STANLEY, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 608. An act for relief of Kiyoko Matsuo; and

H. R. 1971. An act for the relief of Kirocor Haladjian, Tacouhi Haladjian, Gulunia Haladjian, and Virginie Haladjian.

ADJOURNMENT

Mr. McCORMACK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 46 minutes p. m.) the House adjourned until tomorrow, Tuesday, September 18, 1951, 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:

790. A letter from the Assistant Secretary of the Interior transmitting a copy of certain legislation passed by the Municipal Council of St. Thomas and St. John; to the Committee on Interior and Insular Affairs.

791. A letter from the Attorney General, transmitting a copy of an order of the Acting Commissioner of Immigration and Naturalization, dated November 16, 1950, authorizing the temporary admission into the United States of displaced persons, who upon arrival in possession of appropriate immigration visas, are found to be excludable as persons within the classes enumerated in section 1 (2) of the act of October 16, 1918, as amended by section 22 of the Internal Security Act of 1950; to the Committee on the Judiciary.

792. A letter from the Attorney General, transmitting a letter relative to the case of Marian Stepniak, file No. A-7073633 CR 34555, requesting that it be withdrawn from those now pending before the Congress and returned to the jurisdiction of the Department of Justice; to the Committee on the Judiciary.

793. A letter from the Attorney General, transmitting copies of orders entered in cases where the ninth proviso to section 3 of the Immigration Act of February 5, 1917 (8 U. S. C. 136), was exercised in behalf of such aliens, pursuant to section 6 (b) of the act of October 16, 1918, as amended by section 22 of the Internal Security Act of 1950 (Public Law 831, 81st Cong.); to the Committee on the Judiciary.

794. A letter from the Acting Secretary of Commerce, transmitting a draft and explanatory statement of the purpose of a bill entitled "A bill to suspend the application of sections 3114 and 3115 of the Revised Statutes, as amended"; to the Committee on Ways and Means.

795. A communication from the President of the United States, transmitting a proposed supplemental appropriation for the fiscal year 1952, in the amount of $484,240,000, for the Atomic Energy Commission (H. Doc. No. 238); to the Committee on Appropriations, and ordered to be printed.

PUBLIC BILLS AND RESOLUTIONS

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

By Mr. CELLER:

H. R. 5363. A bill to authorize the Attorney General to admit persons committed by State courts to Federal penal and correctional institutions when facilities are available; to the Committee on the Judiciary.

By Mr. DAVIS of Georgia:

H. R. 5364. A bill to amend the Federal Trade Commission Act to require that articles containing synthetic rubber shall be so labeled; to the Committee on Interstate and Foreign Commerce.

By Mr. ENGLE:

H. R. 5365. A bill to quitclaim interest of the United States to certain land in Placer County, Calif.; to the Committee on Interior and Insular Affairs.

By Mr. HARRISON of Wyoming:

H. R. 5366. A bill to amend the act of May 19, 1947, so as to increase the percentage of certain trust funds held by the Shoshone and Arapaho Tribes of the Wind River Reservation which is to be distributed per capita to individual members of such tribes; to the Committee on Interior and Insular Affairs.

By Mr. McKINNON:

H. R. 5367. A bill to amend the Tariff Act of 1930, so as to impose certain duties upon the importation of tuna fish; to the Committee on Ways and Means.

H. R. 5368. A bill to authorize the Secretary of the Interior to construct, operate, and maintain certain facilities to provide water for irrigation and domestic use from the Santa Margarita River, Calif., and the joint utilization of a dam and reservoir and other water work facilities by the Department of the Interior and the Department of the Navy, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. NORBLAD:

H. R. 5369. A bill to authorize the exchange of certain lands located within, and in the vicinity of the Federal Communications Commission's primary monitoring station, Portland, Oreg.; to the Committee on Interior and Insular Affairs.

By Mr. TOLLEFSON:

H. R. 5370. A bill to amend the Tariff Act of 1930, so as to impose certain duties upon the importation of albacore; to the Committee on Ways and Means.

H. R. 5371. A bill to amend the Tariff Act of 1930, so as to impose certain duties upon the importation of tuna fish; to the Committee on Ways and Means.

By Mr. LYLE:

H. R. 5372. A bill to provide for a preliminary examination and survey of streams in the vicinity of Alice, Tex., with a view to their improvement in the interests of flood control and allied purposes; to the Committee on Public Works.

By Mr. WIER:

H. R. 5373. A bill to authorize the heads of the executive departments and of the agencies and independent establishments of the Federal Government and the Commissioners of the District of Columbia to provide for the promotion and maintenance of recreation programs to improve the efficiency, morale, health, and general welfare of employees of their respective departments and agencies; to the Committee on Post Office and Civil Service.

By Mr. McDONOUGH:

H. J. Res. 325. Joint resolution proposing an amendment to the Constitution of the United States relative to the effect of treaties and international agreements upon the civil rights of citizens of the United States; to the Committee on the Judiciary.

By Mr. CELLER:

H. J. Res. 326. Joint resolution to suspend the application of certain Federal laws with respect to an attorney employed by the House Committee on the Judiciary; to the Committee on the Judiciary.

H. J. Res. 327. Joint resolution to suspend the application of certain Federal laws with respect to an attorney employed by the House Committee on the Judiciary; to the Committee on the Judiciary.

By Mr. REED of Illinois:

H. J. Res. 328. Joint resolution to suspend the application of certain Federal laws with respect to an attorney employed by the House Committee on the Judiciary; to the Committee on the Judiciary.

By Mr. HOFFMAN of Michigan:

H. Res. 413. Resolution amending rule XI (2) (f) of the rules of the House of Representatives to authorize committees to establish a quorum of less than a majority for the purpose of taking sworn testimony; to the Committee on Rules.

By Mr. LATHAM:

H. Res. 414. Resolution to establish a committee of the House to investigate and study duplication and overlapping of taxes; 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 Washington, memorializing the President and the Congress of the United States, relative to Senate Joint Memorial No. 1, requesting immediate protection of an adequate ad valorem import tariff which alone will prevent the destruction of the domestic tuna industry and the consequent annihilation of American and Washington livelihoods dependent upon such industry; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. BERRY:

H. R. 5374. A bill authorizing the issuance of a patent in fee to Bernard (Barney) Red Tomahawk; to the Committee on Interior and Insular Affairs.

By Mr. COUDERT:

H. R. 5375. A bill for the relief of Nina Makeef, also known as Nina Berberova; to the Committee on the Judiciary.

H. R. 5376. A bill for the relief of the estate of Rene Weil; to the Committee on the Judiciary.

By Mr. DAVIS of Georgia:

H. R. 5377. A bill for the relief of Peter M. Shikany; to the Committee on the Judiciary.

By Mr. MORANO:

H. R. 5378. A bill for the relief of Nicholas Niarchos, Sofia Niarchos, and Gika Niarchos; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII,

420. The SPEAKER presented a petition of the Adjutant General, United Spanish War Veterans, Washington, D. C., relative to requesting the denial of the ballot to the Communist Party; outlaw the Communist Party as an agent of a foreign government; to declare every American citizen who is a member of the Communist Party a traitor to his country and place him on trial as such; to declare all alien Communists within our country as enemy spies and deal with them accordingly; which was referred to the Committee on House Administration.